Trump re-election signals need for businesses to prepare for impending global trade shifts

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In brief

What happened?

The November 5 election results have positioned former President Donald J. Trump to become the 47th President of the United States. Republicans have gained a 53 to 47 seat majority in the Senate, pending potential recounts in two races, and are projected to retain a slim majority in the House.

Why is it relevant?

President-elect Trump has proposed substantial tariffs aimed at reshaping US trade relations and encouraging domestic manufacturing. His proposals include a general 10% to 20% tariff on all imports, with a potential 60+% tariff specifically targeting Chinese origin imports. Additionally, Trump has proposed significant tariffs of 100% to 200% on vehicles manufactured in Mexico, and as his campaign concluded he proposed a broad 25% tariff on all Mexico-origin goods coming into the United States. Each of these proposed measures could have a major impact on companies reliant on Mexican Maquiladora operations.

Observation: Tariff impact will be driven by sourcing and manufacturing locations and may drive cost increases across supply chains. President-elect Trump's tax proposals, which include lowering corporate tax rates to encourage domestic production, will also need to be considered. While the president can impose tariffs unilaterally in some cases, Congressional action may be required for certain of his tariff proposals and ultimately for revenue to be counted toward offsetting costs in a tax reform bill. Consequently, Republican control of the White House and Congress and the legislative environment could significantly affect these proposals.

Action to consider

The anticipated trade landscape of 2025 will likely involve substantial disruption and uncertainty. To navigate this environment, companies should start by conducting a modeling exercise to understand their tariff impact. Companies should also assess production and sourcing strategies, integrate customs and tax planning, and monitor potential retaliatory actions. A modeling exercise is particularly relevant for companies that are reliant on foreign-sourced materials or trade structures like the Maquiladora program. With recent tariff changes in Mexico and changes to Maquiladora rules, companies may risk unnecessarily overpaying tariffs into the United States-Mexico-Canada Agreement (USMCA) territory. Additionally, unifying customs and tax strategies can help businesses manage financial impacts across various tariff scenarios and build resilience into supply chains.

In detail

Assessing global trade shifts leading up the 2025 administration change

Companies should closely model the implications of a Trump presidency within the broader global trade context, shaped by significant developments in recent years. Under the Biden administration, the United States retained and bolstered several of former President Trump's trade policies and leveraged its USMCA partners to focus on potential tariff circumvention. Details by country/region are set forth below.

Recent US trade actions impacting imports from China

While maintaining former President Trump's China-focused tariffs, the Biden administration introduced additional tariff increases on Chinese imports:

- **Tariff increases on steel and aluminum**: In September 2024, Section 301 tariffs increased by 25% on certain steel and aluminum products, for cumulative tariff rates of up to 50% on steel and 35% on aluminum (inclusive of Section 232 tariffs).
- **New tariffs on additional goods**: In May 2024, tariffs of 25%–100% were announced on goods of strategic industries such as semiconductors, medical products, solar cells, and electric vehicles. These have a rolling implementation from 2024-2026.
- **Exclusion from the de minimis exemption:** Proposed exclusions from the de minimis exemption, which allows a person to import, duty free, one shipment of $800 or less per day, would affect a larger number of Chinese e-commerce companies reliant on duty-free direct to customer shipping for certain imports.

For more on recent US tariffs on Chinese imports, see our prior PwC Insight, as well as our prior PwC Insight on the de minimis exemption exclusions.

Recent trade developments involving Mexico

In July 2024 the Biden administration imposed additional "melt and pour" requirements that remove from existing steel tariff exclusions certain products from Mexico if not melted and poured in Mexico, Canada, or the United States. A similar "smelt and cast" requirement was imposed for aluminum products from Mexico seeking to be excluded from the existing 10% aluminum tariffs.

In Mexico, two major domestic trade issues have emerged:

- **Increased tariffs**: Tariffs ranging from 5% to 50% were imposed on certain products imported into Mexico, including steel, aluminum, and textiles.
- **Rule 8 exemption removal**: This exemption previously allowed maquiladoras to temporarily import certain products duty-free. With its removal, Mexican maquila operations may face additional duty burdens on imports. Furthermore, companies also may risk overpaying duties into the USMCA territory if their goods do not otherwise qualify for USMCA.

Observation: The combined impact of these measures is likely to complicate supply chains involving Mexico, particularly for Maquiladora structures but also contract or toll manufacturers. US companies with manufacturing activities in Mexico should conduct duty analyses to evaluate potential risks and cost implications.

See our previous PwC Insights for more analysis on the impact of both the Mexican government actions on tariffs and recent US tariff adjustments on steel imports.

Recent trade developments in Canada and the EU

Canada and the EU also are imposing different trade policies:

- **Canada's DST and corresponding retaliatory measures:** Canada recently imposed a new digital service tax (DST), and in response the United States requested dispute settlement consultations with Canada under the USMCA.
- **New Canadian tariffs on Chinese goods:** Canada has announced a 100% tariff on electric vehicles from mainland China and a 25% import tariff on Chinese steel and aluminum into Canada.
- **New EU tariffs on additional electric vehicles:** The EU also has imposed countervailing duties of up to 27.6% on electric vehicles.

For more details, see our insights on the Canadian surtax and US Trade Representative DST consultations.

Observation: The combined impact of these measures is likely to complicate supply chains involving Canada. US companies with operations in Canada should conduct duty analyses to evaluate potential risks and cost implications.

Trump tariff proposals

President-elect Trump has outlined a plan for substantial tariffs to reshape international trade and bolster US-based manufacturing. His proposals present a drastically different landscape for some industries as noted in the chart below, which compares the current rates to certain proposals.

US Import Product Types	Current Rate*	Proposed Rate
China Origin Products	*up to 25% (varies)*	*60+%*
Mexico Origin Cars	*0 - 2.5%*	*100% - 200%*
Mexico Origin Trucks	*0 - 25%*	
Mexico Origin Products (non-cars)	*0% - 5%*	*10% - 25% (or more)*
All Other Countries	*Standard MFN*	*10% - 20%*

**Most Favored Nation (MFN) duty rates are the standard duty rates applied to most products imported into the United States, and vary based on product type.*

Observation: These proposals suggest continued reliance on tariffs as a negotiation tool, potentially leading to significant supply chain disruptions. Companies will need to evaluate whether to absorb these costs, pass them on to consumers, or make strategic adjustments to protect margins. See our PwC Insight on initial impacts of a Trump election on tariffs.

For an analysis of the possible direction of US tax policy following Donald Trump's election as the next President and a projected Republican-controlled Congress, see our PwC Insight.

Strategic considerations and mitigation strategies for companies

Given the potential shifts in trade policy, companies have an opportunity to proactively plan and avoid last-minute adjustments:

- **Supply chain reassessment:** Companies should examine their current supply chains, particularly sourcing from high-tariff countries, to identify potential tariff mitigation strategies such as shifting sourcing capacity, assessing supply chain resiliency, or using first sale for export or duty drawback, etc.
- **Tax modeling:** Companies will need to evaluate potential tariff impacts across North America to their current tax operating models. This modeling may need to be revisited if significant tax legislation is enacted under the new administration.
- **M&A implications:** For companies involved in M&A, tariff impact should be a consideration in deal analysis and modeling.
- **Modeling and cost analysis:** Detailed financial modeling across departments, including finance, tax, logistics, and trade will help companies understand the cost implications of tariffs and evaluate mitigation options.

Observation: Alignment among tax, logistics, customs, and finance functions is critical to avoid unanticipated costs. The conflicting priorities of customs and tax authorities can create complexity for managing intercompany pricing and other financial impacts, especially with retroactive adjustments and price changes that could attract customs scrutiny and create issues from a tax compliance standpoint.

For more on strategic supply chain considerations for US manufacturers and importers, consult our recent blog and Cross-Border Tax Talk podcast episode.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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