

Reading the Trump Playbook: The Global Economy Waits

Sean Randolph – November 11, 2024

The Trump presidency will reshape the United States' relationship with the rest of the world. Changes from the current administration will be abrupt, starting with a long list of "day one" and other campaign promises: ending the war in Ukraine, the mass deportation of undocumented immigrants, accelerating the review of the US-Mexico-Canada Trade Agreement, imposing tariffs on Mexican imports if drug flows continue, increasing tariffs on China by 60 per cent and on all trading partners by 10-20 per cent—just to get started. This is even before strategic questions like Ukraine, Russia and US leadership in Nato.

Any of this could happen. The question now is whether President-Elect Trump plans to use these promised changes as negotiating leverage (for example to prompt higher defense spending in Europe and Taiwan) or whether they stand on their own. It will probably be a mix of both.

Putting aside strategic issues, here are some early takeaways on the economic side:

China: The United States' hard line with China on technology, trade and security will continue. Tariffs will likely rise, whether across the board or selectively, and if they do China will reciprocate. His 2021 "Phase 1" trade agreement with China was not effective (our deficit is higher), so that will be a starting point. What's less clear is whether current U.S. efforts to cooperate with China in fields like climate change will continue. Given Trump's climate skepticism and support for fossil fuels they may go over the side, leaving a narrower band of activity where the two countries can collaborate.

Immigration: The mass removal of undocumented immigrants would deprive California and the U.S. of a significant part of its workforce. Unlike most developed economies and China, which have shrinking workforces, the population and workforce in the United States have been growing – giving us an advantage. Immigration has made the difference. That could change if workers are expelled, impacting both costs and access to labor.

Skilled immigration may also be affected. The denial rate for H1B visas soared during Trump's first term. He also tried to narrow the qualifications for potential applicants (a move the courts blocked on procedural grounds). Expect a return to form in a second Trump term – unless Elon Musk and Trump supporters in Silicon Valley change his mind.

Trade: New free trade agreements are off the table, and there won't be much interest in international organizations like the WTO either. This won't be a big change from the Biden Administration's policies, which have avoided new trade agreements and have failed to invest in reforms that might have made the WTO more effective. In this regard the Biden and Trump administrations will be similar, emphasizing domestic jobs and employment over trade, and avoiding global commitments that would further open U.S. markets.

Trade partners can expect the more frequent threat or use of tariffs, with national security as a rationale. Trump has described himself as "tariff man", proposing new levies of 10-20% across the board and 60% on China.

Mexico: The US-Canada-Mexico Trade Agreement (USMCA), the successor to NAFTA that Trump negotiated in his first term, is up for review in 2026. A Trump Administration may accelerate that schedule. One likely target will be China's investment in Mexico's auto sector, which brings the potential for imports to the U.S. of Chinese EVs made in Mexico. This was already a topic in the Biden Administration and will rise in visibility.

It's an open question how nearshoring (the movement of offshore production from China to friendly countries close to the U.S.) and friendshoring (production in closely aligned countries) will be affected. As a candidate Trump attacked U.S. companies like Caterpillar that were planning to invest in Mexico. His preference will be for production in the U.S.

Tech: Federal regulation of business will be reduced, which could make U.S. businesses more competitive. Expect an overhaul of the Federal Trade Commission (FTC), where tech companies have been in the regulatory crosshairs and Commission head Lina Khan has talked about breaking up Google. That's not going to happen. Plans by the Commerce Department to use patents as a way to influence drug pricing will also go out the window.

Tone: The tone will be transactional. Expect to hear less talk of democracy and values. Trump's personal relationship with other heads of government could be influential.

The policies of the new administration will have large and still unforeseeable impacts at home and will critically affect our political and security relationships with other countries. Our global economic relationships will also be affected, for better or for worse. Business leaders will need to closely monitor and adapt to the policy changes that are coming.

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