

## McLarty Update: America First Trade Policy Recommendations

April 7, 2025

### KEY POINTS

- **An Executive Summary to the “America First Trade Policy” report was released on April 3.** Despite its release being overshadowed by “Liberation Day” reciprocal tariffs, the Executive Summary has **substantive implications for how US trade policy will develop over the coming months.**
- The “America First” Executive Summary not **only seeks to justify trade policy actions pursued by the Trump administration to date**, but also recommends an even **more aggressive trading posture against China, more stringent export controls of critical technologies, modernization of existing Free Trade Agreements (FTAs), and pursuit of new country and sectoral trade agreements.**
- The Executive Summary suggests a number of additional policies and/or investigations including **Section 232 investigations against the pharmaceutical, semiconductor, and critical mineral sectors, possible China Section 301 tariff alterations and additional investigations, and expanding outbound investment policies** to target foreign countries’ technology development.

### AMERICA FIRST TRADE POLICY TAKES SHAPE

President Trump’s January 20 [memorandum](#) “America First Trade Policy” required US trade and economic agencies to make formal **recommendations to the White House** (*McLarty’s memo on the January 20 memorandum can be found [here](#)*). Agency input, due to the White House on April 1, was not made public, though the White House published an [Executive Summary](#) of the America First Trade Policy on April 3, outlining cabinet agencies’ general suggestions on 24 different workstreams.

The recommendations are **likely to provide President Trump with justification to pursue more aggressive trade policies on his priorities of unbalanced trade, trade relations with China, and economic security issues.**

This memo expounds upon the Executive Summary of the “America First” report and what the report may mean for President Trump’s trade policy agenda in the coming months. The memo places special attention on **what measures are currently being implemented, and what measures are still under consideration.**

### ADDRESSING UNFAIR AND UNBALANCED TRADE

A major component of “America First” is rectifying the United States’ “destructive trade imbalance” with global partners by remedying deficits and other measures. The Executive Summary outlines the following recommended measures to address unfair and unbalanced trade, where some recommendations have already been implemented:

#### Under Active Implementation

- **Reviewing Trade Agreements, Unfair and Non-reciprocal Trade Practices and Deficits, and their National Security Implications:** The first recommendation described by the “America First” memorandum was for USTR and the Commerce Department to comprehensively review the US’s large annual trade deficits, partners’ unfair trade practices, and the national security implications of both, **which the memorandum suggested may be solved by a global supplemental tariff.** The memorandum also tasked USTR with reviewing FTAs on the grounds of reciprocity.
  - The Executive Summary states that the “America First” report not only **recommended tariffs on trading partners “in the pursuit of reciprocity,”** and to “modernize existing trade agreements,” but also identified over 500 practices by various trading partners that burden US trade. This section’s **recommendations ultimately mirror the reciprocal tariff actions [announced](#) on “Liberation Day,”** which formulated both a global supplemental tariff of 10% and individualized tariffs on countries that deny reciprocal access to US exports.

- **Closing the *de minimis* exemption:** In the original “America First” memorandum, USTR along with the Treasury, Commerce, and Homeland Security Departments were directed to recommend “modifications” to *de minimis* treatment of goods valued less than \$800. After President Trump ordered (and later paused) the ending of *de minimis* loopholes from China and Hong Kong-origin goods on February 1 and 7, *de minimis* exemptions were again ended, effective May 2, for China and Hong Kong goods through an April 2 Executive Order. The “America First” Executive Summary affirms that the *de minimis* exemption should be ended to ensure that Customs and Border Patrol can recoup “rightful tariff revenues” and defend US national security.
- **USMCA Review:** The “America First” memorandum mandated that USTR commence a public consultation process for USMCA in preparation of the agreement’s July 2026 review. The Executive Summary outlines USTR’s recommendations that the **USMCA review process focuses on stronger rules of origin for “non-market economy content” in USMCA products**, expanded market access for US dairy exports to Canada, and actions to address Mexico’s discriminatory actions in the energy sector.
- **Currency Manipulation Monitoring:** After being directed to review trading partners’ currency exchange policies and manipulation measures in the original memorandum, the Treasury Department committed to strengthen ongoing currency analysis and address the “lack of transparency” by trading partners in currency markets.

### What’s Ahead

- **Creating the External Revenue Service (ERS):** The “America First” memorandum tasked the Treasury and Homeland Security Departments to investigate the feasibility of establishing a ERS for tariff and foreign trade revenue collection. In the Executive Summary, the departments write that **the ERS should be constructed with the goal of working as a “centralized system” for revenue collection.**
- **Pursuing New Country, Sectoral Trade Agreements:** Beyond USTR’s review of the US’s 14 different FTAs, it had also been directed to identify new trading partners and sectors for future opportunities. Although not made public, **USTR has identified countries and sectors “which may be ripe for the negotiation of America First Agreements,”** possibly opening new markets across the globe.

### EVALUATING ECONOMIC AND TRADE CONDITIONS WITH CHINA

A second goal outlined by the “America First” memorandum was for various agencies to assess the state of the US’s trade relationship with China, with emphasis on the Phase 1 trade agreement reached during the first Trump administration, China’s discriminatory market policies, and existing US tariffs on the country. **Although remedial actions against China recommended by the report do not appear to have been implemented (or made public) yet,** the Executive Summary noted that the following measures were considered in the “America First” report:

- **Review of the Phase One Agreement, IP Reciprocity:** The “America First” memorandum asked USTR to review the Economic and Trade Agreement with China and for the Commerce Department to make recommendations on how to ensure “reciprocal and balanced treatment” of US intellectual property in the Chinese market. USTR argued in the Executive Summary that after the Phase 1 Agreement went into force in February 2020, **China has “failed to live up to its commitments on agriculture, financial services, and protection of IP rights,”** and recommended remedial actions, which were not made public. Moreover, the Commerce Department in the updated report has “catalogued” China’s abuses of US intellectual property and recommended actions to address this imbalance, but IP recommendations were also not made public.
  - *More information on how USTR assesses the Phase One agreement is available in its annual National Trade Estimate report released on March 31.*
- **Assessment of Section 301 Four-Year Review, Identify Tariff Modifications:** The memorandum additionally mandated USTR to assess the office’s Four-Year Review report published in May 2024 and consider potential tariff modifications as needed, particularly with

respect to industrial supply chains and third-country circumvention. In the Executive Summary, USTR stated it has assessed the results of the 2024 review to ensure Section 301 action “remains fit for purpose,” and stated that **“there may be a need” for additional Section 301 investigations into Chinese non-market policies it has identified**, which were not made public.

- The Executive Summary does not mention USTR’s exclusions on certain Section 301 tariffs, but **existing exclusions on certain imports are set to expire on May 31, 2025**. Imports’ exclusion status may be influenced by the content of the “America First” report.
- **Assessment of Permanent Normal Trade Relations (PNTR):** After being asked to **assess legislative proposals which would possibly revoke or alter PNTR with China**, USTR stated in the “America First” Executive Summary that it had “carefully reviewed” such proposals and advised the President accordingly. **USTR’s views on PNTR were not made public**, but stated that China still “embraces a non-market economic system” more than two decades after PNTR was granted.

## SECURING ECONOMIC (AND NATIONAL) SECURITY

The third pillar of the “America First” memorandum was for agencies to recommend and ultimately pursue measures that bolster American economic security. The Executive Summary outlines the below recommendations, with some being already completed:

### Under Active Implementation

- **Section 232 Steel and Aluminum Reviews:** USTR and the Commerce Department were directed by the original memorandum to conduct a review of the effectiveness of exclusions and exemptions for “import adjustment measures” on foreign steel and aluminum. The Executive Summary notes that President Trump – with the support of USTR and the Commerce Department – had **ended** all Section 232 product exclusions and country exemptions on steel and aluminum on February 11.
  - On April 4, the Commerce Department’s Bureau of Industry and Security also **implemented** Section 232 aluminum duties on beer cans under the aluminum derivative rule as **announced** by President Trump on February 10.
- **National Emergency Measures on Fentanyl, Migration Flows from Canada, Mexico, and China:** The “America First” memorandum mandated the Commerce and Homeland Security Departments to recommend appropriate trade and national security measures to resolve fentanyl and illegal migration challenges. The Executive Summary references President Trump’s **Executive Order** on February 1 that used IEEPA to impose tariffs on Canada (25% duties, 10% for energy), Mexico (25% duties), and China (20% duties, adjusted **again** on March 3) as a pathway to solving the fentanyl and migration national emergencies. The Executive Summary also states that both departments identified measures to further stem illegal migration and fentanyl flows into the US.

### What’s Ahead

- **Identification of Sectors for New Section 232 Investigations:** The Defense and Commerce Departments were directed by the “America First” memorandum to review the state of the US manufacturing base and assess whether it is necessary to initiate future Section 232 investigations against imports that “threaten the national security of the US.” The Executive Summary states that the Defense and Commerce Departments not only support President Trump’s recent Section 232 actions against steel and aluminum and **foreign autos/auto products**, but also identified **several additional sectors that merit future Section 232 investigations, including pharmaceuticals, semiconductors, and critical minerals**.
- **Review and/or Alteration of Export Control Measures, OICTS:** In broad strokes, the “America First” memorandum requested that the Commerce Department review the US export control system and advise potential modifications to it that target “strategic adversaries and geopolitical rivals,” in addition to recommending possible rulemaking actions by its Office of Information and Communication Technology and Services (OICTS). The recommendations included in the Executive Summary for this topic were vague. The Commerce Department stated that the US should assert AI dominance, global technological leadership, and **create “simpler, stricter, and**

**more effective” export controls.** Meanwhile, the department also committed to **expanding OICTS’s scope** to cover more advanced technologies controlled by adversaries.

- **Review and/or Alteration of Outbound Investment Polices:** The Commerce and Treasury Departments were instructed by the memorandum to review the Biden administration’s August 2023 [Executive Order](#) addressing US investments in national security technologies in foreign countries of concern (FCOCs), as well as make adjustments to the Treasury Department’s [Outbound Investment Security Program](#). The Executive Summary stated that the departments will **use President Trump’s February 21 [America First Investment Policy](#) as a basis for evaluating future investment modifications** and consult with the **National Security Council** to possibly expand restrictions which consider **FCOCs’ domestic technology developments** and strategies.
- **Strengthening Domestic Procurement Preferences:** In the memorandum, the Director of the Office of Management and Budget (OMB) was asked to propose guidance and regulations to combat foreign government financial contributions and subsidies to US federal procurement programs. OMB stated in the Executive Summary that it would begin exploring policies aimed at “strengthening domestic procurement preferences and closing loopholes” in favor of US producers.
- **Pursuing a Permanent E-Commerce Moratorium:** Subject to President Trump’s “Defending American Companies and Innovators From Overseas Extortion and Unfair Fines and Penalties” memorandum [published](#) on February 21, USTR was tasked to integrate findings on possible tools to **secure a permanent moratorium on electronic transmission customs duties** in the “America First” policy recommendations report. In this section of the Executive Summary, USTR stated it made recommendations to the President to “ensure that the e-commerce moratorium is made permanent,” with **special regard to countries like India, Indonesia, and South Africa.**

## AMERICA FIRST: WHAT TO WATCH

**As anticipated, the America First Trade Policy report provides President Trump with broad justification to pursue a variety of trade policies.** Although several of the objectives outlined in “America First” have seemingly been satisfied by President Trump’s “Liberation Day” reciprocal tariffs and a litany of other trade actions in the first 70+ days of the administration, there are several critical objectives in each category (addressing unbalanced trade, evaluating the US-China trade relationship, and improving economic security) that are yet to be addressed.

Looking ahead, it seems very likely that President Trump will use **“America First” as a springboard to pursue foreshadowed, near-term objectives**, including **new Section 232 investigations** in the pharmaceutical, semiconductor, and critical mineral sectors (all of which were excluded from reciprocal tariffs), **creating the ERS for duty collection**, establishing **responsive measures to counter digital service taxes**, and **aggressively pursuing an e-commerce moratorium** in future trading partner tariff negotiations. **Companies may also consider monitoring which industries USTR is considering for possible sectoral trade agreements**, as potential agreements could open significant market opportunities.

**How President Trump approaches the US-China trade relationship and export controls, though, appears much more uncertain at this stage.** Since the substantive recommendations for these areas were not made public in the “America First” Executive Summary, it is difficult to ascertain the immediate priorities of the Trump administration on key issues like revoking PNTR for China or overhauling the US export control and enforcement system. But it is clear at this juncture that **President Trump and his team have only started their evaluation of US-China trade ties as tensions escalate – the White House very likely has adjustments to existing Section 301 tariffs and new 301 investigations prepared for deployment**, especially if China fails to strike down trade barriers as identified by President Trump’s “reciprocal tariff measures” and ongoing, additional tariff threats.

Companies should scrutinize the “America First” Executive Summary and any concomitant recommendations – if made public – closely to forecast Washington’s upcoming trade priorities in the wake of “Liberation Day.” The “America First” Executive Summary signals that the US is all but certain to closely continue pursuing the goals elucidated by President Trump early in his term, and indicate that intensifying trade competition is just beginning.