

**SPOTLIGHT REPORT**

February 6, 2024

## Trump's Trade Policy Proposals

**What's Happening:** Former President Trump is campaigning on several extreme trade policies he claims he will implement if he returns to the White House, including universal baseline tariffs.

**Why It Matters:** On the campaign trail, politicians often make promises they do not deliver on, but they are telling of the policy directions they will take if put in office. **Trump's trade proposals are no different; they should be taken seriously, but not literally.** Trump may not impose 60 percent tariffs on all imports from China, but increased tariffs on some goods would be a realistic possibility. However, **it is important to understand that there are possible paths that do not rely on Congress to implement many of these measures, including the universal baseline tariffs.** While the use of executive power in this manner would be unprecedented in recent memory, we expect that many of the institutional checks around Trump during his first term will not be there during a second term. Instead, close advisers will be prioritized for loyalty and ideological affinity, giving figures like former US Trade Representative Robert Lighthizer significant sway in the administration. Additionally, it will mean that these officials will be more willing to work with Trump toward achieving these goals than trying to modify them to make them survive [legal challenges](#) or minimize economic damage. **Collectively, this will make these radical proposals possible, though we are hesitant to say that they, in their campaign form, are likely to be implemented.**

**What's Next:** As the campaign progresses, look for Trump to release more details on these measures. While they may not be what is exactly implemented, his comments will provide insight into his thinking on these measures and what contours he may consider in office. Examples include whether the universal baseline tariffs would be additive to other measures or, if they would be a minimum standard, and whether they would apply to countries with which the US has free trade agreements. Another area that we will be watching for is any comments about tariffs on the European Union, a topic he has addressed relatively little.

### Trump's Universal Baseline Tariffs Proposal

On former President Trump's [campaign website](#), one of the issues addressed directly is

trade policy. Included here is the proposal of “universal baseline tariffs.” **While the website does not include a specific number on this level, Trump has floated 10 percent in interviews since the policy was published.** Several details about the tariffs remain unanswered, such as whether they would be in addition to existing tariffs or if they would just make all imports have a minimum of a 10 percent tariff. Also unknown is whether the duties would apply to goods from countries with which the US has free trade agreements, such as Canada and Mexico.

If elected, an additional uncertainty is how Trump would impose these tariffs. Would he use executive action or look to Congress to pass legislation? Former US Trade Representative Robert Lighthizer, who served in Trump’s first administration and is widely expected to have a prominent position if Trump wins in November, has argued that Trump would have clear authority to impose these tariffs through executive action. **The two avenues for executive action would be through the International Emergency Economic Powers Act (IEEPA) and Section 338 of the Tariff Act of 1930, which would be unprecedented in recent memory.**

[IEEPA](#) gives the president significant authority over the economy to respond to an “unusual and extraordinary threat, which has its source in whole or substantial part outside the United States.” IEEPA gives the president the authority to regulate imports, but no president has used IEEPA to impose tariffs. **[President Nixon used IEEPA’s predecessor to impose a 10 percent tariff on all imports in 1971 through an executive order.](#)** These tariffs lasted only for a few months, though, being proposed in August and stopped by the end of the year. Trump also [threatened Mexico](#) with tariffs under IEEPA in 2019, but they were never imposed.

As for [Section 338](#), this allows the president to impose tariffs when US companies are being discriminated against in some way. **While still on the books, Section 338 has not seen much use since 1949.** For tariffs to be imposed under this authority, an investigation would first occur, which could be initiated by the government or private-party petitions. If that investigation finds discrimination, Section 338 allows for tariffs of up to 50 percent of a product’s value. Then, if the country is deemed to continue its discriminatory actions, the president could block imports from that country.

**Of these two authorities Lighthizer sees as options, Section 338 is likely the slower process given the need for an investigation first, which would likely take months.**

For comparison, the [Section 232](#) steel and aluminum investigations launched in Trump’s first administration took nearly a year to complete, stretching from April 2017 to March 2018. In the Mexico instance, [Trump invoked IEEPA authority](#) on May 30th, 2019 and declared that tariffs would begin less than two weeks later on June 10th, 2019. Thus, **if a similar authority was claimed to impose the universal baseline tariffs under IEEPA and done through an executive order on Trump’s first day in office, the duties could take effect as soon as early February 2025.**

While executive action may be a procedurally faster avenue for imposing these tariffs, Trump could still rely on Congress instead. Using legislation for the duties would make it

more difficult for a future president to revoke the tariffs, but its passage would be far from assured. One question would be whether the measure would pass as a stand-alone bill or be attached to another vehicle. **An option, in the event of a Republican sweep, would be to include the tariffs as a pay-for in the tax reform legislation expected in 2025.** The Committee for a Responsible Federal Budget (CRFB) [estimated](#) that the tariff would raise about \$2.5 trillion over a decade. However, the analysis noted that it could be closer to only \$2 trillion in the case of retaliatory tariffs that cause the US economy to slow. If the 10 percent tariff is on top of existing measures, [an estimate](#) from the Tax Foundation determined that this could raise more than \$300 billion a year, or over \$3 trillion in a decade.

**The money raised from the universal baseline tariffs could cover roughly two-thirds to three-quarters of the [projected cost](#) of extending the expiring Tax Cuts and Jobs Act provisions, estimated at \$3.3 trillion by the CRFB, through 2033.** Offsetting the tax bill's cost is necessary for any provisions beyond the budget window, typically ten years, but it is unnecessary in the first ten years. Still, if using budget reconciliation for tax reform, Republicans are likely to offset the tax cuts where possible. This tariff could provide a significant source of revenue to do so and alleviate some of the pressure to find money elsewhere, like the Inflation Reduction Act tax credits. Trump will also likely pressure members to use it as a pay-for if he leaves it to Congress.

**If Trump pursues universal baseline tariffs through executive action or legislation, there is likely a greater risk of retaliation than in his first administration.** Then, some allies, like Japan and South Korea, did not impose retaliatory tariffs under the belief that the duties would soon be lifted or that relief would be offered. That benefit of the doubt will not exist during Trump's return to the White House, which raises the chances of other countries imposing duties on US goods. On the surface, this threat may not give Trump much hesitation, given his American First mentality, and may mean that the economic consequences have to be felt before he is willing to back off.

## China in the Crosshairs

**In addition to the universal baseline tariffs, Trump is considering measures targeted specifically at China, including a [60 percent tariff](#) on all Chinese imports, revoking China's Permanent Normal Trade Relations (PNTR) status, and "a four-year plan to phase out all Chinese imports of essential goods."** These actions would upend the US-China economic relationship and take the Biden administration's targeted de-risking toward a much broader decoupling. There will be significant pressure on businesses to relocate from China as one of the policies mentioned on Trump's campaign website is "[banning] federal contracts for any company that outsources to China."

The policy that has received the most attention is Trump's tariff threat on Chinese imports. In an [interview this past weekend](#), Trump confirmed he is considering the duties and floated the possibility that the duties could be "more than" 60 percent. This threat comes as no shock as we expect that if Trump returns to the White House, the focus on the US-

China relationship will shift from high-tech competition to emphasizing bilateral trade. **There are fewer doubts about Trump's authority to pursue this policy than his universal baseline tariffs, as it would likely be done through an extension or revision of [the Section 301 tariffs](#) imposed during his first term, which were up to 25 percent.** The Biden administration has been [reviewing these](#) tariffs for almost two years now. It has yet to say if it will alter them in any way, a reflection of the complicated domestic politics of lifting tariffs once imposed, but it could be announced in the coming weeks. If Trump were to go down this avenue again, there would probably be another [exclusion process](#) run, but this should not be relied on as almost 90 percent of all requests were denied under the Trump administration.

**Imposing tariffs through Section 301 would require an investigation and a notice-and-comment rulemaking period. This likely means these tariffs would not be in effect for about a year after the investigation was announced.** This timing would be similar to the [Section 301 process](#) from Trump's first term, which saw the investigation announced in August 2017, a report on the findings released in March 2018, and then the first list of goods to be hit by the tariffs published in June 2018.

Overlapping with the possibility of imposing new tariffs is [revoking China's PNTR status](#), which is the modern equivalent of a Most Favored Nation trade status. **If PNTR were removed for China, it would lead to new tariffs being imposed on Chinese goods, which are currently not in effect due to the country's trade status.** Research reports have estimated different impacts of the change. [One study](#) from Oxford Economics, commissioned by the US-China Business Council, found that revoking China's PNTR status would damage the US economy, causing job losses and a cumulative loss of nearly \$2 trillion in US GDP over five years. On the other hand, the Coalition for a Prosperous America, which represents manufacturing and agricultural protection that support import protection, [estimated](#) that the revocation would create jobs and increase the US economy by 1.75 percent.

**Revoking China's PNTR requires congressional involvement, which could make it politically difficult to achieve. It may mean that tariffs through executive action are the more likely route for Trump to target China.** The most recent instance of PNTR revocation was in 2022, when the government revoked Russia's PNTR status after it invaded Ukraine. If Trump is in the White House, we expect a GOP sweep, which could mean that a bill passes the House but may not advance in the Senate under regular order. Like the universal baseline tariff, this could be another revenue-generating measure that lawmakers look at to offset the cost of the tax package. Still, the idea has not gained widespread support, and the need for Congressional involvement could mean it does not move forward.

**If Trump were to pursue any of these trade policies targeting China, retaliation should be expected, similar to what happened during Trump's first term. With Trump aiming bigger, there is little reason to believe that China would not look to retaliate on a proportional basis and impose tariffs on an equally large range of goods.** In addition, other avenues for retaliation could be targeted, such as access to critical

minerals. However, given Trump's focus on trade, tariffs may be the most effective way to get his attention.

## Restarting the Transatlantic Dispute

Trump's return will also reignite the trade war with Europe that President Biden has sought to put on the back burner. Biden initially suspended the steel and aluminum tariffs in 2022 and [extended the suspension](#) in December until 2026. This pause has allowed the US and European Union to work toward a settlement addressing excess capacity in non-market economies and promoting greener steel. However, an agreement has yet to be reached.

**Notably, trade with Europe is not mentioned on Trump's trade policy page, indicating that it will be a secondary priority, but it will not be off his radar.** If he returns to office, the hiatus under Biden will almost certainly end, which would also restart the retaliatory tariffs from the EU on American goods.

**In addition to reinstating the steel and aluminum tariffs previously in place, it would not be shocking if Trump at least threatened and potentially imposed additional duties.** One target frequently mentioned in his previous term was the European [auto industry](#). During his first term, he threatened tariffs [as high as 25 percent](#) on these imports. The tariffs are a negotiating tool for Trump to achieve a trade deal with the EU. However, there will likely be little European willingness to negotiate, at least at the start of his term, and instead, he is more likely to see retaliatory tariffs imposed. The goal of this trade deal would be to limit Europe's protection of its agricultural industry and reduce other trade barriers. Still, such an agreement saw little progress during Trump's first term and has remained elusive even under Biden's presidency.



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