

## Cozen Currents: America First 2.0

“President-elect Trump is re-entering the Oval Office with an even bolder and more muscular approach to his America First policies. But Trump’s policymaking isn’t the only thing to have evolved over the past four years – so has the world around him.” — Howard Schweitzer, CEO, Cozen O’Connor Public Strategies

### The Cozen Lens

- President-elect Trump is likely to use tariffs as a means to an end in many cases, but some of his tariffs will actually be the end in themselves this time around.
- Trump is doubling down on his commitment to “America First” principles but he will enter office amid a far more complex geopolitical environment than when he first became president.
- With China sinking to the US’s third-largest trading partner, the US relationship with Canada and Mexico is arguably more important in the second Trump administration than the first, particularly ahead of planned trade negotiations in 2026.

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### Are Trump’s Tariffs More Than a Negotiating Tool?

**Trump Readies First Tariffs.** President-elect Trump announced his first plans for tariffs when he returns to office, a reminder of the central role that tariffs will play in his second term.

- Amidst Trump’s announcement of staff for his second administration, he also announced his intention to impose 10% tariffs on goods from China and 25% tariffs on goods from Canada and Mexico. In addition, the president-elect threatened to impose 100% tariffs on the BRICS countries if they move to replace the US dollar with another currency. Trump has yet to outline any more plans for some of the duties he proposed on the campaign trail, including a universal baseline tariff or tariffs as high as 60% on Chinese imports.
- To Trump, tariffs can solve any problem, hence their use in these cases to address fentanyl from China, immigration from Canada and Mexico, or threats to the dollar hegemony by the BRICS countries. A significant part of his embrace of tariffs stems from his belief that they benefit the US economy, despite economic research suggesting the opposite.

**A Negotiating Ploy?** Trump’s first tariff proposals after winning re-election appear to be negotiating tools, with the announced duties targeting specific, tangible issues like fentanyl from China and immigration from Canada and Mexico.

- Trump’s announcement of these tariffs weeks before coming into power allows China, Canada, and Mexico to develop plans for how they will want to respond to the duties if Trump makes good on his proposal. However, given the relatively narrow target of these duties, Trump may be willing to accept a deal that puts off the tariffs for the time being and allows him to trumpet foreign policy victories early in his administration.
- Trump has yet to say what authority he would use to implement the tariffs. One possible route is the International Emergency Economic Powers Act, which Trump and his advisers believe would allow him to act unilaterally and schedule the tariffs to take



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effect weeks after his inauguration. Trump used this approach when threatening Mexico with tariffs in 2019 that were ultimately never implemented, as an agreement between the two countries was reached first.

**Tariffs as the End Goal.** However, there are reasons to believe that not all of Trump's tariffs will be negotiating tools, as some are expected to target more strategic goals, such as increasing domestic production or decoupling from China.

- Trump's first tariff proposals since the election have led some observers to argue that they reflect a moderation from his campaign proposals, using tariffs only as leverage and not going as far as previously discussed. Some argue this is a sign of the early influences of his Treasury secretary and Commerce secretary nominees, who have supported more measured approaches to tariffs.
- However, Trump has yet to indicate that he has backed away from his most ambitious tariff plans, notably a baseline tariff of at least 10% on all imports and 60% on Chinese imports. Maintaining these duties for the long term would likely be needed to realize Trump's strategic objectives with respect to promoting domestic industries. He also appears less interested in using Chinese tariffs this time around to strike a grand trade deal. Rather, his aim is now flatly to sever the US from the second largest economy in the world.
- Given Trump's belief in the economic value of tariffs, stopping his proposals in advance may be difficult. Instead, a more likely route for relief to be provided will either be through receiving exemptions from the initial broad application of tariffs or a sustained period of economic backlash, particularly in the financial markets, that causes Trump to recalibrate his sweeping approach to tariffs.

## Geopolitics Under Trump 2.0

**How this Time is Different.** President-elect Trump returns to office in a changed world.

- When Trump first became president in 2017, the world was much quieter. The Islamic State was on the precipice of defeat in the Middle East, partnerships with NATO allies were not as strained, and relations with China were less tense. Aside from the Covid-19 pandemic, Trump's first term was largely free of major global crises.
- Trump changed US foreign policy by adopting his "America First" approach, bringing a highly transactional style to alliances and promoting a protectionist view of trade. He questioned the US commitment to alliances and pushed NATO allies to increase spending on defense. He brought tariffs to the forefront to a degree not seen for decades.
- Trump's isolationist posture is poised to be even more pronounced in his second term. Validated by his election victory, Trump will see his win as an endorsement of his more aggressive approach. Trump 2.0's foreign policy will differ from the first not only in its boldness, however, but also in the reality of a more complex geopolitical landscape today than four or eight years ago.

**The World in Trump's Second Term.** Trump will walk into the Oval Office with more challenges on his foreign-policy plate this time around.

- Trump must contend with the largest ground war in Europe since World War II. With him back in office, the prospects for large new tranches of aid to Ukraine are limited. After meeting with French President Emmanuel Macron and Ukrainian President Volodymyr Zelensky last week, Trump urged an "immediate ceasefire" and talks between Ukraine and Russia. Ending the war is easier said than done, as Moscow would likely require territorial concessions from Kyiv for a quick peace, which Ukraine will be unwilling to readily agree to.

- Trump will confront a less stable Middle East when he takes the oath of office on January 20th. He has called for Hamas to release the remaining hostages taken during the October 7th, 2023 attack before the inauguration, threatening “hell to pay.” His Middle East envoy reportedly began talks with Israel and Qatar last month. This would allow Trump to focus on bigger objectives. During his first term, he negotiated the Abraham Accords to normalize relations between Israel and the United Arab Emirates and Bahrain, but Israel’s war in Gaza is blocking further diplomatic progress. Saudi Arabia has made normalization of relations with Israel conditional on Palestinian statehood. Though a ceasefire has ended Israel’s operations in Lebanon at the present time, the conflict risks expanding in the region and bringing in Iran. The fall of the Assad regime in Syria over the weekend creates another source of unpredictability.

- Trump’s selection of hawks Senator Marco Rubio (R-FL) and Rep. Mike Waltz (R-FL) as secretary of State and national security adviser, respectively, suggest that the White House will take a harder line on China. Rather than looking for another trade deal as in the first term, Trump 2.0 is likely to be more about decoupling the US economy from China’s. US-China relations are poised to only get tenser. It will be hard for Trump to focus on China given the Middle East hot spots, though. Since President Obama’s call for a pivot to Asia, foreign policy challenges in the Middle East have kept drawing the United States back into the region, hindering a conclusive transition.

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## (North) America First

**Sparring with the Neighbors.** In a return to form, President-elect Trump has already threatened significant day one tariffs on Mexico and Canada.

- Last week on Truth Social, Trump threatened to slap a 25 percent tariff on all goods from Mexico and Canada. He likely has the authority to do so under the International Emergency Economic Powers Act and measures could theoretically take effect in just weeks. Reporting says that major sectors like Canadian crude oil shouldn’t count on getting any sort of exception.

- Proposing economic tariffs to address unrelated issues (e.g., fentanyl supply and illegal immigration) speaks to Trump’s instincts around tariffs and how he sees them as a potential tool to solve a diverse range of issues. Both Canada and Mexico are taking these threats seriously. Canada is engaging in an unprecedented whole-of-government goodwill campaign to get on state and federal officials’ good side. After the tariff threat last week, Prime Minister Justin Trudeau held a series of emergency meetings, then spoke to Trump that night over the phone and visited him face-to-face at Mar-a-Lago later that week. To the South, Mexican President Claudia Sheinbaum quickly unveiled a letter stating, “For every tariff, there will be a response in kind.” Both neighbors are better prepared this time around.

**The Super Bowl of North American Trade Talks.** US politicians across the aisle have signaled they want to play hardball with the upcoming renegotiation of the US-Mexico-Canada Agreement (USMCA).

- The US has a long list of things they’d like to change when all parties meet again in July 2026. First and foremost is the threat of Chinese products being transshipped through Mexico, particularly, electric vehicles (EVs) and metal (i.e., steel and aluminum). The trade group for American automakers has called the prospects of cheap Chinese EVs an “extinction-level event.” American complaints with Canada center around regulations of online marketplaces, social media, and news. Canada enacted a three percent digital services tax this year, a law permitting Canadian news outlets to collectively bargain with digital platforms using their content last December, and another law requiring online streaming services to fund Canadian content takes effect next year.

- Trump has two paths to leave (or threaten to leave) the USMCA. First, any party may leave given advanced written notice six months beforehand. Second, in the absence of a

written confirmation from all parties in 2026, the agreement will sunset in July 2036. During this period, annual joint reviews are opportunities for all sides to work out disagreements. If everybody can get back on board to confirm the agreement during this ten-year countdown, the timer will reset again, and the USMCA will get a new 16 years starting from the date of the new deal.

Canada and Mexico aren't passive players in this game either. They have their own wish lists and strategy. Canada would like wins promoting their dairy and timber industries and both parties have taken umbrage with "Buy American" provisions of the Inflation Reduction Act. We should expect Trump to once again try to find the limits of brinkmanship ahead of the coming USMCA review, which will add to the uncertainty over the trade policy climate in the coming months.

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