



Potential Trade and Tariff Outcomes in 2025

December 12, 2024

Possible Trump Tariff Proposals in 2025

Mexico, Canada, China Tariffs: On November 25, President-elect Trump announced a 10 percent added tariff on all goods from China and a 25 percent added tariff on all goods from Mexico and Canada, starting on Day 1, to address the flow of fentanyl into the U.S... unless the countries work out a deal with the U.S. on increased drug enforcement.

- **Probability: High.** President Trump will likely invoke the **International Emergency Economic Powers Act (IEEPA)** to declare a state of emergency and impose the tariffs. This is a different process than the 301 tariff process, which Trump used in 2018 and 2019 to impose tariffs on Chinese-made products. Unlike Section 301, IEEPA does not require an investigation or public hearing before tariffs can be imposed. Trump could move relatively quickly, though it is unclear how much time U.S. Customs & Border Protection (CBP) might need to implement the tariffs.
- **One more thing:** Trump previously invoked IEEPA in 2019 to declare an immigration emergency and threaten Mexico with tariffs starting at 5 percent that would increase every month. He gave companies just 10 days before tariffs would hit ... but he worked out a deal with Mexico before following through on the tariffs. [Read Trump's IEEPA statement from 2019.](#)

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Additional China Tariffs: Trump has said in interviews he would hit Chinese goods with tariffs of 60 percent or higher.

- **Probability:** **Almost certain, although the rate may not be as high as 60 percent.** Trump could impose tariffs on Chinese-made products *in addition* to the 10 percent threat related to fentanyl, which is focused on addressing one specific concern with China. President Trump already has existing trade tools to raise tariffs. In 2018 and 2019, he used Section 301 to impose tariffs ranging from 7.5 percent to 25 percent on Chinese-made goods, creating 5 separate lists of products. List 4A place an added 7.5 percent rate on many footwear products, but Trump froze List 4B (which included the rest of footwear) after he worked out the Phase One deal with China. Trump could increase the rates on any of the first four lists and/or unfreeze List 4B. Tariff retaliation from China would result in Trump imposing even more tariffs, which we witnessed during the last Trump Administration.
- **One more thing:** Chinese behavior has not changed since Trump imposed the original 301 tariffs on \$300 billion worth of trade from China – both in terms of promised purchases of U.S. agricultural exports and creating a stronger intellectual property (IP) environment in China. Trump believes he needs to go much higher on tariffs than he did during his last administration.

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Across-the-board tariffs: Trump has put forward the idea of an across-the-board 10 or 20 percent tariff on all imports.

- **Probability: High.** There is precedent for this type of bold action. Nixon imposed 10% across-the-board import taxes for four months in 1971. President Trump has multiple tools to accomplish this:
 - Use the **International Emergency Economic Powers Act (IEEPA)** to declare an economic emergency and impose across-the-board tariffs. IEEPA has never been used this broadly.
 - Target *specific countries* with **Section 301 tariffs** (unfair trade practices) or *specific products* with **Section 232 tariffs** (national security), although both require investigations that would take months.
 - Use **Section 122 of the Trade Act of 1974** to put in place tariffs for 150 days on countries with which the U.S. has a trade deficit. Congress could extend the tariffs after 150 days.
 - Use **Section 338 of the Trade Act of 1930** to impose tariffs of up to 50 percent on countries that discriminate against the U.S. If the country continues to discriminate, the President could block imports from that country. This tool has not been used in 70 years.
- **One more thing:** The 2024 Republican Party Platform states, “Republicans will support baseline Tariffs on Foreign-made goods ... As Tariffs on Foreign Producers go up, Taxes on American Workers, Families, and Businesses can come down.”

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Policy consideration #1: The Art of the Deal

- Trump uses tariffs or the threat of tariffs as a negotiating tool. The end goal is almost always a deal.
- Some examples of tariff deals during the last Administration:
 - **Section 232 national security tariffs:** Originally imposed on all steel and aluminum coming into the U.S., Trump worked out deals to exempt Argentina, Australia, Brazil, Canada, the EU, Mexico, and South Korea.
 - **Section 301 China tariffs:** Trump froze List 4B (which included some footwear) after he negotiated a deal with China to strengthen its IP environment and buy more U.S. agricultural goods. Retaliation between the U.S. and China prior to the deal led to a lot of tariffs being put in place, including those on consumer goods. List 4A (which includes footwear) is still in effect.
 - **International Emergency Economic Powers Act:** In 2019, Trump declared a national immigration emergency and threatened a 5% added tariff on Mexican-made products that would increase every month ... but he never imposed the tariffs, because Mexico agreed to a deal for increased immigration enforcement.

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Policy consideration #2: The Economy

- Trump has conflicting policy goals: lower inflation AND raise tariffs
- **Wall Street vs. Trade Protection:** Trump is filling his Cabinet with Wall Street veterans like Scott Bessent (Treasury) and Howard Lutnick (Commerce) as well as trade protectionists like Jamieson Greer (U.S. Trade Rep) and Peter Navarro (Senior Counselor for Trade and Manufacturing). Like the last Trump Administration, we expect these advisers to compete to win Trump's support for their policy viewpoints.
- **An example from last time:** Trump's former U.S. Trade Rep Robert Lighthizer: "In our original discussion of a [Section 301] remedy, I wanted to use the broad powers in the International Emergency Economic Powers Act to construct a new regime to limit Chinese investment in U.S. technology. Of course, institutional Treasury Department forces opposed that. Losing the battle for control of Chinese investment in the U.S. was my one regret."

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Revoking China's trade status: Revoking China's Most Favored Nation (MFN) status has become a top talking point among Republicans. This is also known as ending China's permanent normal trade relations (PNTR) with the U.S.

- **Probability: Medium** – this proposal has more support than ever on Capitol Hill. The 2024 Republican Party Platform states, “Republicans will revoke China's Most Favored Nation status.” Vice Presidential candidate J.D. Vance is an original cosponsor of a bill to revoke China's MNF status, the [China Trade Relations Act](#). The bill would require annual presidential approval for China to receive MFN treatment.
- During a May 17, 2023 hearing before the China Select Committee, Former Trump Trade Representative Robert Lighthizer said he would support taking away China's MFN Status, stating, “Should we take back permanent normal trade relations? Absolutely. It was a mistake. Of course, we should take it back.” Others have pushed back strongly on the idea, including former Trump White House trade official Clete Williams, who said taking away MFN would be “catastrophic” and a “a kill shot” to the U.S.-China relationship.
- **One more thing:** Taking away MFN for China would mean all goods from China are hit with the higher Column 2 tariff rates in the U.S. Harmonized Tariff Schedule (HTSUS). The only countries that currently have Column 2 rates are Cuba, North Korea, Russia, and Belarus.

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All Tariff Policy: On June 13, 2024, in a private meeting with Republicans on Capitol Hill, Trump first put forward the idea for an “all tariff policy” that would eliminate the federal income tax and offset the cost with new tariffs.

- **Probability: Low** – this policy would require an Act of Congress. Republicans will likely have a one-seat majority in the House to pass any legislation.
- **One more thing:** Economists at the Peterson Institute highlighted it would be impossible for the U.S. government to find enough tariff revenue to completely replace the federal income tax. Read their analysis [here](#).
- **Yes, but:** House Republicans want to extend the Trump tax cuts, which are expiring in 2025 ... But they must find offsets to make up for the lost government revenue. The House Ways & Means Committee, which oversees trade and tax policy, is considering writing the existing tariffs into law (and making them permanent) to “pay for” the Trump tax cuts.