Trump winning White House likely to lead to significant implications for tariffs

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In brief

What happened?

November 5 election results indicate that former President Donald J. Trump has been elected to serve as the 47th President of the United States. At the same time, Republicans have gained at least a 52 to 44 seat majority in the US Senate, with four races still to be decided. However, control of the House remains unclear due to many undecided races that will determine whether Democrats or Republicans will control the US House of Representatives in the next Congress. For more analysis on the US election outcome, please see our previous PwC Insight.

Why is it relevant?

President-elect Trump has proposed a series of sweeping tariffs aimed at reshaping trade relations and promoting US-based manufacturing. His suggested measures include a 10% to 20% tariff on all imports and a potential 60% tariff specifically targeting imports from China. Notably, he has also proposed substantial tariffs, ranging from 100% to 200%, on vehicles originating from Mexico. This move could significantly affect businesses dependent on Mexican Maquiladora operations. In the final days of his campaign, Trump emphasized his intent to impose a 25% tariff on all Mexican exports to the United States immediately upon assuming office.

Observation: Potential tariffs should be modeled based on location of current sourcing countries to calculate what may be a material additional expense to the business. This also should be evaluated alongside President-elect Trump's tax proposals. He has championed a lower corporate tax rate to encourage domestic production, proposing that revenue from increased tariffs could help offset some tax reform costs. While the president holds authority to impose tariffs under certain conditions (e.g., in response to unfair trade practices) without needing Congressional approval, legislative action generally could be required to officially count tariff-generated revenue as an offset in a reconciliation bill. Consequently, the composition of the House and the broader congressional legislative environment also will play a crucial role in determining the outlook for these proposals.

Action to consider

Companies should carefully model potential cost increases arising from President-elect Trump's tariff proposals, especially if they depend on foreign-sourced materials or operate within trade structures like the Maquila program. With Mexico's recent tariffs on sensitive goods and changes affecting duty-free import benefits, businesses may face "double tariffing" risks and should reassess production and sourcing strategies. Unifying customs and tax integration is essential to anticipating the full financial impacts under various tariff scenarios and ensuring strategic resilience across supply chains. Additionally, monitoring retaliatory actions from trade partners is crucial as these could increase cost pressures within the USMCA framework.

Let's talk

For a deeper discussion of how President-elect Trump's tariff proposals might affect your business, please contact:

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