

Trump's inauguration day

January 2025



The 45th president of the United States, Donald Trump, has now officially become its 47th president. He has signaled an ambitious start to his new term. Here's a quick list of some of the immediate policy changes you can anticipate:

- **Immigration:** Strengthen U.S. border security, reinstate travel bans, and suspend admissions of new refugees.
- **Deportation:** Speedy removal of those convicted of a crime, recent illegal border crossers and those with court-ordered deportations.
- **Energy:** Expand drilling on federal land, roll back un-finalized regulations from Biden's regime and ease restrictions on fossil fuels.
- **Pardons:** Potentially pardon individuals involved in the January 6, 2021 riot at the Capitol.
- **Climate policy:** Reverse many of the Biden administration's climate initiatives. Examples include ending the electric vehicle (EV) mandate and climate-related subsidies.
- **Regulatory rollback:** Eliminate a swath of federal regulations.
- **Tariffs:** Implement a range of proposals discussed in more detail next.

Executive orders can enact some changes immediately. Other objectives will require lengthy negotiations with Congress. Some are likely to face legal challenges, especially regarding complex issues such as birthright citizenship.

Tariffs, tariffs, tariffs

Tariffs have become a focal point for markets. They are likely to come into effect quickly and can cause real economic harm. During his campaign, Trump pledged to impose a blanket 10% tax on all foreign goods and a 60% tariff against China. Since the election, the numbers have been in flux.

On November 25, Trump talked about plans for a 10% tariff against China. It's unclear whether this means lower Chinese tariffs in total, or merely the first of several planned steps. Keep in mind China is relatively insulated from U.S. demand. North America consumes a mere 3% of China's economic output.

On the same day, Trump announced his intention to impose 25% tariffs on Mexico and Canada. This is well above his earlier mention of 10%. The number appears intended to pressure these two close U.S. trading partners to address illegal immigration and drug trafficking across the American border. In response, Canada has implemented \$1.3 billion in new security measures. Mexico has also stepped up its efforts.

On inauguration day, Trump mentioned that he will hold off on implementing any tariffs for now, and instead "investigate and remedy persistent trade deficits and address unfair trade and currency policies by other nations". Although, he also suggested that his administration could potentially move ahead with the 25% across-the-board tariffs on Canadian imports by February 1.

Will Canada respond with more U.S. tariffs?

Recall that in 2018, Trump's administration imposed tariffs on Canadian steel and aluminum. Canada retaliated with its own tariffs on U.S. steel and various other products. The standoff ended with the signing of the USMCA trade deal a year later.

There is significant uncertainty about the timing, scale, target (both sector and geography) and duration of American tariffs. Approximately 75% of Canadian exports go to the U.S. Canada is now considering counter-tariffs to respond as it did in 2018. Export taxes on strategic Canadian goods entering the U.S. are also possible.

Canada's energy and natural resources sectors are particularly vulnerable to U.S. tariffs. However, a key Trump priority is to keep the cost of energy low for Americans. For that reason, it seems unlikely that these sectors will bear the brunt of any U.S. tariffs.

To sum up, between the scope for addressing Trump's border concerns and the potential for countermeasures, the full 25% tariffs are unlikely to be levied on Canada. If they were, it would likely be a short-lived affair given the economic damage to all parties.

What impact will tariffs have around the world?

We ultimately believe tariffs should be viewed primarily as negotiating tools, much as they were during the 2017-2020 period. Countries need to listen carefully to what Trump is asking of them, be it border security, military spending, Chinese content or other objectives. If the rest of the world complies, only moderate tariffs are likely. In turn, economic growth should be slightly slower than otherwise, but not altogether impeded.

Inflation in the U.S. should be moderately higher as well. Given Trump's focus on the economy and stock market, larger tariffs are unlikely to be applied, or to last for long if implemented.

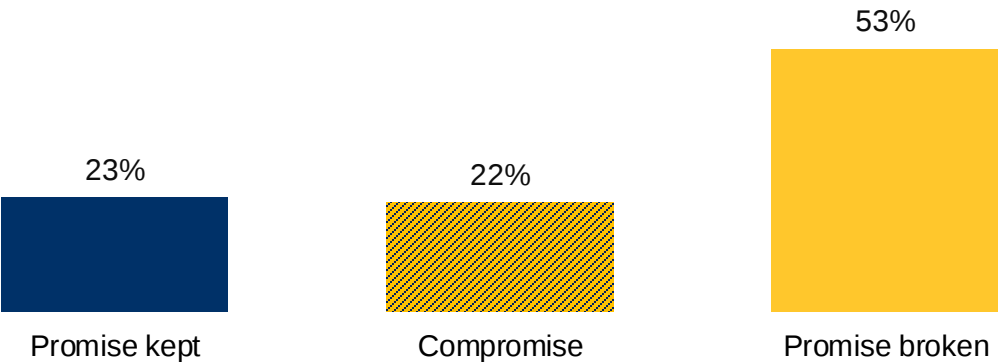
We are continually reassessing our investment scenarios, with a particular focus today on companies that could be unduly affected by tariffs. Businesses with international operations are naturally more affected. So are those with significant foreign imports. Service-oriented businesses – even those with significant international trade – appear likely to be left untouched.

For ongoing analysis of the tariff situation and its implications, explore updates from our Chief Economist Eric Lascelles [here](#), and a recent podcast [here](#).

Maintaining perspective

It's difficult for politicians to fulfill every promise, so it's important to maintain perspective on political pledges. In his first term as president, Trump fulfilled only 23% of his 2016 campaign commitments. That's less than one in four promises fully kept. The rest were either compromised or broken altogether. In fact, according to PolitiFact, prior U.S. presidents such as Joe Biden and Barack Obama fully fulfilled 33% and 47% of their campaign commitments, respectively. This pattern suggests that while it's important to stay informed of proposed changes, it's unlikely that every idea will be implemented to the fullest extent.

Trump has broken far more promises than he has kept



Source: PolitiFact. As of January 13, 2025. Tracking Donald Trump's 102 campaign promises made during his 2016 campaign. Promises rated on verifiable outcomes. Percentages don't add to 100 due to rounding error.

The start of Trump's presidency promises swift action on several fronts. However, the realities of the political process and negotiations will likely result in a more measured pace of change on other fronts. If you're concerned about the breadth of proposed policies, be reassured that not all promises may come to fruition. A more moderate set of policies will likely emerge over time.

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