



(UBS)

Washington Weekly: Tariffs and Takeaways

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President Trump's speech to Congress and tariffs were the talk of the town this week. The Governmental Affairs US team covers both topics in this week's update.

Trump Address to Congress Takeaways. Click [here](#) for a detailed response to the speech on Tuesday, 4 March, 2025.

Tariff Turbulence. While financial markets reacted poorly to specific tariff increases applied this week to Mexico, Canada, and China (the US' three largest trade partners), President Trump made the case for tariff increases in his speech to Congress this week. He reminded us that this could be just the beginning of the tariff story. President Trump could apply a much broader wave of global tariff increases beginning on 2 April. He has cited this date as the start for "reciprocity" on tariff levels, whereby the US will apply the same tariff levels as those to which other countries subject US goods. This would result in higher tariff rates on a wide range of goods entering the US, but it will also likely result in some countries lowering tariff rates to accommodate the US and not endanger current trade flows. *This week's tariff developments were important, but the reciprocity policy beginning 2 April likely will have more of an impact on global trade and tariff rates, for better or worse.*

Tariffs, Take Two. President Trump just yesterday paused higher tariffs on imported automobiles from Mexico and Canada for one month. The delay was prompted by concerns from the automobile industry. This is good news for that sector, but the broader array of tariffs on Mexico, Canada, and China remain intact. The President could pause higher tariffs on other products as negotiations occur behind the scenes. This is a big problem with the higher tariff action. Higher tariffs are regularly threatened and then either enacted or not. If enacted, they may stop and restart. No one really knows what their duration will be. We're not the experts on how the markets will respond to all of this activity, but we have a high level of confidence that higher tariff levels will continue to be threatened, imposed, withdrawn, revised, and subject to

daily negotiations every day. *They will always be accompanied by a high sense of unpredictability, which the markets will generally loathe or have to adjust to as the ongoing norm under Trump (as they did in his first term).*

14 March Deadline. We opined three weeks ago that chances were more likely than not of a short government shutdown after 14 March, when current funding is scheduled to expire. We are one week away from the deadline, and we still think there is a good chance of a short shutdown. After partisan bickering over the next week about whether the Executive Branch is legally required to spend funds appropriated by Congress (including much of the money DOGE has identified as "savings"), both the House and Senate likely will pass a bipartisan measure to extend the deadline into late April or May. President Trump would like to see an extension of the debt ceiling added to that bill, but we don't think he will be successful. *As a reminder, the funding bill addresses fiscal year 2025, which began over five months ago, and funding for October onward will be an entirely separate fight.*

For much more on the topics under the dome, including the budget and the CHIPS Act, [see the latest Washington Weekly](#).

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