

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

by Adam Burrowes

The White House *(times subject to change)*

19:30 ET 00:30 BST	President Trump attends a "MAGA Inc. Candelight Dinner"
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KEY DATES:

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

Washington

President Donald Trump has another light schedule today, with a Mar-a-Lago dinner for his 'MAGA Inc.' superPAC the only event in his diary.

- Amid carnage on global financial markets, the primary question facing analysts, policymakers, and world leaders today is: *What is the endgame of Trump's tariffs?*
- There appears to be a disconnect between White House officials, who are adamant that Trump's tariffs are a pillar of long-term industrial policy, and Congressional Republicans who believe they are one lever in a negotiation towards more favourable trade terms.
- Punchbowl News reports that Senate Majority Leader John Thune (R-SD) reiterated yesterday that he believes, "tariffs are a vehicle for policy change" adding, "he's waiting to see how the administration reacts".
- Axios notes: "Despite public comments, Trump sees this as maximal leverage to work the phones for weeks or months — cutting deals to force better terms for the U.S."
- The New York Times [notes](#) that Trump's risk appetite has dramatically increased from his first term, speculating that Trump, "thinks that American shoppers are willing to pay higher prices, at least for a while, if that is the cost of forcing manufacturers to bring jobs back to America."

Trump [told reporters](#) aboard Air Force 1 yesterday that the reaction in financial markets was "to be expected" but stressed that the US is, "going to be a booming country". When asked if he is "open to deals", Trump said: "Well, it depends, if somebody said we're going to give you something so phenomenal... as long as they're giving us something that's good..."

- Trump added that "tariffs give us great power to negotiate," hinting at a potential deal with China over TikTok, which is facing a Saturday deadline for divestment of the social media service unless a deal with the Trump administration is struck.
- Trump also signalled more tariffs to come: "The chips are starting very soon. The pharma is going to start coming in, I think, at a level that we haven't really seen

before. We are looking at pharma right now. Pharmaceuticals. It's a separate category. We'll be announcing that sometime in the near future. It's under review right now."

Commerce Secretary Howard Lutnick [told CBS](#) yesterday that American workers are going to see the benefits of tariffs, "starting today". Lutnick conceded that tariffs are likely to make foreign goods more expensive but stressed that domestic goods will not be.

- When asked if the Trump administration could rethink their strategy if markets continue to fall, Lutnick said: "Sure, there's going to be some short-term movement, but this is a reordering of global trade. It's time for America to manufacture again and I think these changes in the stock market... in the long-term, you're going to see America thrive."
- Lutnick said in a separate interview with [Bloomberg TV](#): "These non-tariff trade barriers, they are the monster that needs to be slayed,"
- He added: "Our teams are talking to all the great trading partners today. It is time for them to do deep soul searching on how they treat us poorly and how to make it right."
- Lutnick said on China: "All they have to have is a phone call from President Xi to Trump saying we're going to stop fentanyl production. And it would drop 20%," he said of the tariff rate."
- White House Press Secretary Karoline Leavitt [told NewsNation](#) tariffs will bring about an era of "price stability" and higher wages: "There's not going to be any pain for American-owned companies and American workers, because their jobs are going to come back home,"

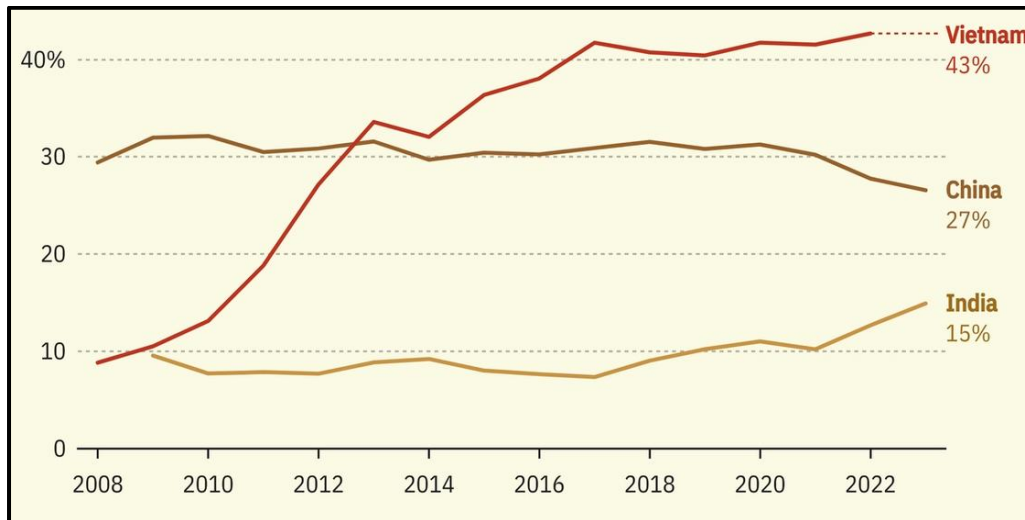
White House deputy chief of staff Stephen Miller urged Congressional Republicans to stay united behind Trump's agenda. Miller presented Republicans on Capitol Hill with a [memo](#) claiming that making Trump's 2017 Tax Cuts and Jobs Act permanent, "together with the full suite of Trump Administration policies—such as deregulation", would result in "3.0 percent annual real GDP growth rates over the next 10 years." Notably, the White House memo failed to include any assessment of the impact of tariffs.

- Axios notes that Miller also told lawmakers to expect, "an additional \$600 billion in tariff revenue over the next decade," the same number offered by White House trade adviser Peter Navarro on "Fox News Sunday," that assumes the tariffs will be permanent.

Semafor notes that, "tariffs are doubly stinging for companies that shifted operations to other Asian countries after the pandemic." Apple, Nvidia, Amazon, and Meta all took a hammering amid concerns their globalised supply chains will be especially impacted by tariffs.

- An executive at Japanese manufacturer SMC told SCMP two months ago: "We are moving our global supply base from China to Vietnam. The US response may change a little, but I believe that tariffs will be lower in Vietnam than in China, so I do not think we are going in the wrong direction."

Figure 1: High-tech Exports as a Percentage of Total Exports, Annually

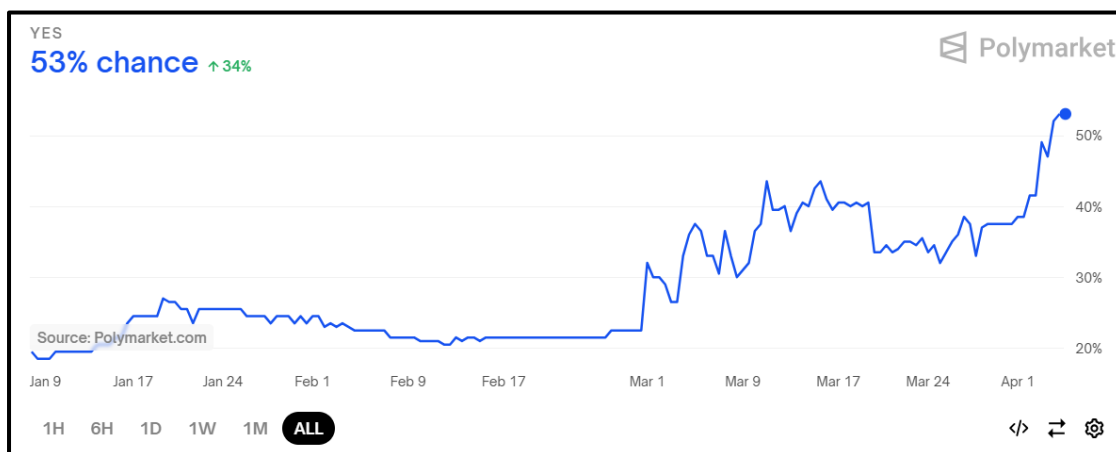


Source: Semafor

Semafor notes: "Shoe companies, which rely on factories across Southeast Asia, were hit especially hard: Nike shares were down 12%, On Running 14%, and Skechers 17% this morning."

- Reuters notes that auto giant Stellantis announced it will pause some production in Mexico and Canada. It also announced it will furlough 900 US workers.
- Analysts for JPMorgan say there is now a [60 percent likelihood](#) of a recession in 2025, a 20-point spike since before Wednesday. Traders at Polymarket also drove a sharp spike in recession expectations.

Figure 2: Recession in 2025



Source: Polymarket

The Chinese State Council Tariff Commission issued a statement this morning confirming tariffs against US goods in Beijing's first major retaliatory act against Trump's 'reciprocal' tariffs.

- The [statement](#) says: "This practice of the US is not in line with international trade rules, seriously undermines China's legitimate rights and interests, and is a typical

unilateral bullying practice." The Commission confirmed the retaliatory tariffs will come into force from 12:01 local on 10 April.

The measures in full are as follows: A 34% tariff will be imposed on all imported goods originating from the United States on the basis of the current applicable tariff rate.

- The current bonded, tax reduction and exemption policies remain unchanged, and the additional tariffs will not be reduced or exempted.
- If the goods have been shipped from the place of departure before 12:01 on April 10, 2025, and are imported between 12:01 on April 10, 2025 and 24:00 on May 13, 2025, the additional tariffs prescribed in this announcement will not be levied.

Canadian Prime Minister Mark Carney said yesterday that Canada will respond to Trump's tariffs with a "carefully calibrated" and "targeted" response.

- He announced that Ottawa will match US auto tariffs by imposing a 25% tariff on all vehicles imported from the US that are not USMCA compliant. Carney noted that Canadian tariffs will not affect auto parts and will not affect vehicle content from Mexico, as Mexico complies with USMCA. He also confirmed that previously announced retaliatory tariffs will remain in place.
- Carney added that Canada is developing a framework for Canadian auto producers to avoid the counter tariffs if they "maintain their production and investment in [Canada]."

French President Emmanuel Macron said in remarks at the Elysée Palace this morning that future investments in the United States should be put on hold until Trump offers more clarity over his tariff strategy.

- Macron: "It is important that future investments, the investments announced over the last few weeks, should be put on hold for some time until we have clarified things with the United States of America. What message would we send by having major European players investing billions of euros in the American economy at a time when [the US] are hitting us?" Macron continued, calling for "collective solidarity."

California Governor Gavin Newsom (D-CA) is expected to announce plans today to pursue "strategic" relationships with countries imposing retaliatory tariffs against the U.S., urging them to exclude California-made products from those taxes, per an interview with Fox News.

- Sources in the Newsom administration told Fox that the governor is concerned about the impact that retaliatory tariffs will have on the state's vast agricultural sector, as well as the impact on consumers from higher prices of finished goods that could be subject to multiple tariff impositions as part of supply chains that cross the border in the California-Baja region.
- Given that California sits as the world's fifth-largest economy, should Newsom be able to reach agreements with foreign governments that are inclined to impose retaliatory tariffs on the US it change the impact of any new levies on the US economy.
- A carveout of tariffs for Californian products may sound implausible, but it may not prove impossible. Indeed, Austrian Economics Minister Wolfgang Hattmannsdorfer

from the conservative Austrian People's Party [said on 3 April](#): "We have to hit Republican states and we have to hit Donald Trump's friends, the tech companies,"

Congress

Senators Chuck Grassley (R-IA) and Maria Cantwell (D-WA) [introduced legislation](#) yesterday that would reassert some Congressional power over tariffs. The bill, modeled on the War Powers Resolution of 1973, would water down the emergency measures Trump has used to impose tariffs unilaterally via executive authority.

- The legislation dictates that the president must notify Congress of new tariffs within 48 hours of imposition, explaining the reasoning behind the tariff and providing an assessment of the potential impact on US businesses and consumers. The bill states that Congress must then enact the tariff into law with a joint resolution within 60 days or the tariff will expire.
- The legislation, which could be forced onto the floor with a procedural maneuver, is unlikely to achieve a veto-proof majority in the Senate but applies additional pressure on Trump's trade agenda.
- Senator Tim Kaine (D-VA), whose symbolic resolution seeking to 'undo' Trump's Canada tariffs passed the Senate with four Republican votes on Wednesday, said "many more" than four Republicans were interested in his resolution than ultimately voted for it, predicting that more will come aboard "as the economic reality sets in," per NBC.

Congressional Business

The House is OUT

The Senate is IN

Committee Schedule –

Republican Legislation

The Senate voted 52-48 yesterday to advance a budget blueprint for President Trump's agenda. The vote kicks off consideration of the resolution and tees up a so-called 'vote-a-rama' today. Senator Rand Paul (R-KY) voted against the bill, citing concerns over language to raise the debt ceiling.

- The successful vote came despite concerns from some moderate Republicans and deficit hawks that Senate Majority John Thune's (R-SD) decision to recognise Budget Committee Chair Lindsay Graham (R-SC) as the primary authority on scoring the budget could run afoul of the strict rules of budget reconciliation – the mechanism via which the GOP can pass Trump's agenda without Democrat votes.
- Punchbowl News notes: "Passing a budget resolution is the easy part. Once Republicans put pen to paper, there could be multiple Rand Pauls — on potential Medicaid cuts, on spending-cut levels in general, and more."

The 'vote-a-rama' is expected to wrap up in the early hours of tomorrow, after which the bill will be passed to the House of Representatives. Republicans will not be given an easy ride this evening as under the rules of budget reconciliation, the minority party can offer unlimited amendments, which must be defeated in a succession of simple majority votes.

- Expect a flurry of Democrat amendments on everything from tariffs, Medicare cuts, Elon Musk's DOGE, and anything else Democrats believe can put Republican Senators in a challenging position with voters.

Bloomberg [reports](#) that Republicans are, "weighing the creation of a new bracket for those earning \$1 million or more to offset some of the costs of their tax bill, a stark departure from decades of GOP opposition to tax increases, according to people familiar with the matter."

- According to Bloomberg: Deliberations have included a new top rate that would be around 39% to 40%... but the plans are, "fluid and are still subject to change".

Rescissions

Eric Ueland, deputy director for management at the White House Office of Management and Budget, told senators at his first nomination hearing yesterday that President Trump intends to send Congress a package of Congressionally-approved funding that the White House expects Republicans to rescind.

- Ueland told senators that Trump and OMB director Russ Vought have been "very clear to us at OMB" that the Trump administration "will be sending a rescission package — at least one — to Congress."
- Ueland said: "We're excited about the partnership. And we're looking forward to the president being able to sign into law actual, provable, spending eliminations through the process of rescission."
- Politico notes: "Trump was not successful the last time he sent Congress a rescission package during his first administration. After the Senate narrowly rejected the president's request in 2018 for \$15 billion in cutbacks, Senate GOP leaders want to make sure any new rescission package can get enough Republican votes in both the House and Senate."
- The fiscally conservative Peter G. Peterson Foundation notes: "While rescission authority has not been used meaningfully in the past, it does represent one statutory tool available for lawmakers to retract spending that was previously approved. A rescissions package could be a step in the right direction to improve the country's deficits, while ensuring Congress's participation in the process."

NATO

Secretary of State Marco Rubio said during a press appearance with NATO Secretary General Mark Rutte yesterday that the Trump administration remains committed to the alliance, but only if Europe does more to share the burden of defence spending.

- The Washington Post notes: "Trump has demanded NATO allies raise military spending to 5% of their annual economic output — a massive leap for most, and well above what the U.S. itself spends."
- Rubio is scheduled to meet today with Belgian Prime Minister Bart De Wever, attend a North Atlantic Council meeting with High Representative for Foreign Affairs and

Security Policy and Vice-President of the European Commission Kaja Kallas, and meet with 'European Quint' counterparts.

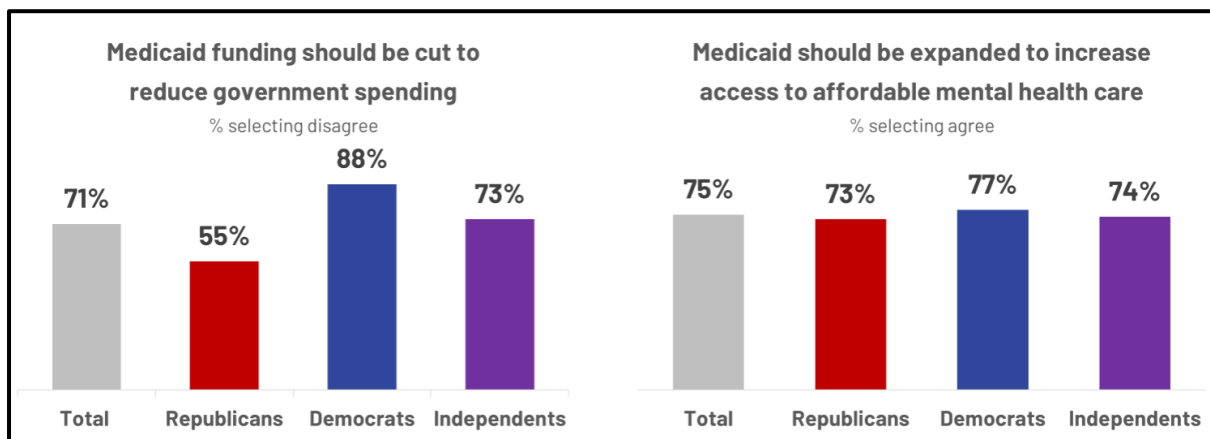
- Today's events will again be overshadowed by Trump's trade war, with NATO members likely to apply pressure on Rubio to provide clarity on steps that can be taken to negotiate more favourable tariff terms.
- Rubio will hold a press conference in the afternoon, following a second meeting with Rutte.

Chart of the Day

A new NAMI/Ipsos survey has found that, "a majority of Americans oppose cuts to Medicaid funding and support protecting access to mental health care through Medicaid."

- The survey reveals, "bipartisan backing for Medicaid as an essential program, with 84% of Americans saying they agree it is crucial for providing health care to vulnerable populations."
- Ipsos notes: "As Congress debates potential budget cuts to the program, seven in ten Americans disagree with reducing Medicaid funding to decrease government spending."

Figure 3: "Agree or Disagree with the Following Statements"



Source: Ipsos

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