7 days ago

‘Liberation Day’ Is Here. 5 Things to Watch For.

By Reshma Kapadia, Associate Editor

President Donald Trump has expressed a preference for a "big, simple" tariff plan. (SAUL LOEB/AFP via Getty Images)

The Trump administration’s so-called Liberation Day is here with a flurry of tariff-related developments expected this afternoon that should confirm the world has truly entered a global trade war. Less likely, though, is the clarity that strategists have been waiting for to lift the uncertainty hamstringing companies—and the stock market.

“The era of increasingly free and unfettered trade is coming to a crashing end as the Trump tariffs lead to a surge of protectionist measures around the world,” says Eswar Prasad, a Cornell professor and senior fellow at Brookings Institution who previously led China research for the International Monetary Fund. “Even if the tariff wars ease up as the economic consequences sink in, corporations around the world are now confronted with a much more uncertain and volatile trade landscape."

Economists have raised their odds of the U.S. and global economies tipping into a recession, and many strategists have pared their expectations for the S&P 500 as the uncertainty, even more than the tariffs, hits business and consumer confidence in ways they fear could hurt earnings later this year.

President Donald Trump has expressed a preference for a "big, simple" tariff plan. Analysts are expecting it may be a little less big—and a little less simple. Today's announcements probably will start the clock for a period of negotiations by targeted countries to get any tariffs rolled back or reduced—or a period of retaliation—rather than clarity that can remove the cloud hanging over markets.

Trump has already unveiled pieces of his plan, imposing duties on imports of autos and car parts. Now, investors are waiting for more details about the "reciprocal" tariffs that the White House has been talking about for weeks, aimed at charging what targeted countries charge the U.S., with the calculation factoring in non-tariff measures like value-added taxes and currency levels.

Also of interest: The authority that the administration uses to impose these levies, which tariff threats are kicked down the road, and which tariffs on hold are un-paused.

The administration is focused on reshaping global trade, using tariffs as a tool to narrow the $918 billion U.S. trade deficit and bring manufacturing jobs back home. The administration has also cited tariffs as a way to be less reliant on others for critical goods and to address unfair trade practices. Officials say the tariffs will help raise revenue: White House senior trade adviser Peter Navarro suggests planned tariffs could bring in $6 trillion over the next decade.

Economists, though, are skeptical that tariffs can do all of that because it doesn't account for retaliation or other fallout.

The fluidity of what the tariff plan looks like, even among administration insiders, is fueling some analysts' expectations that the scope of what emerges later this afternoon could be smaller than anticipated. Henrietta Treyz, director of economic policy research for Veda Partners, tells *Barron's* that she expects a "discombobulated" rollout that includes some concrete tariffs on some of the countries with the biggest trade deficits with the U.S. but more uncertainty elsewhere on other fronts. Beacon Policy Advisors analyst Owen Tedford sees it less likely the administration announces anything beyond reciprocal tariffs.

Here's what to look for:

- Most analysts expect the tariffs to come by executive order, with Trump possibly deciding on an across-the-board "universal" tariff that would hitabout 200 trading partners, possibly levying a 10% flat tariff and ratcheting it up on the 20 to 25 countries that have the widest trade deficits or tariff differentials with the U.S. Alternatively, the administration could target these latter countries with reciprocal tariffs. The list likely includes the European Union, China, Vietnam and India.

- Tariff rate expectations range from 10% to 20%, with analysts seeing these as a starting point for negotiations.

- Also possible: Trump could extend the suspension of tariffs on goods from Mexico and Canada that were covered by the U.S.-Mexico-Canada trade agreement, which are expected to go into effect later this week. Beacon Policy Advisors’ Tedford says the administration could keep the suspension but possibly hit the countries with reciprocal tariffs.

- Less likely but still possible are tariffs on pharmaceuticals and semiconductors, as well as reports needed before imposing 25% tariffs on lumber and copper imports.

- Also of interest is if the tariffs are stacked on old ones. One issue analysts say the administration is tackling is keeping U.S. industrial companies, for example, from paying 25% on steel tariffs and then another 10% to 20% for reciprocal or other levies.

- The U.S. Trade Representative could also declare China in violation of the Phase One trade deal struck in the first administration. That could set into motion an increase in the tariffs first imposed on China in Trump's first term. Still unclear is if they would be triggered immediately or go through a process that could take months. Those increases would come on top of the 25% tariffs that are in place on $250 billion of Chinese goods, 7.5% on $120 billion of other imports, and could mean the $151 billion of consumer-oriented goods like laptops and smartphones that were exempted during the first term could also get hit.

Back to Live Updates