

## MNI POLITICAL RISK ANALYSIS - US Daily Brief 02-04-25

by Adam Burrowes

### The White House *(times subject to change)*

16:00 ET 21:00 BST	President Trump participates in the "Make America Wealthy Again" event in the White House Rose Garden
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### KEY DATES:

- ❖ GOP target for concluding budget reconciliation: May 26
- ❖ Government funding expires: September 30

### Washington

President Donald Trump will be joined by members of his Cabinet in the White House Rose Garden today at 16:00 ET 21:00 BST to announce details of his reciprocal tariff regime. The White House has billed the event as "Make America Wealthy Again". Trump said on Truth Social first thing this morning: "IT'S LIBERATION DAY IN AMERICA!"

- Trump is expected to meet Senate Majority Leader John Thune (R-SD) at the White House this morning to discuss the Senate budget blueprint. That Trump has chosen to meet Thune on the day of his tariff announcement shows how deeply involved he is in the reconciliation process. (More on that below)
- Trump is expected to receive a briefing today on proposals to keep TikTok operational or shut it down. The Wall Street Journal [notes](#): "Authorities in Beijing have signaled that China would be open to a deal but see it as part of a cluster of issues it hopes to negotiate with Washington, including tariffs..."

Secretary of State Marco Rubio arrives in Brussels today to attend the NATO Foreign Ministers Meeting. According to State, Rubio will discuss security priorities for NATO and "securing lasting peace in Ukraine".

- As was the case at the G7 Foreign Ministers meeting in Canada last month, Rubio is likely to receive a frosty welcome from his European counterparts who believe they have been cut out of Ukraine negotiations and stonewalled by the White House on tariffs.

The Washington Post [reports](#) that the White House is "preparing an estimate of what it would cost the federal government to control Greenland as a territory", the most "concrete effort yet" to turn Trump's desire to "acquire the Danish island into actionable policy."

- The Post notes: "One option under analysis is to offer a sweeter deal to the government of Greenland than the Danes, who currently subsidize services on the island at a rate of about \$600 million every year."

White House Press Secretary Karoline Leavitt gave away few details about today's tariff plans at her press conference yesterday. She reiterated: "If you make your product in America, you will pay no tariffs," but offered little guidance on the scope, scale, or target of tariffs, or provide any clues on how tariffs may be avoided or removed.

- When asked if a "pledge for future activity" would be enough to alter the policy". Leavitt said Trump, "has been looking at very unfair trade practices of the past. Certainly, the president is always up to take a phone call, always up for a good negotiation. But he is very much focused on fixing the wrongs of the past..."
- Leavitt was asked: "Has the President fully made up his mind on the level of tariffs imposed tomorrow." She replied: "The president said last night, he has made a decision and a determination... He is with his trade and tariff team right now, perfecting it to make sure this is a perfect deal... you will all find out in about 24 hours from now."
- Leavitt added, when pressed on whether the car tariffs will go into effect on April 3rd as scheduled: "Correct. Yes, they will."

## Tariffs

There is little consensus on what to expect today, with most White House reporters noting that Trump's final decision may still be in flux. Along with new tariffs to be announced today, the previously announced tariffs on foreign-made cars, and levies on goods from Canada and Mexico, are also set to take effect.

- Unhelpfully, Leavitt told reporters yesterday that today's tariff would go into effect immediately but also noted that Trump is open to negotiating.
- One of the most salient questions ahead of today's announcement is: What is the end goal of the tariffs? It is, as posited by Trade Counsellor Peter Navarro, to raise revenue? Or is it, as suggested by Treasury Secretary Scott Bessent, an instrument to extract short-term concessions and redress trade imbalances?

Politico reports: "The details remain clouded in mystery... there are indications that the White House itself is still hammering the details out."

- Bloomberg notes that Trump's team is "said to be still finalizing the size and scope of new levies," but the most likely outcome is either a "tiered tariff system with a set of flat rates" or a "more customized reciprocal plan."
- Bloomberg notes that the tiered system would likely involve, "either a 10% or 20% rate depending on their tariff and non-tariff barriers on US goods".
- The Wall Street Journal reports similarly that Trump's team has been considering "a 20% universal tariff on virtually all imports" and "a reciprocal plan that would apply different tariffs to different countries".
- But, according to the Journal, the USTR "is preparing a third option—an across-the-board tariff on a subset of nations that likely would not be as high as the 20% universal tariff option."
- The Washington Post suggests that "most U.S. imports could see a 20% levy".

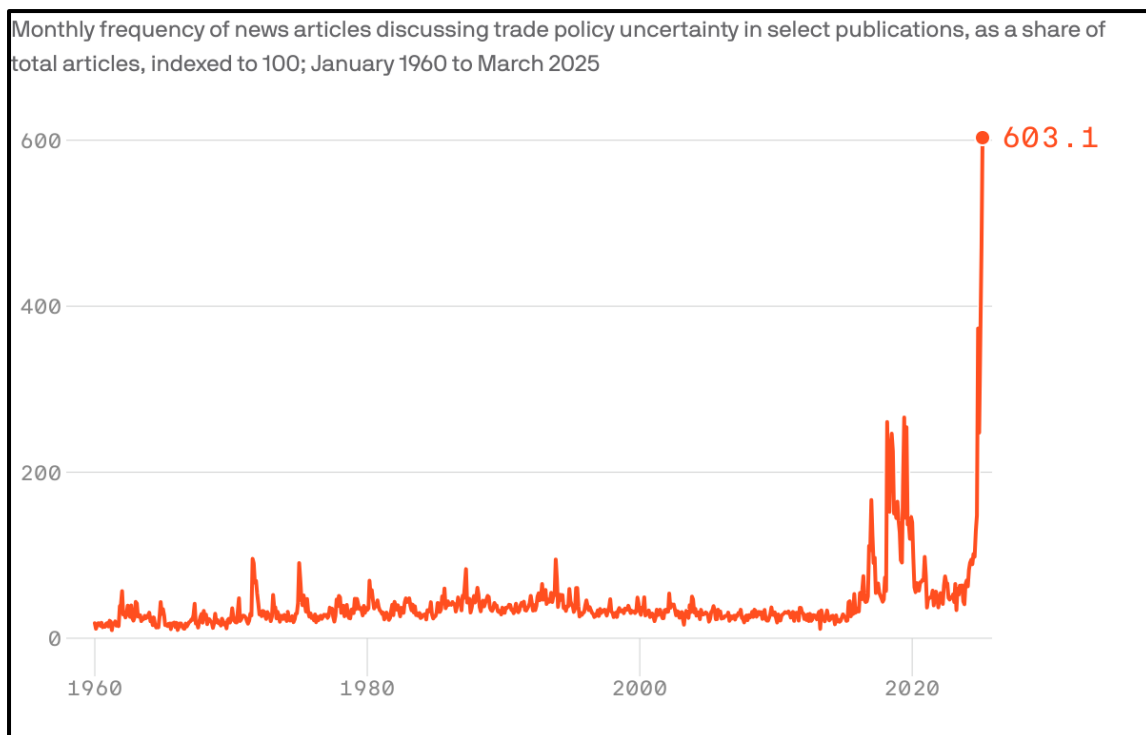
Politico notes: "...car manufacturers are trying to get carveouts for vehicle parts that they argue are necessary to stimulate manufacturing here, and Republican lawmakers are still trying to save agricultural goods from the tariff buzzsaw."

- Semafor writes: “Analysts are skeptical of the feasibility of his economic-specific goals — but are more certain that the economic world we’re heading into will look nothing like the postwar free-trade consensus that preceded it.”
- Axios writes: “Many once hoped the much-hyped reciprocal tariff announcement would settle worldwide economic confusion. Now the fear is that recent weeks’ trade drama — tariff flip-flops and policy hanging in the balance — will stick around for the next four years.”
- Barrons notes: “In a worst-case scenario, there could be a 20% across-the-board increase to tariffs on U.S. imports. The resulting price rises would cost the average household the equivalent of between \$3,400 and \$4,200, depending on the level of retaliation by other countries, according to the Budget Lab at Yale.”
- More optimistically, the New York Times [reports](#) that a ‘trade war game’ conducted by a Washington thinktank concluded that, “There is a possible world where the U.S. ends up doing well, but that is not preordained,” according to a participant.

Keep an eye on the Senate today. The upper chamber is expected to vote on a Democratic resolution that challenges the legal authority that Trump used to justify tariffs on Canada.

- Although House Speaker Mike Johnson (R-LA) will kill the bill in the House, if four Republicans join with Democrats to approve the measure, it would be the most significant pushback so-far from Republican lawmakers to Trump’s agenda.

**Figure 1: Trade Policy Uncertainty Index**



Source: Axios, Federal Reserve Research

## International Response



Markets will watch closely for the international response to Trump's announcement, with several countries preparing counter-measures to snap into place.

- Mexican President Claudia Scheinbaum, who has opted for a deliberative response, has signalled that Mexico will announce any relevant countermeasures on April 3, allowing the maximum time to negotiate.
- Canadian Prime Minister Mark Carney told reporters yesterday: "We will put in place retaliatory measures if there are additional measures put against Canada tomorrow."
- Politico's Ottawa Playbook notes that Carney and Sheinbaum spoke on Tuesday afternoon but made no mention of the Canada-United States-Mexico Agreement and "instead agreed to build trade between their countries."

European Commission President Ursula von der Leyen has stated that the EU's preferred pathway is diplomacy, but the bloc has levers to pull, including its so-called anti-coercion 'bazooka' and hitting previously unimaginable targets like Silicon Valley and Wall Street.

- Von der Leyen said in a speech to the European Parliament yesterday: "We have the largest single market in the world... We have the strength to negotiate. We have the power to push back... All instruments are on the table."
- A senior policy fellow at the European Council on Foreign Relations said: "America's tech giants, financial industry, and pharma companies have deep roots in Europe. Push too far, and Brussels could tighten the screws: digital levies on Silicon Valley, regulatory clamps on Wall Street, or taxes on U.S. pharma exports,"

The United Kingdom, seeing itself as favourably positioned as it doesn't run a conventional trade surplus with the United States, has opted for a charm offensive that has included an invitation of a State Visit, delivered to Trump by Prime Minister Keir Starmer, from King Charles III, a pledge to dramatically increase defence spending, and additional tax sweeteners to US tech companies.

- Italian Prime Minister Giorgia Meloni said: "It is clear that the introduction of new US tariffs would hit Italian producers hard," adding that she hasn't ruled out "adequate responses to US tariffs to defend our products."
- Corriere Della Sera reports, according to insiders from Meloni's national-conservative Brothers of Italy (Fdi), the strategy is to wait for "concrete decisions", avoid reactive failures and in the meantime negotiate and mediate.

China, South Korea, and Japan – all in the crosshairs of metals and auto tariffs – have made overtures towards closer economic cooperation, something that would have seemed fanciful last year amid a push by the Biden administration to normalise relations between Tokyo and Seoul as a counterweight to China.

- Trivium China analysts wrote that Washington is "gifting Beijing the chance to make common cause with other countries on Trump's naughty list, to resist US tariffs,"
- Semafor notes that on Wednesday, "Beijing touted "great potential" for stronger trade relations with Japan and South Korea, and suggested willingness to buy more products from India to balance trade, as Chinese leader Xi Jinping proposed a "Dragon-Elephant tango" between the two neighbors."

The Wall Street Journal [notes](#) that Brazil sees itself as a potential beneficiary of a global trade war: “Rich in beef, iron ore and oil, Brazil has raw materials that China’s vast population needs. China, meanwhile, has capital that Latin America’s biggest economy needs...”

- Brazilian President Luiz Inácio Lula da Silva said during a trip to Japan last week: “Trump is not the world’s sheriff—he’s only president of the United States. We need to overcome protectionism and make sure that free trade can grow.”

The Australian Broadcasting Corporation notes that, “Australia is anticipating tariffs of up to 20 per cent on all exports to the US, although the government is stressing to industry that there is still enormous uncertainty about the final outcome.”

- Prime Minister Anthony Albanese has ruled out reciprocal tariff action but is, “considering a range of responses to an “adverse decision” by the United States, including taking Australia’s closest security ally to the WTO, just as it did with China during the pandemic-era trade disputes,” per the ABC.

## Congressional Business

The House is IN

The Senate is IN

### Committee Schedule –

- 10:00 ET 15:00 BST: HOUSE Appropriations: Budget Hearing – U.S. House of Representatives
- 10:00 ET 15:00 BST: HOUSE Judiciary: “Artificial Intelligence: Examining Trends in Innovation and Competition”
- 10:00 ET 15:00 BST: HOUSE Small Business: Fueling America’s Future: How Investment Empowers Small Business Growth
- 10:00 ET 15:00 BST: HOUSE Financial Services: Mark up various bill including [stablecoin legislation](#)
- 10:00 ET 15:00 BST: HOUSE Foreign Affairs: A Return to Maximum Pressure: Comprehensively Countering the Iranian Regime’s Malign Activities

## Republican Legislation

Congressional Republican leaders told reporters yesterday they intend to adhere to their plan to adopt a compromise budget blueprint to underpin President Trump’s agenda this week, despite concerns there is little agreement in the conference over deficit reduction measures.

- As previously noted in this newsletter, the House budget blueprint calls for major spending cuts across a raft of government agencies. The Senate blueprint is more restrained, leaning on an accounting manoeuvre known as ‘current policy baseline’ to free up the fiscal space to enact Trump’s tax cuts.

Punchbowl reports that, “GOP leaders are considering giving the Senate Finance Committee and House Ways and Means Committee each around a \$1.5 trillion ceiling for spending within their jurisdictions in the compromise budget resolution they’re working to finalize,

though the number has been in flux... That would be alongside the current policy baseline, which would zero out the cost of extending about \$3.8 trillion of the 2017 Trump tax cuts."

- Senate Majority Leader John Thune (R-SD) reportedly told a closed-door conference meeting yesterday that a decision from Senate Parliamentarian Elizabeth McDonough on using the current policy baseline won't be necessary for the Senate to press on with their budget.
- According to Thune, the Senate only needs the blessing of Senate Budget Chair Lindsey Graham (R-SC): "We think the law is very clear and ultimately the Budget Committee chairman makes that determination," Thune told reporters.

Thune's assertion escalates the Senate strategy, which so far amounts to getting a budget resolution approved first and finding the requisite funding later. If McDonough rules that the current policy baseline doesn't meet the rules of budget reconciliation, he will be faced with ordering deeper cuts to spending or voting to overrule McDonough's guidance – a move that could permanently degrade the Senate filibuster.

- Axios notes: "The parliamentarian has long decided on what can be passed through that process. She notably ruled against Democrats' efforts to provide protection for DACA recipients and raise the federal minimum wage."
- Note: The reconciliation process, which allows the Senate to bypass the 60-vote filibuster, can only be used for budget-related measures.

The final text of the Senate budget blueprint could be released as soon as today. It may ultimately hinge on a meeting between Thune and Trump this morning and a separate meeting between Treasury Secretary Scott Bessent and Senate Republicans this afternoon.

- As noted in previous editions of this newsletter, both Bessent and Trump consider making Trump's 2017 Tax Cuts and Jobs Act permanent a singular priority of the administration. Expect both to press Thune to pursue the most hardline approach to reconciliation.

The Hill reports that the Top appropriator in the House, Rep Tom Cole (R-OK), said it was time for the Senate to "put up or shut up," advocating for federal health care cuts that total nearly \$1 trillion in the House budget resolution.

- Cole told reporters: "We had a chance to repeal Obamacare, which the United States Senate couldn't come up with the votes [to do] last time. This is the chance to finally do something on at least one of the mandatory programs... It's time to put up or shut up if you're serious about spending,"

Axios reports that Trump's top economic advisors – Treasury Secretary Bessent and National Economic Council director Kevin Hassett - told Senate Finance Republicans yesterday that they would show their work on how they plan to deliver 3% GDP growth to help lower the cost of the "one big, beautiful bill."

- Axios notes: "The promise of a booming economy, even if it includes some shock therapy, is central to Trump's overall theory on how businesses and individuals can receive tax cuts while deficits simultaneously can be reduced."

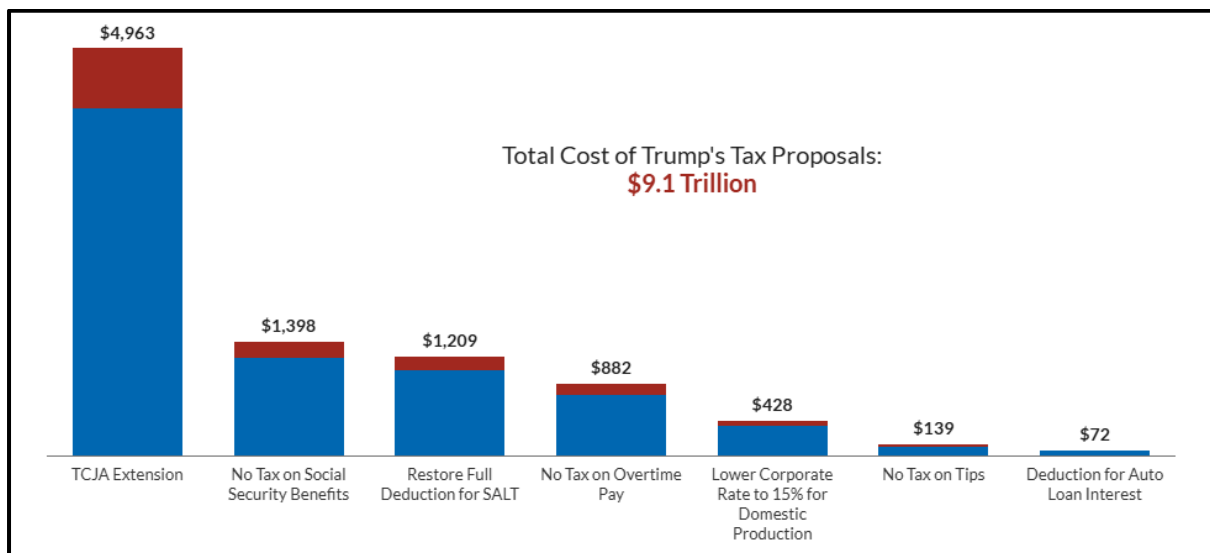


- A Republican Senator said: "They were just very optimistic about how much growth we're going to have moving forward, and how popular this plan is and how important it is for our economic health,"

The Peter G. Peterson Foundation projected this week that Trump's tax proposals, if not offset, could increase the federal deficit by over USD\$9 trillion over a decade.

- The Peterson Foundation noted, similarly to the [Committee for a Responsible Budget](#): "If lawmakers choose to adopt a "current policy" baseline as some have proposed, they could theoretically fit all of the proposed tax cuts into a reconciliation package because this would treat certain extensions as "cost-free." However, adopting a current policy baseline is a fiscally irresponsible budget gimmick that would still add trillions to the national debt. It would also set a dangerous precedent that could be exploited in the future by lawmakers from either party."

**Figure 2: "Increase in Primary Deficits and Interest Costs from 2025–2034 by Proposed Tax Cut (Billions of \$)"**



Source: Peter G. Peterson Foundation

## Special Elections

Three elections yesterday – two Special Elections in Florida and a Wisconsin Supreme Court race – went largely as expected, with the GOP adding two new Florida Congressmen in the House of Representatives and Wisconsin voters bucking a fundraising drive by Elon Musk to add a liberal justice to the bench.

- While the GOP won the Florida races, it was by a significantly narrower margin that the 30+ points Trump carried both seats by in November. Yesterday, the Republican candidates won by 15 and 14 points respectively, a signal that voters may be uneasy with the first two months of the Trump administration.
- House Minority Leader Hakeem Jeffries told MSNBC that the results were an "incredible overperformance" by the Democratic candidates. He added that recent Special Election results show that independent and moderate Republicans are "rejecting the extremism" of the administration.

- Jeffries noted that Democrats believe that 60 House Republican seats that Trump won by 16 points or fewer are now midterm targets. The statement may be ambitious but it's a warning for frontline Republicans that could compel more robust pushback against Trump's agenda from within the GOP conference.
- Punchbowl notes on the Wisconsin race: "Elon Musk dumped \$25 million into an unsuccessful bid to elect Schimel. Republicans had warned in the buildup to the race that a Crawford victory could lead to the court hearing a case that could draw new House maps in the state. A potential challenge to Wisconsin's House maps could spell trouble for Reps. Derrick Van Orden (R-Wis.) and Bryan Steil (R-Wis.)."

**Figure 3: Florida 6<sup>th</sup> District Special Election**

Candidate	Votes	Pct.
✓ <b>Randy Fine</b> GOP	<b>110,764</b>	<b>56.7%</b>
■ Josh Weil DEM	83,485	42.7

Source: Washington Post

**Figure 4: Florida 1st District Special Election**

Candidate	Votes	Pct.
✓ <b>Jimmy Patronis</b> GOP	<b>97,335</b>	<b>56.9%</b>
■ Gay Valimont DEM	72,304	42.3

Source: Washington Post

**Figure 5: Wisconsin State Supreme Court Seat**

Candidate	Votes	Pct.
✓ <b>Susan Crawford</b>	<b>1,286,748</b>	<b>55.0%</b>
■ Brad Schimel	1,050,816	45.0

Source: Washington Post

## Crypto

Republicans on the House Financial Services Committee will vote today to advance legislation that would create new rules for stablecoins. If passed through the House' STABLE Act would be resolved with the Senate's GENIUS Act.

- Politico notes: "There are two big sticking points. One big difference is how each bill would have federal regulators oversee stablecoin-issuing firms. The other big split is how each would impact Tether, the largest stablecoin issuer in the world and one that's based outside the U.S. Democrats have raised concerns that the Senate



legislation could allow foreign stablecoin issuers like Tether to remain listed on U.S. exchanges, while the House bill includes tougher language that would require foreign firms to comply with the bill or similar foreign regulations after two years.”

## Chart of the Day

A new Marquette Law School [national survey](#) has found that, “Across lines of race, education, and gender, more people think tariffs will hurt rather than help the economy. The sole exception is white, non-college-educated men, one of Trump’s strongest supporting groups...”.

- Marquette continues: “Among this core of Trump’s support, 44% say tariffs help the economy and 40% say they hurt the economy.”
- The survey also notes: “A majority of adults, 58%, think Trump’s policies will increase inflation, 30% think his policies will decrease inflation, and 12% think they will have no effect on inflation.”

**Figure 6: “Effect of tariffs on the economy, by race, education and gender,” US Adults**

	Effect of tariffs		
Race, education, gender	Helps U.S. economy	Hurts U.S. economy	Doesn't make much difference
Among all adults	28	58	14
white non-college male	44	40	16
white non-college female	33	42	25
white college male	24	61	16
white college female	23	72	5
Non-white non-college male	28	68	4
Non-white non-college female	18	60	22
Non-white college male	14	76	10
Non-white college female	20	72	8
Marquette Law School Poll, national survey, March 17-27, 2025			
Question: In general, do you think imposing tariffs or fees on products imported from other countries helps the U.S. economy, hurts the economy, or doesn't make much of a difference either way?			

Source: Marquette Law School

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