

A First Look at President Trump's 'America First Trade Policy'

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The Trump administration has provided an anxious world with an initial indication of what an "America First Trade Policy" will look like. In an Inauguration Day memorandum to agency heads, the president outlined a wide range of trade programs and conditions that will be reviewed to assess their alignment with U.S. economic interests.

As summarized below, several reports on the current state of trade policy and outcomes are expected over the next few months. Notably, the signaled day-one imposition of 25 percent tariffs on all imports from Canada and Mexico did not take place, and it remains to be seen if the threat of such tariffs might instead serve as the first round in a perhaps accelerated renegotiation of the United States-Mexico-Canada Agreement (NAFTA 2.0). No one, however, can yet be confident that such tariffs will not be imposed by Feb. 1, the new action date most recently mentioned by the president (who has also indicated that additional 10 percent tariffs may be imposed on China by that date).

In any event, the depth and detail of the programs and policies to be reviewed and implemented according to the America First Trade Policy are significant. The Trump administration has indicated a clear intention to shift away from trade policy as a second-tier aspect of overall U.S. global political strategy towards an affirmative treatment of trade as a primary national goal. This in turn will require a weighing of all aspects of trade relationships, policies, laws and regulations against U.S. national economic interests, narrowly defined. Missing, however, from the initial posture is any analysis of the impact of such policies on broader U.S. economic interests, including the difficulty of maintaining strong exports should countries faced by U.S. tariffs or other trade restrictions choose to retaliate. The EU is moving to accelerate adoption of a free-trade agreement with the Mercosur group of countries in South America and toward modernization of its free-trade agreement with Mexico. Meanwhile, Canada is reportedly preparing a retaliation list, whereas Argentina has recently announced that it will seek a free-trade agreement with the United States in 2025. Moreover, there is undoubtedly tension between high tariffs and reducing U.S. inflation.

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