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# 2024 Post-Election Analysis: Trade and Tariffs

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## Trade Agenda for Donald Trump's Second Term and the Role of the 119th Congress

Donald Trump's first term as president was defined by a protectionist trade policy focused on renegotiating trade agreements and imposing tariffs. His "America First" agenda aimed to reshape global trade to benefit US interests. In his second term, these policies will remain central to his economic strategy, and he has already begun to lay the groundwork, announcing his intention to impose a 10 percent tariff on all imports from China and a 25 percent tariff on goods imported from Canada and Mexico on his first day in office. With Republicans holding a majority in both chambers of the 119th Congress, his trade agenda is likely to gain renewed momentum; however, it will face challenges as both the political landscape and the global trade environment continue to evolve.

This alert will explore what a second Trump administration's trade priorities will look like and how a Republican-controlled Congress will play a critical role in advancing or modifying those policies.

## Trade Priorities for the Second Trump Term

The President-elect has nominated Howard Lutnick, CEO and Chairman of Cantor Fitzgerald and co-chair of the Trump Transition, to serve as Secretary of Commerce, and hedge fund manager Scott Bessent to serve as Secretary of the Treasury. If confirmed by the Senate, Lutnick will play a crucial role in shaping trade policy by advocating for U.S. businesses, overseeing the enforcement of trade laws, and promoting fair trade practices. As Commerce Secretary, Lutnick will collaborate with Bessent to ensure that tariffs and trade policies support the economic interests of the new administration. Meanwhile, Bessent, if confirmed, will play a key advisory role in trade and tariff policy, providing economic analysis on the potential impacts of tariffs on the U.S. economy, industries, and global financial markets. The president-elect has also named Jamieson Greer to serve as United States Trade Representative, a role he is familiar with having served as chief of staff to the USTR in the first Trump administration. Greer's elevation to USTR indicates the new administration intends to continue and likely expand upon the trade and tariffs policies of the first term. While he will not have direct authority to impose tariffs, Bessent will work closely with USTR and the Commerce Department, offering expertise on how tariffs align with the administration's broader economic goals. As Treasury Secretary, Bessent will also monitor the effects of tariffs on currency values and financial stability, helping to manage the economic consequences of trade disputes or sanctions.

### Rebuilding the US Manufacturing Sector

One of Trump's signature promises during his first term was the revival of American manufacturing, a key component of his broader "America First" agenda. He often argued that US factories had been hollowed out due to global trade deals, offshoring, and unfair trade practices by countries like China. In a second term, Trump will focus on continuing to incentivize the growth of US manufacturing, particularly in sectors critical to national security and economic competitiveness.

Regarding China, he has said he intends to impose a 60% tariff (or more) on all Chinese goods utilizing Section 301 of the US Trade Act of 1974. He intends to use the tariffs to initiate a four-year plan aimed at phasing out the import of essential goods produced in China. During his first term, he also proposed revoking China's "most favored nation" trade status and may succeed in the next congress with Republicans controlling both chambers. Following the November 5 election, Rep. John Moolenaar (R-MI) introduced the *Restoring Trade Fairness Act* which would revoke China's Permanent Normal Trade Relations (PNTR) which gives China preferential tariff treatment. Congressman Moolenaar is chair of the House Select Committee on the Chinese Communist Party.

More broadly, the new administration will support policies such as:

- Tax breaks, incentives, or even direct subsidies to encourage companies to bring manufacturing back to the US. This could include targeted policies for industries like steel, automotive, semiconductors, and rare earth minerals—sectors that have strategic importance both for national defense and economic stability.
- More government “Buy American” procurement policies that require federal agencies to prioritize domestically produced goods and services. This would be in line with the President-elect’s push for trade practices that prioritize US jobs over foreign competition.

# Tariff Policies and Trade Protectionism

Tariffs were one of the most defining features of Trump’s first term when he imposed billions of dollars in tariffs, primarily targeting China, to level the playing field for US manufacturers. While some critics argue that tariffs led to increased costs for US consumers, Trump maintained that they were necessary to address trade imbalances and punish unfair Chinese practices such as intellectual property theft and forced technology transfers. The Biden administration has largely continued those tariffs, which also have support from many in the Democratic Party.

In a second term, Trump has made clear he intends to continue, or even expand, his tariff policies through increased tariffs on China as well as a new global tariff. On November 25, the President-elect announced that on his first day in office, he would impose a 10% tariff on Chinese goods and a 25% tariff on goods from Mexico and Canada, saying that his intention is for the tariffs to pressure those governments to address the issues of fentanyl and illegal migration.

- Trump’s tariffs on Chinese imports were one of the cornerstones of his first-term trade agenda. While some of these tariffs were reduced in exchange for the Phase One trade deal signed in early 2020, a second Trump term could see a return to even higher tariffs on Chinese goods, as noted above, especially if trade tensions escalate or if China fails to fully implement previous agreements.
- While China would likely remain Trump’s primary trade adversary, there’s also the possibility of imposing tariffs on other countries that he perceives as trading unfairly with the US, including the European Union, Japan – or as noted above, Mexico and Canada to address other issues like drugs and illegal migration. This could be particularly true if Trump feels that trade deficits with certain countries are too large, or if US industries like agriculture, technology, or manufacturing are being undermined. During the presidential campaign, he called for universal tariffs of 10% to 20% on all imported goods. With the threat of a potential trade war, congressional Republicans may seek to pass the President-elect’s proposed *Reciprocal Trade Act*. Under the proposed legislation, if any foreign country imposes a tariff on American-made goods that is higher than the tariff imposed by the US, the president will have the authority to impose a reciprocal tariff on that country’s goods.

During the first Trump administration, both Section 232 and Section 301 tariffs included exclusion processes that allowed businesses to request relief from certain tariffs. Section 232 tariffs, imposed on steel and aluminum for national security reasons, allowed companies to apply for exemptions by showing that specific products were unavailable domestically or that the tariffs harmed their business. The US Department of Commerce reviewed these requests with a public comment period. Similarly, Section 301 tariffs on Chinese goods permitted businesses to request relief by proving economic harm or a lack of alternative sources, with the US Trade Representative (USTR) overseeing the process. While it's unclear whether a second Trump administration will reinstate these exclusion processes, it’s likely they could be continued or modified, depending on the administration’s trade priorities and policies. In support of entities submitting exclusion requests, ML Strategies actively worked to secure letters of support from relevant Members of Congress.

The new Trump administration may also expand the use of antidumping/countervailing duty (AD/CVD) investigations along with expanding the use of export controls to protect national security, support foreign policy objectives, comply with international treaties, prevent the proliferation of weapons, safeguard sensitive technologies such as AI, semiconductors, quantum computing, and biotechnology.

# Bilateral Trade Deals over Multilateral Agreements

A key feature of Trump’s trade policy was his preference for bilateral trade deals over multilateral agreements. During his first term, he withdrew the US from the Trans-Pacific Partnership (TPP), arguing that it hurt American workers. Instead, he focused on one-on-one trade agreements, such as renegotiating NAFTA into the United States-Mexico-Canada Agreement (USMCA).

Under the USMCA, there is a six-year renegotiation provision that mandates a review of the agreement in 2026. This provision requires the US, Mexico, and Canada to meet every six years to evaluate how the agreement is functioning and discuss potential updates or changes. The goal is to ensure the agreement stays relevant and adaptable to shifting economic conditions, trade practices, and geopolitical dynamics. After the six-year review, the agreement could be extended for another 16 years, but only if all three countries agree. If the parties cannot reach an agreement to continue or modify the deal, the USMCA could be terminated after 16 years.

In a second term, Trump will continue this approach, focusing on securing more favorable bilateral agreements with both major economic powers and smaller, strategically important countries. These deals would prioritize American workers and industries and could include provisions related to intellectual property, labor standards, and environmental protections—consistent with Trump's focus on trade deals that benefit the US specifically.

## Supply Chain Resilience and National Security

The COVID-19 pandemic exposed vulnerabilities in global supply chains, particularly in industries like pharmaceuticals, medical supplies, and electronics. Trump has long advocated for reshoring critical industries to the US to reduce reliance on imports, particularly from adversarial nations like China.

In his second term, this issue would likely be a major focus, with potential policy efforts including:

- Repatriating key manufacturing to bring critical manufacturing jobs back to the US, particularly in high-tech sectors like semiconductors and biotechnology. This would be framed as both an economic and national security imperative. Trump may call for the creation of a Western Hemisphere alliance aimed at boosting private sector investment to support critical mineral supply chains.
- Continued investment in strategic stockpiles of critical materials and goods, such as medical supplies, to reduce the US's dependence on foreign suppliers for essential products.
- Appointment of a manufacturing ambassador whose job would be to "convince major manufacturers to pack up and move back to America," according to the President-elect.

# Working with the 119th Congress

In the 119th Congress, leadership on congressional committees dealing with international trade will largely remain the same, though with some key changes. At the Senate Finance Committee, leadership roles will reverse, with Sen. Mike Crapo (R-ID) becoming chair, while Sen. Ron Wyden (D-OR) will shift to the ranking member position. However, Democratic leadership at the Subcommittee on International Trade will change, as Sen. Tom Carper (D-DE), the current chair, is retiring. Although Sen. Wyden is next in line to succeed him, he is unlikely to do so due to his new role as chair of the full committee. Other potential successors, like Sen. Debbie Stabenow (D-MI), Sen. Ben Cardin (D-MD), and Sen. Sherrod Brown (D-OH), have either not sought reelection or were defeated. It remains to be seen whether Sen. Michael Bennet (D-CO), who is next in line, will take on the leadership role. On the Republican side, Sen. John Cornyn (R-TX), the current ranking member, is expected to take over as chair of the subcommittee.

In the House Ways and Means Committee, Chairman Jason Smith (R-MO) and Ranking Member Richard Neal (D-MA) will continue in their roles. On the Subcommittee on Trade, Rep. Adrian Smith (R-NE) will remain chair, while Democrats will select new leadership, as Rep. Earl Blumenauer (D-OR), the current ranking member, did not seek reelection. Rep. Jimmy Panetta (D-CA) is next in line to succeed Blumenauer as ranking member.

With unified Republican control of Congress, Trump's policies will have strong legislative backing, although this doesn't mean a smooth ride for every proposal, especially in the House of Representatives where Republicans will have a very slim majority.

## Congressional Support for Trade Initiatives

The Republican Party, especially in recent years, has largely supported Trump's trade agenda, especially the emphasis on protecting US workers and industries. In fact, a Republican-controlled Congress could enhance Trump's ability to pass legislation related to his trade priorities.

There may be bipartisan support for additional funds to help American workers displaced by foreign competition, especially in industries hit hard by tariffs through Trade Adjustment Assistance and Worker Retraining. While Democrats have typically championed such programs, the GOP might align with Trump's emphasis on protecting US jobs, especially in manufacturing.

We could also see a renewal of the Generalized System of Preferences (GSP) program which provided duty-free access to the US market for certain products from eligible developing countries and expired on December 31, 2020. Attempts to renew GSP have failed over partisan disagreements over labor and environmental standards supported by Democrats, but in a Republican-controlled Congress, we may see a renewed effort to reauthorize the program.

## Tax Incentives and Economic Stimulus

With a Republican majority in Congress, the new president will have strong backing for tax reforms aimed at revitalizing US manufacturing and encouraging businesses to relocate or expand domestically. Key provisions may include additional corporate tax cuts, particularly for manufacturing companies, to stimulate domestic production. In addition, there could be increased federal funding for industries critical to national interests, such as aerospace, energy, and telecommunications. With Republican support, these initiatives may take the form of subsidies or low-interest loans to US companies, further incentivizing investment in domestic industries.

# Partisan Conflict Resolution and Bipartisan Collaboration

While Republicans generally align with Trump's economic nationalism, there may still be areas of divergence. For example, more moderate Republicans might be hesitant to support aggressive tariffs on US allies, such as the European Union or Canada. There may also be divisions on how to handle trade relations with countries like China, with some Republicans advocating for a more conciliatory approach rather than a confrontational one.

In such cases, Trump may need to negotiate with moderate members of his own party or even Democrats to reach a consensus on key trade issues. However, with the Republican Party largely in alignment with his broader agenda, Trump would likely have significant leverage to push through his trade policies.

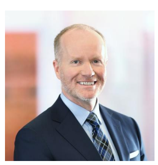
# Key Challenges Ahead

Despite the benefits of a Republican-controlled Congress, Trump's second term will still face significant challenges. On the global front, the US may encounter escalating trade tensions with China, the European Union, and other major trading partners. Trump's tariffs and economic nationalism could trigger retaliatory measures, potentially damaging US exports. Additionally, some Congressional Republicans may resist overly protectionist policies, especially if they believe such measures could raise costs for US consumers or businesses. Striking a balance between national security, economic competitiveness, and free-market principles will be a complex challenge for Trump and his allies in Congress.

# Conclusion

As Donald Trump returns to the White House with a Republican-controlled Congress, navigating the complexities of US trade policy will be a pivotal challenge. With ambitious goals for reshoring manufacturing, expanding tariffs, and securing bilateral trade deals, the administration will face both opportunities and obstacles. At ML Strategies, we are well-positioned to help businesses and stakeholders navigate these evolving trade dynamics, providing expert guidance on policy developments, regulatory changes, and strategic decision-making. Whether addressing new tariff policies, trade negotiations, or supply chain issues, our team is here to support you in staying ahead of potential risks and seizing opportunities in the changing trade landscape.

## Authors

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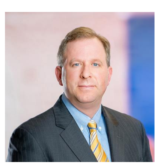
Neal Martin brings more than two decades of experience in government and federal relations to his work, helping clients navigate a wide range of issues. He provides strategic guidance to organizations seeking to advance their legislative priorities and enhance their visibility before Congress and federal agencies.



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