

## What Project 2025 tells us about what will happen with tariffs on 2 April

Project 2025 provides a blueprint for what will happen on 2 April. Tariffs will be raised substantially, and with nontariff barriers cited as a primary reason for the trade deficit, higher tariffs on imports will persist. India, Taiwan, Vietnam, Thailand, China, and the EU top the list



Peter Navarro is Senior Counselor to the President for Trade and Manufacturing

If you want a glimpse into what could happen in the United States over the next four years, we encourage you to take a look at “Project 2025.” The political initiative, launched by The Heritage Foundation, an American conservative think tank, and published in April 2023, sets out a comprehensive roadmap to fundamentally reshape the federal government. Key areas of focus include government downsizing, tax system reform, immigration enforcement, and energy and trade policy.

While President Donald Trump claims he has not read the manual, his actions in the first weeks of his presidency closely align with its recommendations, indicating a strong influence of the project on his administration's agenda. So, what's in store for trade and the looming 2 April deadline?

## Navarro's blueprint for fair trade: what's coming in April

The first trade section in Project 2025 is entitled [“The Case for Fair Trade”](#) by Peter Navarro, Trump's former Director of the White House National Trade Council and Director of the Office of Trade and Manufacturing Policy, who is now Senior Counselor for Trade and Manufacturing in Trump's current administration. It describes what's going to happen in April and makes it clear that the US must strengthen its manufacturing and defence industrial base while improving the reliability of its global supply chains, which requires onshoring production.

Two challenges are mentioned: the WTO's "most favoured nation" (MFN) rule and economic aggression from China, leading to significant trade deficits, making the US “a victim of unfair, unbalanced, and nonreciprocal trade”. US exporters would encounter higher tariffs in 467,015 instances, whereas the US would impose higher nonreciprocal rates in only 141,736 cases. Overall, this poses both an economic and a national security threat.

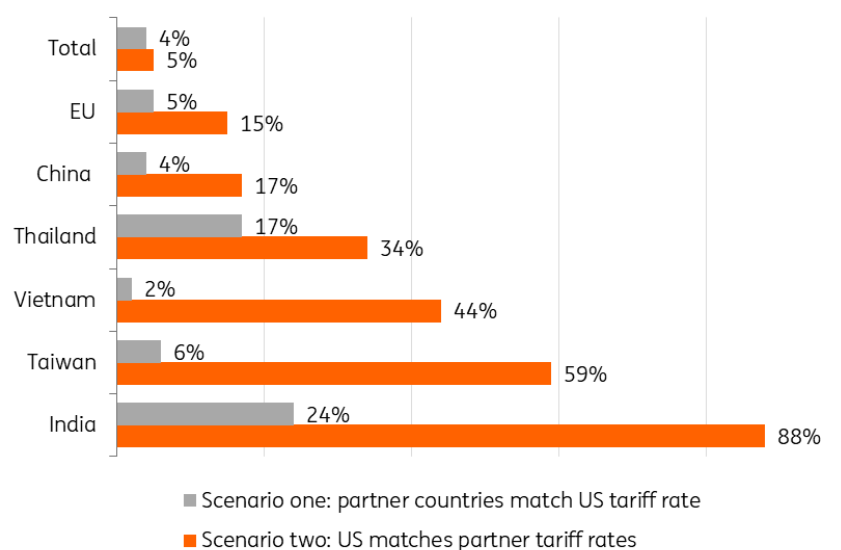
## China, India, and EU in the crosshairs with car industry and agriculture getting hit hard

In terms of who's in the firing line as of 2 April, the report specifically mentions China and India, the EU and Thailand, Taiwan, Vietnam, Japan, and Malaysia. Regarding nontariff barriers, Japan is high on the list. These countries either have a substantial trade surplus with the US (the EU), a large difference in the average tariff rate (India), or both, as seen with China.

Regarding sectors, the car industry is notably highlighted, with the EU, China, Brazil, Indonesia and Egypt standing out. Agriculture is another cornerstone of the tariff agenda, with Malaysia's higher rice tariffs and the EU's protective measures for milk being specifically mentioned.

While there seems to be room for negotiation and recognition of countries lowering their nonreciprocal tariffs to US levels, Navarro favours the US raising its tariffs to mirror other countries' levels as this would result in an overall slightly higher reduction in the trade deficit of 10.2% compared to 9.4%.

## Reduction in bilateral trade deficit (in %)



Source: The United States Reciprocal Trade Act: Estimated Job & Trade Deficit Effects, White House Office of Trade and Manufacturing Policy May 2019

Matching the tariff rates of India, Taiwan, and Vietnam would result in the largest relative dollar reductions in percent terms, while the highest bilateral deficit reductions in absolute dollar terms would be recorded with China and the EU.

Reciprocal tariffs were already a major focus of Trump's administration during his first term. Remember in 2019, the "[United States Reciprocal Trade Act](#)" (USRTA) was introduced to the 116th Congress and mentioned in Trump's State of the Union Address. However, the bill did not become law.

The USRTA would have allowed the President to negotiate tariff reductions or impose additional duties on imported goods if foreign countries imposed higher tariffs or other trade restrictions on US goods, effectively introducing reciprocal tariffs and addressing non-tariff barriers. To bypass the need for congressional approval this time, which still seems to be lacking (the USRTA was reintroduced to the House on [24 January 2025](#), but no action has been taken yet), we are likely to see more use of the International Emergency Economic Powers Act (IEEPA).

### Our view: hefty investment, meagre return and no escape from tariffs

Introducing reciprocal tariffs and matching tariff levels of the most relevant US trade partners would still only result in an overall bilateral trade deficit reduction of 4% and 5%, respectively, according to the 2019 White House Report. In our humble opinion, that's a hefty investment for a rather meagre return. Disrupting years of trade and diplomatic relations, creating uncertainty, and plunging financial markets into turmoil could certainly have been handled more gracefully.

The persistent high US trade deficit is another reason why we will continue to encounter higher tariffs in the US, even if all WTO members were to miraculously reduce their tariffs to

US levels – due to the presence of non-tariff barriers.

With those being part of any deal, there is no way out of a higher tariff rate environment for goods imported into the US over the next four years. Even the most favourable deal won't eliminate tariffs for China or the EU. This is particularly true for China, especially if the US administration adheres to the Project 2025 recommendations, which dedicate 16 pages in a 30-page section to issues like theft, coercion, information harvesting, and state sponsorship, among others.

## Goodbye tariffs, hello border adjustment tax?

To avoid tariffs altogether, Navarro proposes an alternative: Border Adjustment Tax (BAT). According to this tax, goods would be taxed based on where they are consumed rather than where they are produced, meaning that exported goods would be exempt from tax, while imported goods sold in the United States are subject to the tax. This would eliminate incentives for companies to offshore profits and reduce trade imbalances.

Yet, seeing that opinions among US corporations on BAT are mixed, and there's extreme uncertainty about whether this would ever gain enough support in Congress, it is far more likely that the US administration will go deeper down the tariff road.

And while the trade section within Project 2025 isn't limited to these extremely conservative views, only – the free trade proponent Kent Lassman, CEO of the Competitive Enterprise Institute, also gets 22 pages – the current rumours strongly suggest that we will hear and see pretty much a blueprint of Navarro's proposals on 2 April.

**Watch:** [Brace for Trump's 'liberating' Tariff Day in April](#)

### Author

**Inga Fechner**

Senior Economist, Germany, Global Trade

[inga.fechner@ing.de](mailto:inga.fechner@ing.de)

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