

THE PRESIDENT'S 2025 TRADE POLICY AGENDA

A Trade Policy for the Next Great American Century

The United States of America is the most extraordinary nation the world has ever known. From the very beginning, and even more so as it unfolded across the entire continent, the United States was populated with people of immense talent, drive, and grit. In the previous century it saved the entire world, dispatching three rounds of adversaries by winning two world wars and defeating Communism. It put an American on the moon.

The United States accomplished those feats because it was a tremendous industrial power fueled by innovation and blessed with abundant agricultural and energy resources. Indeed, the very success of the American way of life—its freedom and its prosperity—is supported by two things: a robust middle class earning high wages and a strong national defense. These are, in turn, created by a combination of innovation that fuels productivity growth, domestic work and investment in industry, and the day-to-day choices of individual Americans.

Today, the upward mobility offered by the manufacturing sector is not widely available to the working class, much of our industrial might has moved overseas, and innovation has begun to follow. Manufacturing jobs in the United States declined from 17 million in 1993 to 12 million in 2016.¹ Over 100,000 factories closed between 1997 and 2016.^{2,3} And the U.S. goods trade deficit has soared to over a trillion dollars.⁴

These trends are the product of a withering, decades-long assault by globalist elites who have pursued policies—including trade policies—with the aim of enriching themselves at the expense of the working people of the United States. As a result, the middle class has atrophied, and our national security is at the mercy of fragile international supply chains.

President Trump alone recognized the role that trade policy has played in creating these challenges and how trade policy can fix them. Since he first took the oath of office in 2017, President Trump has reshaped the trade policy landscape to prioritize the national interest. He has built a new consensus that tariffs are a legitimate tool of public policy. He has demonstrated the imperative for tough trade enforcement against countries who think they can take advantage of the United States and get away with it. He has shown that the United States has leverage and can negotiate aggressively to open markets for Made in America exports, particularly for agricultural exports. He has proven that a robust and realist trade policy can create jobs, promote innovation, strengthen the national defense, raise wages, support farmers, and foster the manufacturing renaissance that many elites long thought was impossible for the United States to achieve.

Toward a Production Economy

To reach these objectives, the United States must have an economy focused on production. For much of our history, the American way of life was defined by creating, inventing, building, growing, and producing. Americans are more than just what they consume. And the United States is more than an economy that

¹ FRED Economic Data, "All Employees, Manufacturing" (St. Louis Fed).

² U.S. Census Bureau, 1997 SUSB Annual Data Tables by Establishment Industry.

³ U.S. Census Bureau, 2016 SUSB Annual Data Tables by Establishment Industry.

⁴ U.S. Census Bureau - Annual 2024 Press Highlights.

merely moves money around—it is a nation of intertwined communities, oriented around the production of manufactured goods, agricultural products, services, and knowledge. Ensuring that trade policy favors a Production Economy will help the President Make America Great Again.

Why? It's simple:

A Production Economy is a high-wage economy. Manufacturing jobs have a wage premium of roughly 10 percent. However, as the United States deindustrialized, that wage premium declined for manufacturing workers in core production jobs.⁵ Using trade policy to increase the number of manufacturing jobs in our country – and the share of manufacturing contributing to gross domestic product – will help raise wages and return our country to one with a more vibrant and secure middle class.

A Production Economy creates jobs for all. Trade policy does not need to pit workers or sectors against each other. This is because manufacturing is a sector known for positive spillovers, including in the service sector, that benefit the economy overall. One study found that for every additional manufacturing job created in a community, 1.6 jobs were created in other sectors.⁶ And agriculture-related jobs—work that produces the sustenance vital for human life—comprise about 10.4 percent of total U.S. employment.⁷

A Production Economy is a boon for innovation. Between 2003 and 2017, research and development (R&D) expenditures in China by U.S. multinationals grew at an average rate of 13.6 percent per year, while R&D investment by U.S. multinationals in the United States grew by an average of just 5 percent per year.⁸ Deploying trade policy tools to create incentives to reshore manufacturing will reverse this troubling trend and promote U.S. technological dominance.

A Production Economy is a vital component of our national defense. The United States was able to win World War II because of our industrial might, but our manufacturing base has atrophied. Although the United States produced less than 14,000 aircraft in the two decades prior to World War II, it produced 96,000 planes *annually* by 1944.⁹ By comparison, today the United States can only produce each month about a third of the 360,000 artillery rounds the military says it needs to deter our adversaries.¹⁰ Trade policy can help strengthen our defense industrial base.

Changing this alarming trajectory requires a trade policy that is strategically coordinated to achieve three things: an increase in the manufacturing sector’s share of gross domestic product; an increase in real median household income; and a decrease in the size of the trade in goods deficit.

An America First Trade Policy

On January 20, 2025, President Trump signed the Presidential Memorandum “America First Trade Policy” laying out a plan to accomplish the transformational change necessary to reverse our country’s economic decline. The Presidential Memorandum instructs USTR and other agencies to undertake rapid, unprecedented work to put America First on trade.

⁵ [Manufacturing Wage Premiums Have Diverged between Production and Nonproduction Workers \(Fed. Reserve Bank of Cleveland\)](#).

⁶ E. Moretti, "Local Multipliers" (*Am. Econ. Review* (May 2010)).

⁷ [USDA Economic Research Service, Ag and Food Sectors and the Economy](#).

⁸ K. Malden, "Trends in U.S. Multinational Enterprise Activity in China, 2000-2017," at 12 (The U.S.-China Economic and Security Review Commission (July 1, 2020).

⁹ C. Prestowitz, "The Betrayal of American Prosperity," at 72.

¹⁰ [R. Delfeld, "The Greater Gunbelt: The Next Defense Industrial Coalition" \(American Affairs, Winter 2024\)](#).

Right away, the Presidential Memorandum strikes at the threat posed by the trade deficit by directing USTR and other agencies to “investigate the causes of our country’s large and persistent annual trade deficits in goods, as well as the economic and national security implications and risks resulting from such deficits.” By reversing the flow of American wealth to foreign countries in the form of the trade deficit, the United States can reclaim its technological, economic, and military edge.

The Presidential Memorandum further instructs the USTR to review our country’s economic relationship with all nations in order to identify their unfair trade practices, including where trading partners engage in non-reciprocal trade with the United States. By identifying, and acting against, such unfair and non-reciprocal practices, the United States can use its leverage to open new markets for U.S. exports and re-shore the production that has been lost.

USTR has been empowered to chart a new course for any trade agreements to ensure they help raise wages and grow our industrial base. USTR will review existing trade agreements to guarantee that those agreements operate in the national interest. For instance, third countries should not be permitted to free ride on our trade agreements with other trading partners. Alongside this review, USTR will commence the statutorily required public consultation process of the United States-Mexico-Canada Agreement (USMCA) in order to “assess the impact of the USMCA on American workers, farmers, ranchers, service providers, and other businesses” in preparation for the mandated review of the agreement in July 2026. USTR will also identify opportunities for bilateral or sector-specific plurilateral agreements that might be negotiated to open new market access for U.S. exports and reorient the trading system to promote U.S. competitiveness.

The Presidential Memorandum also addresses U.S. trade relations with the People’s Republic of China, the single biggest source of our country’s large and persistent trade deficit and a unique economic challenge. In his first term, President Trump negotiated a historic and enforceable Economic and Trade Agreement Between the Government of the United States of America and the Government of the People’s Republic of China (also known as the Phase One Agreement). However, there has been no action taken to enforce the agreement where China has not lived up to its commitments. USTR will assess China’s compliance with the Phase One Agreement.

The Phase One Agreement grew out of USTR’s investigation under Section 301 of the Trade Act of 1974 into China’s acts policies, and practices related to technology transfer, intellectual property (IP), and innovation. Yet, technology and IP-intensive sectors are hardly the only ones that are threatened by China’s non-market behavior. USTR will look broadly at the bilateral relationship to identify, and respond to, additional unfair practices.

President Trump’s interest in addressing challenges in the relationship with China complements significant interest by the U.S. Congress on the topic. Pursuant to the Presidential Memorandum, USTR will assess the recent legislative proposals related to China’s Permanent Normal Trade Relation (PNTR) status and “make recommendations regarding any proposed changes to such legislative proposals.”

Taken together, these workstreams signal a national commitment to continuing the America First approach to trade developed in President Trump’s first term of office. By taking a strategic, yet vigorous, approach, the United States can finally address the structural challenges distorting the global trading system in ways that undermine U.S. competitiveness and course-correct for the short-sighted trade policy mistakes of the past.

Building on Past Success

To summarize: over the last several decades, the United States gave away its leverage by allowing free access to its valuable market without obtaining fair treatment in return. This cost our country an important share of its industrial base and thereby its middle class and national security. Although many sectors benefitted from trade, it was at too high a price—for example, despite its comparative advantage in agricultural production, the United States has even incurred a worrying trade deficit in agriculture over the past two years.

Going forward, the United States will take action to create the leverage needed to rebalance our trading relations and to re-shore production, including, but not limited to, through the use of tariffs. This will raise wages and promote a strong national defense.

Importantly, this America First Trade Policy builds upon President Trump’s accomplishments from his first term.

- Though promised by Presidents past, but never accomplished until his first Administration, President Trump successfully renegotiated NAFTA. Its replacement, the USMCA, contains historic provisions to re-shore manufacturing (especially in the auto sector, which had been decimated by NAFTA), the strongest labor and environment provisions in any trade agreement, new market access for U.S. agricultural products, and high-standard digital trade rules.
- Under his leadership, the United States entered into two important agreements with Japan, opening new access for U.S. agricultural products and securing USMCA-style digital trade rules.
- The United States also engaged extensively at the WTO, calling attention to and defending U.S. rights to take action against non-market policies and practices and reclaiming American sovereignty from unaccountable foreign bureaucrats.
- The United States responded assertively to China’s unfair trading practices, negotiating the Phase One Agreement to protect U.S. firms against China’s forced technology transfer and IP theft and imposing significant bilateral tariffs at the same time.

These past successes on trade demonstrates the wisdom and efficacy of President Trump’s America First approach.

First, the proof is in the pocketbook: In 2001, the year China joined the WTO, real median household income in the United States (measured in 2023 dollars) was \$70,020. In 2016, the comparable figure was \$73,520—real median household incomes had grown only 5 percent in sixteen years.¹¹ That’s an annual average growth rate of 0.3 percent. Then, from 2016 to 2019, the last year before the U.S. economy was disrupted by COVID-19, real median household incomes had grown to \$78,250—an increase of 10.5 percent over the course of only three years.¹² That’s an average annual growth rate of 3.4 percent, over ten times the annual average growth rate that prevailed from 2000 to 2016. By putting America First on trade, President Trump restarted our Production Economy in a single term; something prior Presidents failed to do *for a generation*.

Further proof is in our newfound national security strength resulting from President Trump’s first term. An America First posture, complemented by new investments in our industrial base, showed that the United

¹¹ FRED Economic Data, "Real Median Household Income in the United States" (St. Louis Fed).

¹² FRED Economic Data, "Real Median Household Income in the United States" (St. Louis Fed).

States is still a superpower. President Trump's first term peace dividend brought benefits not only to Americans, but also to the rest of the world.

Lastly, one of the most satisfying pieces of evidence for the America First approach is its bipartisan credibility: all of President Trump's first term trade accomplishments were retained by the next administration and, in some cases, even expanded upon.

President Trump's ability to deliver for all Americans while forging a new consensus on trade validates his inaugural pledge: the trade challenges facing our country will "be annihilated" because "from this moment on, America's decline is over."