

MNI POLITICAL RISK ANALYSIS - US Daily Brief 05-08-25

by Adam Burrowes

The White House *(times subject to change)*

16:00 ET 21:00 BST	President Trump signs an Executive Order
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KEY DATES:

- ❖ Reciprocal tariff implementation: August 7
- ❖ End of Congressional recess: September 2
- ❖ Government funding expires: September 30

Washington

President Donald Trump has another quiet day, with an Executive Order signing event at 16:00 ET 21:00 BST the only official engagement in his diary.

- At 14:00 ET 19:00 BST, State Department Spokesperson Tammy Bruce will brief reporters at the Department of State. There will be considerable market interest in any updates on Russia or Gaza strategy. (More on both below)

Bureau of Labor Statistics

NBC News [reports](#) that E.J. Antoni, the chief economist at the conservative Heritage Foundation, contributor to the Project 2025 policy rubric, and a longtime sceptic of BLS data, could be a frontrunner to replace Erika McEntarfer as BLS Commissioner. McEntarfer was fired on Friday by Trump, who alleged, without providing supporting evidence, that she had manipulated jobs numbers.

- NBC notes: “Steve Bannon, a senior White House adviser in Trump's first term who is influential with the MAGA wing of the GOP, is pushing hard for [Antoni] ... On Bannon's podcast last week, Antoni called for McEntarfer to be fired shortly before Trump pulled the trigger.”

Trump said on Sunday that he intends to announce his selection in the coming days. As the position requires Senate confirmation, Senate Majority Leader John Thune (R-SD) can only drop three Republican votes during the Senate confirmation process.

- The pair of moderate GOP Senators, Lisa Murkowski (R-AK) and Susan Collins (R-ME) are potential ‘noes’, if Trump is seen as nominating an overly partisan replacement. Other potential ‘noes’ could come from institutionalists like former Republican leader Mitch McConnell (R-KY) and Senator Thom Tillis (R-NC), who is not running for re-election and has clashed with Trump. Tillis also recently [warned](#) against degrading the independence of the Federal Reserve.
- Trump is likely to lean on the advice of Treasury Secretary Scott Bessent, National Economic Council Director Kevin Hassett, and Stephen Miran, the chair of the National Economic Council, in making his decision.

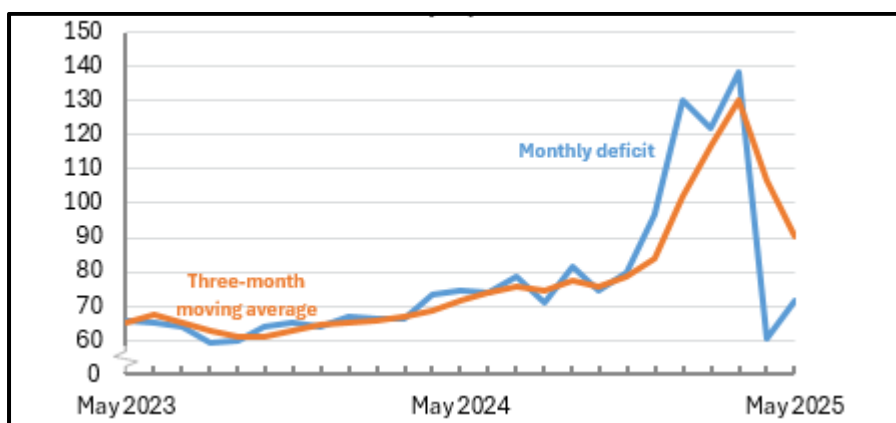
- Business Insider notes: “The market appears unfazed by Trump’s firing of the labor statistics chief... [despite] some prophesying untrustworthy government data in the future. Stocks started the week with a rally, however, thanks to strong earnings and higher odds of a September rate cut.”

Trade and Tariffs

At 08:30 ET 13:30 BST, the Bureau of Economic Analysis will release its US International Trade in Goods and Services report for June.

- The bureau, which falls under the purview of the Department of Commerce, reported last month that “the goods and services deficit was \$71.5 billion in May, up \$11.3 billion from \$60.3 billion in April, revised.”

Figure 1: Goods and Services Trade Deficit, Seasonally Adjusted (Billion \$)



Source: Bureau of Economic Analysis

Tariff Implementation

The federal government issued guidance on Monday, outlining the implementation of the tariffs Trump announced last week, per [Bloomberg](#).

- According to the report, “Trump’s expanded reciprocal tariffs will not apply to any products loaded onto a vessel for transport into the US before 12:01 a.m. New York time on Thursday.”
- Bloomberg notes: “Expected exemptions for products under the US-Mexico-Canada free trade agreement negotiated by the president during his first term are included in the document, as are exemptions for relief items like food, clothing and medicine set to be distributed as aid. So is the president’s threatened penalty of a 40% tariff on goods deemed by the federal government to be transshipped to avoid country-specific duties.”
- According to Bloomberg Economics, “the average US tariff rate will rise to 15.2% if rates are implemented as announced,. That’s up from 13.3% earlier and significantly higher than the 2.3% in 2024 before Trump took office.”

European Union

Reuters reported comments from an EU official this morning, claiming the bloc is "already seeing the implementation of the EU-US framework trade deal," which the official said "creates immediate relief while we work out [the] formal details."

- The official noted: "In the US executive order, you are seeing [an] all-inclusive tariff rate of 15%...This means that the most-favoured nation rate is included within this US 15% tariff rate."
- The official acknowledged, "We are not here to say we have fundamentally solved everything in one go", adding the EU expects some "turbulence", but "we have set up a solid foundation for ourselves."

The official said to EU member state ministers who have [criticised](#) the agreement: "The alternative would mean an escalation and high tariffs on both sides [and] would risk creating divisions within the EU." The official added, "there is no celebration on the EU side" regarding the deal.

- The official said the 15% US tariff rate applies to Section 232 tariffs except on steel and aluminium," noting that "discussions with the US on steel are taking longer because we need to discuss volumes."
- The official confirmed that the 15% US tariff rate "will also apply to cars and car parts," adding that: "It will take some time before we fully nail down the list of essential products exempt from US tariffs."

On 4 August, the European Commission [confirmed](#) that the retaliatory tariffs due to come into force against the US on 7 August had been postponed for six months following the agreement of the framework deal.

- In what has become a game of one-upmanship between US trading partners trying to tout the benefits of their own deal, the EU official highlighted the 15% tariff facing EU cheese exports to the US, compared to 24.9% for the UK.
- A high-profile meeting between German Finance Minister Lars Klingbeil and US Treasury Secretary Scott Bessent yesterday offered little in the way of signs of future trade talks. A brief [readout](#) from the US simply acknowledged the deal rather than any discussions of its content.

Switzerland

The Swiss government said in a statement that it will present a "more attractive" offer to Washington, in response to the 39% tariff rate Trump imposed on Swiss exports to the United States – the highest rate of any industrialised nation.

- The statement reads: "Switzerland enters this new phase ready to present a more attractive offer, taking US concerns into account and seeking to ease the current tariff situation," highlighting its foreign direct investments and research and development push in the US. It also excluded countermeasures for the time being, per Bloomberg.

President Karin Keller-Sutter will travel to Washington, D.C. today to meet with senior Trump administration officials and pitch extending the timeline for tariff implementation.

- The Swiss government stressed on Monday that the overhang "is not the result of any 'unfair trade practices'." Switzerland's outsized gold exports are partly to blame

for the distorted trade balance. The country is the world's biggest refining hub for the precious metal, with billions of dollars worth of gold constantly flowing into and out of the nation, per Bloomberg.

Japan

Japan's top trade negotiator Ryosei Akazawa will travel to Washington today for his first meetings with US counterparts since the announcement of a trade framework last month.

- Bloomberg notes: "The deal allowed Japan to avoid a worst-case scenario of a 25% levy as threatened previously by President Donald Trump, but the universal levies will rise from the 10% rate imposed in recent months. The new rate is set to kick in on Aug. 7. Car tariffs are set to decline, but it remains unclear when that reduction will start."
- Akazawa told reporters in Tokyo ahead of his departure: "What we are asking for is very simple. We'll continue to strongly urge the US to take steps to implement the agreement swiftly and steadily, including the reduction of tariffs on cars and car parts."

India

In a post on [Truth Social](#) yesterday, Trump escalated his standoff with New Delhi, threatening to "substantially" raise tariffs on Indian imports, citing its trade in Russian oil.

- Trump: "India is not only buying massive amounts of Russian Oil, they are then, for much of the Oil purchased, selling it on the Open Market for big profits. They don't care how many people in Ukraine are being killed by the Russian War Machine. Because of this, I will be substantially raising the Tariff paid by India to the USA."
- Notably, the message appears to be the first time that Trump has used the phrase "Russian war machine", signalling more frustration with Russia from the White House.

The post is the latest from Trump hinting that India may bear the initial brunt of the Trump administration's measures against the Russian oil and gas sector. Trump's Middle East envoy, Steve Witkoff, is expected to arrive in Moscow in the coming days to discuss Trump's accelerated (Friday) deadline for reaching a ceasefire deal.

- Politico notes: "Trump's threat marks the second time in under a week that he has attacked India for its dealings with Russia. Last Wednesday, Trump announced he was issuing 25 percent tariffs on New Delhi due to what he identified as longstanding trade barriers. But he previewed an additional penalty for India's trade with Moscow in military equipment."

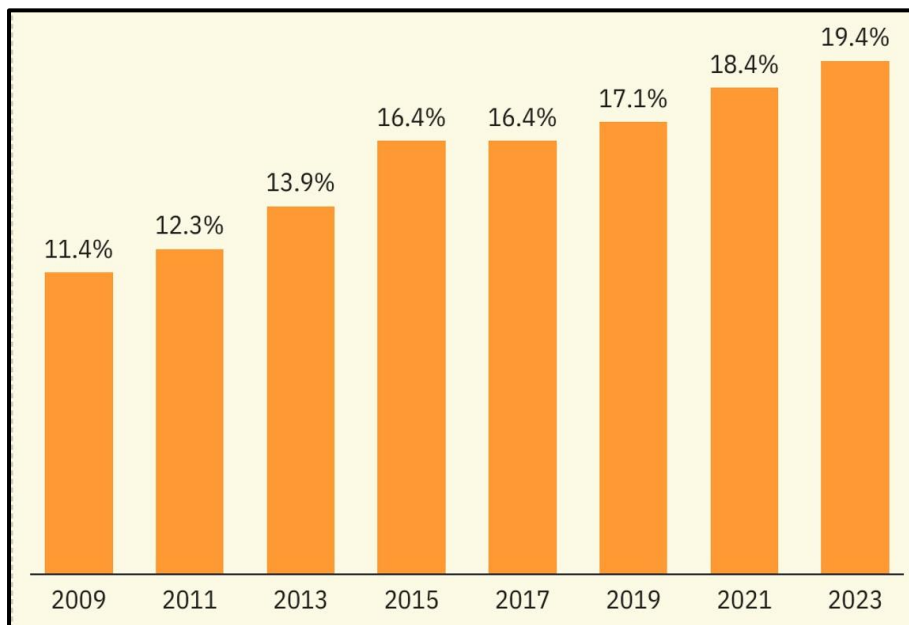
On Saturday, Indian Prime Minister Narendra Modi urged Indians to buy local products to offset US tariffs: "Now, whatever we buy, there should be only one scale: we will buy those things which have been made by the sweat of an Indian."

- Modi's government hasn't given India's oil refiners instructions to stop buying Russian oil, and no decision has been taken on whether to halt the purchases, according to [Bloomberg](#). The New York Times [reports](#) that India will continue buying Russian oil.

Axios notes: "It's not clear how much higher the tariff might go; the White House did not immediately return a request for comment. Shares in the largest India ETF, the iShares MSCI India ETF, were down 0.4% in midday trading, having turned negative after Trump's post."

- India's Ministry of External Affairs issued a [statement on X](#), arguing that the Indian trade in Russian gas was encouraged by the US to stabilise global markets in the wake of Russia's invasion of Ukraine. The statement also points out that the European Union has a larger bilateral trade in Russian goods than India.

Figure 2: Share of Total Indian Exports going to the US



Source: Semafor, OEC

Economy

In a [new assessment](#), the Congressional Budget Office has estimated that the debt service costs of the GOP's 'One Big Beautiful Bill' will total \$718 billion over the 10-year period, resulting in an increase to the cumulative effect on the deficit to \$4.1 trillion.

- Politico notes the estimate is "higher than the \$440 billion in extra borrowing costs CBO estimated in June, before Republicans reworked many of the bill's policies to abide by Senate rules and woo the support of GOP lawmakers who were reluctant to vote in favor of the final product."
- Politico adds: "Congressional Republicans largely dismissed CBO's deficit and interest rate warnings in the days before clearing the bill for Trump's signature, arguing that the legislation would juice the economy far more than forecasters have ultimately predicted."
- Senate Budget Committee ranking member Jeff Merkley (D-OR), the lawmaker who requested the CBO assessment, said in a statement: "Each and every analysis from the nonpartisan Congressional Budget Office continues to show the same result regardless of how you look at it: this bill explodes the debt by trillions of dollars to

fund tax breaks for billionaires. It is the height of hypocrisy coming from the party that claims to be fiscally responsible.”

Congressional Business

The House is OUT until September 2

The Senate is OUT until September 2

Committee Schedule –

Reconciliation

The House Republican Study Committee will host GOP staff Wednesday for a discussion on crafting a second megabill, according to an invite seen by Politico.

- Politico notes: “The briefing will be held in-person, and aides will hear from leaders of the Economic Policy Innovation Center, a conservative think tank, including executive vice president Brittany Madni, director of budget policy Matthew Dickerson and senior analyst in fiscal policy David Ditch.”
- Politico ads: “The RSC kicked off its “Reconciliation 2.0” working group last month to help develop recommendations for another party-line domestic policy package, which Republicans want to consider this fall.”
- A maximum of three reconciliation bills are permitted per fiscal year, per Senate rules. Considering the likelihood of Democrats winning the House in the 2026 midterm, Republicans are likely to pursue one additional reconciliation package on a similar timeline to the ‘One Big Beautiful Bill.

Russia-Ukraine

Kremlin spokesperson Dmitri Peskov told reporters yesterday that Russian President Vladimir Putin is open to meeting with Ukrainian President Volodymyr Zelenskyy, if the requisite groundwork is done before.

- Peskov said: “I want to remind you that the president himself does not rule out holding such a meeting after the necessary work is done at the expert level and the necessary distance has been covered.” He added that preparatory work “has not yet been done.”

The Netherlands yesterday become the first country to contribute to NATO's new "Priority Ukraine Requirements List" (PURL) financing mechanism for Ukraine, pledging 500 million euros.

- Secretary General Mark Rutte said in a statement: “I commend The Netherlands for taking the lead and turning this initiative into concrete support on the ground, building on the steps taken last week by Germany to deliver more Patriot systems to Ukraine.”

The announcement comes after Trump said last month that the US and NATO would develop a mechanism for the US to maintain military support for Ukraine via NATO partners

in Europe. The financing initiative is part of a two-pronged approach to push Russia to the negotiating table with Ukraine. The second prong involves Trump's threat to impose new penalties on Russia.

- Trump negotiator Steve Witkoff is expected to meet Russian officials in Moscow on August 6, just days before the Friday deadline for Russia to agree a ceasefire with Ukraine.
- If Russia does not commit to a ceasefire, Trump has promised sanctions and secondary tariffs, but it is unclear if a final decision has been taken on the scope of the measures. Trump also downplayed the effectiveness of sanctions, telling reporters Russia seems to be "pretty good at avoiding sanctions."
- Senator Jim Rische (R-ID), the chair of the Senate Foreign Relations Committee, [said](#): "When and if secondary sanctions hit, it's going to be shock and awe," adding that "things are going to change dramatically" as a result.

Gaza War

The Jerusalem Post reports that Israeli Prime Minister Benjamin Netanyahu has "reached a decision for the full occupation of the Gaza Strip, including operations in areas where hostages are held, a source in the Prime Minister's Office."

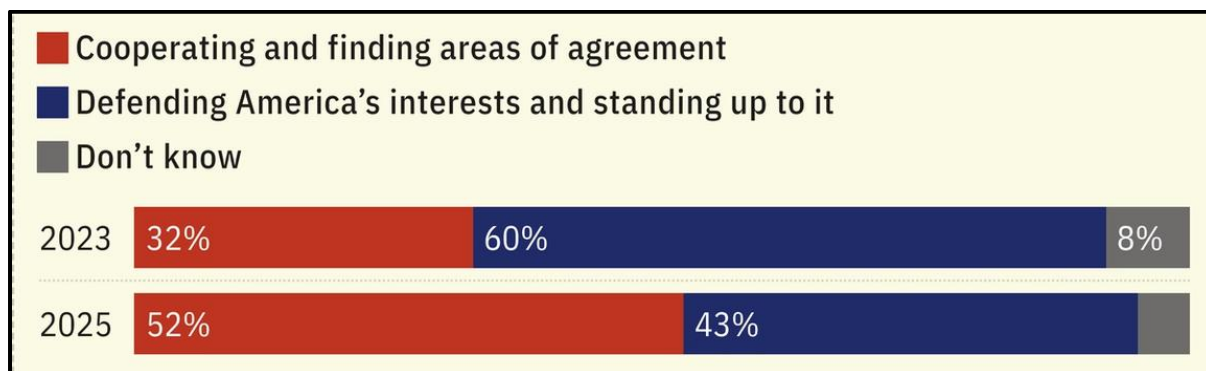
- The Post adds: "Additionally, on Tuesday morning, an Israeli official [said] that Netanyahu will convene an extensive meeting on Gaza and a hostage deal, noting that "the prime minister is considering all available options regarding the next steps.""
- Israel is in "the tightest spot it has been in at any point in the war," one analyst told The New York Times. The country is facing intense international criticism, domestic discontent, and internal political rifts: The government voted Monday to dismiss the attorney general, a prominent Netanyahu critic who is prosecuting his ongoing corruption case, per Semafor.

Chart of the Day

Semafor reports: "Americans are starting to think more positively about China, according to new polling from the think tank Third Way shared with Semafor. Since 2023, the share of Americans who view China as an "enemy" dropped by seven percentage points, while the share who see it as an "ally or trade partner" grew by eight percentage points."

- Semafor notes: "A majority of respondents also said they wanted to cooperate and find "areas of agreement" with China, up from 32% in 2023. Third Way conducted the poll in May, after Trump had begun his first round of aggressive tariffs on Beijing."
- Third Way wrote in a memo: "Americans aren't softening on China because they hold the country and its leaders in high regard. But they have become more aware of the role China plays in their daily lives and, as a result, have become more hesitant to use blunt force."

Figure 3: US Perceptions of China (Americans' Preferences for Dealing with China)



Source: Semafor, Third Way

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