(UBS)

Washington Weekly: The Tariff Rage

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Next Wednesday, President Trump is expected to announce his plan on "tariff reciprocity." This plan will likely serve as the foundation of his overall trade policy in his second term. In his final edition as lead author of Washington Weekly, John Savercool and the Governmental Affairs US team takes a look at this, and much more.

The original notion of reciprocity was to apply the tariff level imposed on US exports to a given country to imports into the US from that country. The new plan, which is still evolving, instead targets countries that have large trade imbalances with the US. Under the current plan, the US would raise tariffs on 15 countries or trade blocs, including China, the EU, Mexico, Vietnam, Taiwan, Japan, Canada, Switzerland, South Korea, South Africa, Cambodia, Malaysia, Thailand, Indonesia, and India. The higher tariffs will likely not be assessed immediately. There likely will be a months-long implementation process. This will give the targeted countries an opportunity to negotiate with the US on potential agreements. *Higher tariffs won't stop after this initiative, as we saw this week with the imposition of higher tariffs on imported automobiles.*

TikTok Deadline. If TikTok does not have a deal to be sold to a US company by April 5, it must cease operations in the US under current law. Various proposals have been made by US entities to buy TikTok. However, we don't believe any are close to closing. We believe President Trump will try to extend the time needed to make a deal. A bipartisan law passed last year provides the outline for when a deal must be struck, and it's not clear that time extensions can be granted. That leaves any extension open to a legal challenge. There seems to be potential for a deal to be made, especially in view of Trump's personal interest in that occurring. But more time is needed to work out specific details. *We think ultimately a deal will come together, but it may be tied up in court before it is finalized.*

Social Security. We have received many questions in recent weeks about whether we expect any changes to Social Security that would affect current beneficiaries. The answer is that we do *not* anticipate any such changes. While the system will need reforms in the coming years to sustain its long-term viability, there is no appetite now with most lawmakers (or President Trump) to craft a bill containing reforms. Such a bill would need 60 votes to pass in the Senate (these changes aren't eligible to be considered in the partisan "reconciliation" bills now being considered), and this will not happen. Elon Musk's and the DOGE's efforts to scrutinize federal agencies, including the Social Security Administration, will fuel speculation that benefit reductions could occur, but we believe the chances this would occur are close to zero. *The system will be reformed eventually, but most of the changes to the program will affect future beneficiaries, not current beneficiaries.*

Signal and US National Security. The use of an encrypted chat app by US national security officials was condemned this week as a threat to US national security and a serious lapse of sound judgment. At a time when Democratic lawmakers and leaders have had difficulty effectively articulating an alternative to Trump policies with the general public, the Signal fiasco may provide them with a better opportunity. At risk especially seems to be Defense Secretary Pete Hegseth. Democratic Senators opposed Hegseth's nomination to a job that they thought was beyond his capabilities. They used this week's miscue as an opportunity to reiterate those views. While Hegseth was just one of over a dozen participants on the chat, he is vulnerable because of his weaker bipartisan standing than some of the other officials on the call. *The Signal incident isn't enough to push Hegseth out the door, but he will be on a shorter leash now and can't afford involvement in another embarrassing incident.*

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