International Chamber of Commerce

Trade Policy Developments: Q&A

January 28, 2025

As global trade continues to evolve and with a new U.S. administration in place, we have received numerous questions about the impact on global trade and how to respond to potential policy shifts. This Q&A addresses key questions received and provides guidance on how to engage with these developments.

Where does U.S. trade policy stand under the new administration?

On January 20, 2025, President Trump issued a [memo outlining his Administration's "America First" trade policy priorities]. The memo directs federal agencies to review and identify "any unfair trade practices by other countries and recommend appropriate actions to remedy such practices under applicable authorities….". Findings and recommendations are due April 1, 2025 (except for the report on foreign subsidies and US procurement which is due April 30, 2025).

Did President Trump announce any immediate tariff increases or trade restrictions?

While the memorandum outlines broad goals, such as addressing trade deficits, currency manipulation, and national security concerns, no immediate tariff increases were announced. However, the President has threatened tariffs on the U.S.'s top three trading partners, Canada, Mexico, and China. On Inauguration Day, he indicated to reporters that 25% tariffs on Mexico and Canada could be implemented by February 1, citing concerns about illegal immigration and fentanyl trafficking. He also mentioned the possibility a 10% tax on Chinese goods at a press briefing on January 21. In an address to Republican members of the U.S. House of Representatives on January 28, President Trump said that he plans to place new tariffs on computer chips, semiconductors, pharmaceuticals and steel, among other products. These statements suggest potential future actions but remain speculative as of the date of this Q&A.

On January 26, 2025, President Trump announced 25% tariffs on Colombian goods to retaliate for the country's rejection of two U.S. flights carrying migrants. Colombia and the U.S. quickly reached an agreement, and the White House announced that the fully drafted International Emergency Economic Powers Act (IEEPA) tariffs and sanctions would be held in reserve, unless Colombia fails to honour this agreement.

What does all this mean in practice?

It is important to take a measured approach and focus on actual policy actions rather than reacting prematurely to potential threats, as these can often shift as part of broader negotiation dynamics. Moreover, while individual tariff threats may arise, they are unfolding within the context of the larger trade policy review by the U.S. administration. At this stage, we still do not know what actions the new U.S. administration will take, and it is too soon to draw conclusions. While we wait for clear decisions, business should continue to monitor developments closely to stay informed and prepared to navigate any changes effectively.

Can U.S. trade policy reshape global trade?

U.S. trade policy must be viewed within the broader global context. Since the 2007-2008 financial crisis, protectionist measures have surged worldwide – over 3000 trade restrictions were implemented globally in 2024 alone. Reversing this trend will require a renewed commitment from governments to open markets and international cooperation to ensure long term economic growth and stability.

At the same time, while the U.S. remains a major player in global trade, it now accounts for only 13.5% of global imports. Unlike the 1930s when U.S. tariff escalation had almost immediate and sweeping global effects, the country no longer has the power to unilaterally or automatically reshape trade or unravel the international trading system.

Taken together, these factors suggest that while U.S. trade policy remains significant, a global trade war is not inevitable. With political leadership and commitment to the rules-based system anchored in the World Trade Organization, cooperating economies can work together to foster a more stable, open and inclusive global trading system.

What are the potential consequences of a global tariff escalation?

A global tariff escalation would have far-reaching economic consequences, potentially leading to a contraction of trade on an unprecedented scale. This could result in significant disruptions to supply chains and severe economic implications for businesses and their communities around the world.

How do tariffs impact inflation, and what should businesses be aware of?

Tariffs can contribute to inflation by increasing the cost of imported goods, which in turn raises prices for businesses and consumers. Higher input costs for raw materials and components can lead to supply chain disruptions and force businesses to pass on these costs, affecting overall price levels. The extent of the impact depends on factors such as the scope of the tariffs, alternative sourcing options, and broader market conditions. Businesses should assess their exposure to tariff-related cost increases, explore supply chain diversification strategies, and stay informed about policy developments that could influence trade costs and inflationary pressures.

What about monetary policy?

ICC considers the independence of central banks to be of paramount importance in terms of the predictability and stability of monetary policy decisions. Any perceived politicization of monetary policy decisions could introduce further uncertainty into an already complex landscape.

What is our message to policymakers regarding tariffs and trade policy?

We urge to policymakers to think carefully about the design and targeting of any new tariffs. The key questions should be: What does your government really want to achieve and what policies will be most effective to meet those ends? In many cases, it may not be tariffs.

More broadly, if faced with the threat or imposition of new trade measures, negotiation and deliberation should be the immediate reaction rather than retaliation. If trade actions are not compliant with World Trade Organization (WTO) rules, members can respond within their WTO rights by pursuing appropriate remedies. It is crucial for governments to adhere to their existing WTO commitments and avoid the temptation of triggering a domino effect of escalating trade barriers.

Tariffs can raise prices and limit the available quantities of goods and services for businesses and consumers, which can lower income, employment, and economic output. In many cases the best policy response from governments will be to provide greater support to local firms to diversify their export markets thereby reducing dependency on any single market.

What steps can businesses take to mitigate the impact of trade policy uncertainty?

Businesses should prioritise education and compliance capabilities as an immediate first step. Teams need to thoroughly understand trade regulations, tariff structures, and potential policy impacts. Having dedicated compliance expertise helps companies prepare for and navigate policy changes effectively. This education should extend to key suppliers to ensure aligned understanding and preparation in the supply chain. Beyond education, effective supply chain strategies and contingency planning are essential, including analysing potential scenarios and diversifying suppliers where appropriate. Leveraging technologies like AI can also enhance adaptability and help businesses respond quickly to policy shifts. Finally, engagement with business organisations provides crucial support throughout these efforts. Companies should actively work with their ICC National Committees, local chambers of commerce, and industry associations to stay informed, access practical guidance, and ensure business perspectives are heard by policymakers.