

**Marubeni Washington Report****First 100 days: The Trump Administration's Economic Policy  
Will There Be an Affect of Tariff Policy Miscalculations?**

Marubeni America Corporation Washington Office Chief

Yusuke Inoue

[inoue-y@marubeni.com](mailto:inoue-y@marubeni.com)

- 
- Although the tariff policy was announced with great fanfare, it has multiple conflicting objectives and three miscalculations have combined to prevent it from progressing as hoped.
  - Other economic policies that are likely to boost the economy, such as tax cuts, deregulation, and deficit reduction, will take time to take effect, and the move to impose tariffs first could have an impact on those other policies.
  - It will be even more difficult to undertake more in-depth economic reforms, such as reforming the international financial system, but there is deep-rooted opposition to the existing order surrounding domestic affairs, foreign affairs, and the economy, and there remains the possibility that bold reforms will be attempted at some point.
- 

The Trump administration marked its 100th day in office on April 29. Advocating an America First policy and aiming to restore America's golden age, the administration has simultaneously begun working on many of the pledges it made during the election campaign, including measures against illegal immigration, government reform, and revisions to environmental and energy policies.

In the economic field, tariff policy in particular has attracted a great deal of attention. This is because, with new tariffs being announced and revised in short cycles, the impact they will have on not only the US economy but the global economy as a whole is significant. However, tariff policy is merely one part of economic policy. Here, we would like to provide an overall picture of the Trump administration's economic policies, including tariff policy, and consider the outlook for the future.

**1. Miscalculation regarding tariff policy**

President Trump has made clear his intention to actively utilize tariff policies since the election campaign. On his first day in office, he announced a state of emergency regarding synthetic drugs, fentanyl, and illegal immigration, and on February 1, he imposed tariffs on Mexico, Canada, and China based on the National Emergency Economic Powers Act (IEEPA). On April 2, he announced reciprocal tariffs on countries around the world, and a flat 10% basic tariff was imposed on the 5th. Figures were also presented for the additional portion to be imposed on about 60 countries and regions, but a few

days later, it was suspended for 90 days until July 9. At present, tariff measures remain in effect on Mexico and Canada, and a 25% tariff is imposed on imports that do not comply with the United States-Mexico-Canada Agreement (USMCA) . In addition, a total tariff of 145% has been imposed on China, including the fentanyl issue and reciprocal tariffs. In addition, in terms of sector-specific tariffs, in addition to steel, aluminum, and automobiles, which have already been imposed, investigations have also begun on semiconductors, pharmaceuticals, copper, lumber, medium and large trucks, and important minerals.

The objectives of tariff policy are diverse, but the main pillars are the elimination of trade imbalances and the return of manufacturing to the country. Naturally, the way to improve the trade balance is either to reduce imports or to increase exports. The Trump administration believes that tariffs will lead to a decrease in imports by relatively increasing the competitiveness of domestic products, and that if the non-tariff barriers of trading partners are successfully removed on the condition of lowering tariffs, exports can be expected to increase. Furthermore, there is also speculation that companies that want to avoid tariffs will invest in the United States, and manufacturing industries that have flowed overseas under globalization and neoliberalism will return to the country. As a result, the domestic economy and employment will be revitalized, and national security will be strengthened by reducing dependency on overseas supply chains. For areas that are particularly important for national security, the government aims to secure domestic supply capacity by making full use of sector-specific tariffs. In addition, the government also aims to secure revenue through tariff revenue.

According to the Commerce Department's Bureau of Economic Analysis , the United States' imports of goods in 2024 will be approximately \$3.3 trillion, and if an average 10% tariff is imposed, for example, a simple calculation shows that tax revenue of approximately \$330 billion is expected. However, the introduction of new tariffs would lead to a decrease in imports, and there is still the possibility of lowering tariff rates through bilateral negotiations with other countries, which would result in a decrease in tax revenue, so some of the objectives of tariff policy are contradictory.

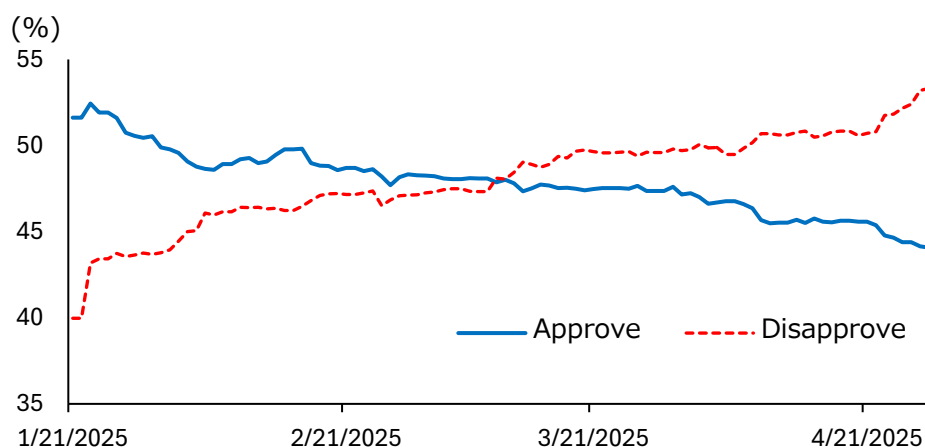
The Trump administration was full of confidence until the announcement of the reciprocal tariffs, but recently it has been showing signs of wavering on its tariff policy, such as by making exceptions. Behind this lies three miscalculations.

The first is an economic miscalculation. Many economists have pointed out that tariffs will lead to higher prices. Meanwhile, the Trump administration has maintained its insistence that exporting countries and companies should bear the burden of tariffs

and has shown a willingness to accept temporary negative effects on the economy. However, in addition to rising inflation concerns and a worsening economic slowdown, turmoil has spread to financial markets, and a wide range of sectors that will be disadvantaged, including Congress, industry, labor unions, and consumers, have begun to speak out. President Trump's criticism of Federal Reserve Chairman Powell, which was perceived as an attempt to shift the blame, has also exacerbated the confusion.

The second is a political miscalculation. According to the most recent opinion polls, President Trump's approval rating has fallen from over 50% at the start of his administration to the low 40% range, with a particularly noticeable loss of support among independents. In particular, President Trump's economic policies, which have been considered his strengths, are not well received, and the tariff policy has had a greater impact on his drop in approval rating than expected. Many voters are struggling with daily inflation, and it could be said that they are in no position to endure the additional pain caused by tariffs. If the tariff policy continues for a long time, there is a risk that shortages will become more pronounced, which could further increase consumer anger.

Figure 1: Changes in President Trump's Approval Rating



Source: natesilver.net, compiled by Washington Office

The third is a diplomatic miscalculation. The Trump administration had judged that it could leverage its access to the enormous US market to extract various concessions from other countries. However, negotiating with so many countries in the limited time of 90 days and reaching an agreement favorable to the US is no easy task. Furthermore, China, which could be said to be the biggest focus of the tariff policy, has not shown any signs of embarking on negotiations. Things are not going as the US

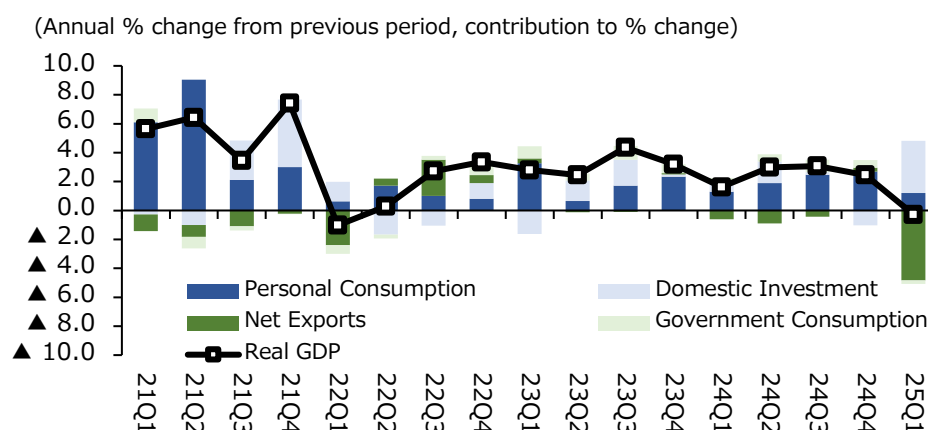
hoped, and comments from senior administration officials suggest some impatience. These three miscalculations show the limits of the current tariff policy, and it seems likely that the Trump administration will be forced to correct course in some way.

## **2. Little Progress in Other Economic Policies**

The economic policies of the Trump administration other than tariffs include tax cuts and deregulation, which are traditional Republican Party policies that advocate small government and market-oriented economic growth. The "3-3-3" policy mentioned by Treasury Secretary Bessent, whose presence in the administration is growing, encompasses this idea. Secretary Bessent's "3-3-3" policy refers to a real economic growth rate of 3%, a budget deficit of 3% of GDP, and an increase in crude oil production of 3 million barrels per day. The focus is on reducing the proportion of the government sector in the U.S. economy and shifting to an economy led by the private sector. In other words, reducing the government sector will improve fiscal discipline, and the resulting surplus labor will be transferred to the private sector, and the potential growth rate will be raised by promoting active deregulation. In addition, since reducing the budget deficit will suppress long-term interest rates, it is expected to have an effect of stimulating economic activity in the financial aspect as well. While Bessent appreciates tariffs in terms of protecting domestic industries and increasing revenue, he also considers minimizing market turmoil when introducing them. Bessent is a former macro hedge fund entrepreneur who built his career under George Soros and is a bond market professional. He is said to have competed with Secretary of Commerce Lutnick until the end for the position of Secretary of the Treasury, but he was relatively low-key at first and was not seen as being that close to President Trump. However, he is said to have urged President Trump to revise policies during the market turmoil following the introduction of reciprocal tariffs and advised him not to take a hardline approach when talk of the possibility of dismissing Chairman Powell came up. His understanding of financial markets and calm response have been highly praised, and he has come to the forefront in bilateral negotiations with other countries regarding reciprocal tariffs. Bessent has been successful in the financial industry, living through an era when globalism and capitalist economies thrived. He draws a line between the ideology of the MAGA faction, which advocates America First, and distances himself from the extreme libertarian ideas of people from the tech industry, including Elon Musk.

Bessent is adept at understanding what President Trump and his supporters want and then translating it into more realistic policies. Meanwhile, the realization of the "3-3-3" policy has yet to come. In terms of deregulation, the Department of the Interior, Department of Energy, Department of Transportation, and Environmental Protection Agency have begun reviewing regulations to expand domestic energy development. However, with opposition from the Democratic Party and expected judicial intervention, it is unclear how quickly the system can be changed. The more detailed the discussion, the more difficult it becomes to reduce the budget deficit. According to the Congressional Budget Office, the federal government's budget deficit for fiscal year 2025 is expected to be \$1.9 trillion, or 6.2% of GDP, roughly the same level as the previous fiscal year. The Trump administration has launched the Department of Government Efficiency (DOGE) to work on reducing federal government spending, but the actual amount has only been \$160 billion. In addition, the extension of the 2017 Trump tax cuts is the biggest issue for Congress this year. On April 10, the House of Representatives narrowly passed a budget resolution by 216 to 214, which includes an expansion of the fiscal deficit by \$5.8 trillion over the next 10 years, including a tax cut of \$ 3.8 trillion in real terms, and an increase of about \$5 trillion in the federal government debt. Going forward, the aim is to quickly realize the Trump tax cuts by using the Budget Reconciliation Act, which can be passed by a simple majority in the Senate. However, even here, there is discussion of using the existing tax system as the baseline and not considering the extension of the tax cuts as an additional cost, showing that it is not easy to cut the federal government budget, which involves many different interests. The current situation is that the tariff policy was announced ahead of time, while the effects of economic stimulus measures will take time to appear. As a result, the US economy is under downward pressure, and the real GDP growth rate for the January-March 2025 period is expected to be negative at an annualized rate of -0.3% compared to the previous period, even though there was a sharp increase in imports before the tariffs were imposed. The fact that concerns about inflation and economic recession are becoming a reality could be a major blow to the Trump administration. Details of the tax cut extension are scheduled to be discussed in the future, with the aim of passing it as early as Memorial Day at the end of May, or before the summer holidays. However, if it is not passed, not only will the headwinds against the economy intensify, but the political damage to the administration will also be great.

Figure 2: Real GDP Growth Rate



Source: US Department of Commerce, Washington Office

### 3. Will bold reforms be postponed?

Regarding external economic relations, not only have changes to international trade relations through tariffs been discussed, but some have also been discussing reforms to the international financial system, which attracted attention after a paper published last year by Milan, chairman of the Council of Economic Advisors (CEA). Milan is concerned that the US dollar's status as the key currency has created excessive demand for dollars, pushing up the value of the dollar beyond its true value. Furthermore, in addition to being the key currency, the US also provides security to the world with its overwhelming military power, and he has expressed the intention to ask other countries to bear their fair share of the burden for these two public goods, the US dollar and security. In fact, 57% of the world's foreign exchange reserves are held in US dollars, and the US dollar accounts for 54% of the settlement currency in trade, so the US dollar plays a central role in the global economy. However, since it has become clear in the 100 days since the start of the administration that even modifying the flow of goods through tariffs would have many side effects, it is too risky to go as far as reforming the international financial system, including foreign exchange, and such discussions appear to have toned down compared to the past. In the first place, the midterm elections will be held next year, and if the Republican Party loses, the Trump administration will lose its centripetal force all at once, and the realization of other policies will become more distant. Even President Trump cannot ignore the evaluation of voters, and maintaining a favorable economic situation is a prerequisite for maintaining his approval rating.

Nevertheless, the fact that there is a recognition within the United States that the current global trade system is not in the interest of the United States is an important

perspective when considering the direction of various policies. In terms of trade, the view that the world has misused free trade and access to the huge US market has become widespread, resulting in major distortions of the US industrial structure, job losses, and economic and social decline. From this perspective, it is possible to argue that a return to protectionist policies could revive the manufacturing industry and become a driver of future economic growth. The US should also enjoy great benefits from free trade, but there is an incentive to direct domestic dissatisfaction outward, especially when political factors are involved.

Voters are also dissatisfied with much of the existing order. Dissatisfaction with domestic politics has led to government organizational reforms by the Department of Government Efficiency (DOGE) and has also led to the concentration of power in the White House and challenges to the separation of powers. Dissatisfaction with foreign policy has led to domestic pressure for a ceasefire in Ukraine and the Middle East and has led to increased defense burdens on other countries and the spread of isolationist ideas. President Trump was the first to grasp these changes in voters and thoroughly make them an election issue. Tariff policy has once again brought home the difficulty of changing the existing order, but if voter dissatisfaction continues to build up, the time may soon come when bold reforms will be tried.

End

---

## **Marubeni America Corporation Washington Office**

1717 Pennsylvania Ave., NW, Suite 375, Washington, DC 20006

<https://www.marubeni.com/jp/research/>

(Disclaimer)

- This document has been prepared based on publicly available information, but we do not guarantee its validity, adequacy, or completeness.
- Any gains or losses arising from decisions made in accordance with the information are the sole responsibility of the person making the decision, and the Company does not bear any responsibility whatsoever.
- The contents of this document are subject to change without notice.
- The individual text, photographs, illustrations, etc. (hereinafter referred to as "information") contained in this document are copyrighted works of our company and are protected by copyright under Japanese copyright law and international treaties such as the Berne Convention. Except for cases permitted by copyright law, such as personal use and citations by individuals, copying, distributing, modifying, translating, adapting, publicly transmitting, or making available for transmission of the information contained in this document without the permission of the copyright holder is a violation of copyright law.