



A podcast about the economics of trade & policy
with Chad P. Bown

Episode 201. Trade Talks is back. And so is President Trump.

[Episode webpage](#)

February 7, 2025

Transcript

(lightly edited)



Chad Bown: On February 4th, President Trump imposed new 10 percent import tariffs on everything the United States buys from China. China immediately retaliated.

Is the US-China trade war back on?

The new US tariffs on China came after an amazing 72-hour period of chaos coming out of the White House. Yet somehow that chaos did not really involve China at all.

You are listening to an emergency episode of *Trade Talks*, a podcast about the economics of trade and policy. I'm your host, Chad Bown, the Reginald Jones Senior Fellow at the Peterson Institute for International Economics in Washington.

In this episode, we are going to talk about, well, tariffs. We'll describe what happened during those chaotic 72 hours, why it happened, how it happened, and the response thus far. We'll also raise questions, including what to look out for next.

To help us make sense of it all, I will be joined by a very special guest:



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Aime Williams: Aime Williams, *Financial Times*.

Chad Bown: Aime Williams is a reporter in Washington at the *Financial Times*. Aime has been covering trade, climate, and US foreign policy in Washington for the *FT* since 2018. That means Aime has already had one go-around with a President Trump administration.

Hi, Aime.

Aime Williams: Hi, Chad.

Part 1. The 72 Hours of Chaos

Chad Bown: Before we get into what happened on February 4th, I want to recap what has happened since the November 5th, 2024 US presidential election that Donald Trump won.

Under the US system, Donald Trump was not inaugurated as the new US president until January 20th. But between November 5th and January 20th, a lot of stuff happened. In late November, President Trump threatened the BRICS countries – so this is Brazil, Russia, India, China – with 100 percent tariffs if they undermined the dollar. Then, in December, he threatened the European Union with tariffs unless they bought more American oil and gas. Also in December, he said he wanted the Panama Canal. He then told Denmark he wanted to buy Greenland.

All of this took place before Inauguration Day, and I'm already exhausted from trying to keep track of all the tariffs and all the threats, and he's not even president yet.

Aime, tell us what happened on Inauguration Day on January 20th.

Aime Williams: Well, Chad, we journalists were braced for absolute chaos, given all the threats he'd made, and he'd made other threats as well, right? He threatened to put 20 percent tariffs on everyone. He just seemed like he was going to come in hot and upend global trade on day one with little-to-no thought.

But that's in fact not what we saw. He did sign about 100 executive orders, which he'd also pledged to do, some of them long-standing promises.

But he dropped among all these documents on the White House website, the [America First Trade Policy Memorandum](#). Instead of just issuing tariffs straight away, he instead had this



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policy document, I guess you'd call it, that quite thoughtfully and carefully laid out a bunch of trade grievances – it included trade deficits, China's unfair trade practices, possibility of currency manipulation, theft of intellectual property, there was an allusion to unfair discriminatory tax practices, etc. There was a kind of laundry list of issues that the US wanted to explore.

But along with all of that, there were very carefully thought out procedures and departments that were assigned studies to do into these various things. So it was actually quite a dry, frankly, document. It was one that cited laws.

It seemed like things were going to move quite slowly. And a lot of these departments were ordered to return reports to the president by April 1st. So we all thought that there would be some amount of calm, until the spring, and nothing else would happen.

Chad Bown: I too read that Memorandum and agree. It was very, very boring. The legal citations – sorry, lawyer friends, they were very important to know exactly what parts of the US Constitution they were referring to – but yeah, it was a little bit dry.

But my reaction as well was exactly the same. I thought, “Wow, we were expecting tariffs, but we're off the hook until April 1st. Phew, we've got time to catch our breath and figure out what we're going to do, but we've got time.”

Now, unfortunately, that didn't seem to last that long.

On January 26th, there was this episode with Colombia, where the president and his administration had already begun increasing deportations of immigrants out of the United States and into other countries. And the Colombian president refused to accept the flight, and President Trump got upset and threatened 25 percent tariffs on Colombia and threatened an escalation of a trade war there before things calmed down.

But the next day, on January 27th, the president threatened new tariffs on lots of different sectors that he hadn't really talked about yet: semiconductors, pharmaceutical products. And why that's important is some of the economies that are major producers and exporters and semiconductors to the world – so, the Taiwans and South Koreas of the world – this woke them up and they said, “We didn't think we were going to be caught up in all of this necessarily, but now, semiconductors are going to get hit with tariffs?”

So there's a lot of other stuff going on, but I was still hoping that nothing was going to happen until that April 1st deadline that was set out in the memorandum, the deadline where all these



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Departments and Agencies were going to turn in their homework assignments. That's the date that I was still on the lookout for.

Aime Williams: Right. I think it's worth noting as well that before Inauguration Day, one of his early trade Truth Social/Twitter threats had been against Canada, Mexico, and China. And he'd said 25 percent tariffs and Mexico, Canada, China.

But that was kind of in the early bucket of BRICS countries and this and that. And it wasn't really mentioned – in the Trade Memorandum, it wasn't raised. So we all thought great, fantastic Trade Memo, everything's calmed down, wonderful reviews, studies, et cetera.

But then he did this – and I won't call it a press conference because it wasn't so much a press conference, as he was signing executive orders and he invited reporters and he just started speaking from the Oval Office, as he does – and it was this wide-ranging conversation where he was just freewheeling.

And of course, inevitably talk turned back to tariffs and his trade policy. And it was in that conversation where he said, no, no, I'm still going to put big tariffs, 25 percent on Canada, Mexico and 10 percent on China on February the 1st, which was a Saturday.

So one second we're thinking, OK, great, his USTR is going to go and do a study and they're going to look at the Section 232s and the Section 301s and all the old trade laws that we know and love so well from the last administration. Now he's come back in and saying, no, no, February 1st, big tariffs on three largest trading partners.

Frankly, it was really, kind of, game on again. February 1st is a Saturday. We're all scrambling on Friday to work out how this is going to happen. Is it going to be a press conference? Is it going to be an announcement? How are they going to tell us? Will they go on immediately? Will they come in at 25 percent immediately? Will they be brought in at a lower level and then escalated? Will there be any delay?

There were all these outstanding questions.

And the other thing to note, the other thing that was unusual about this tariff threat was that it was notionally not at all about the trade deficit, but about border security and about fentanyl trafficking. And so he had linked quite clearly and explicitly the threat of huge tariffs with two policy areas that are frankly unrelated to trade.



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This was really playbook, game number one, for Trump's thesis that he can use huge tariffs to push other countries into doing stuff on other policy fronts that he wants.

Chad Bown: All of that is happening late in the last week of January. He says something's going to happen on Saturday, February 1st. (There goes your weekend.)

And importantly, this fentanyl issue and immigration had been really, really critical in the election. And he had promised to do something about it. And he is now doing something about it. And he's using trade and tariffs to potentially do something about it.

Now tell us about the Saturday. What actually happened on February 1st?

Aime Williams: On February 1st, we all were sitting around trying to figure out and asking the White House to give us some information on when we'd see these tariffs. Eventually, they gave us guidance that Trump would, in fact, be signing off on these tariffs later that day.

And so at around 5pm we had a press briefing in which we were told about the tariffs, we were given the details, and we were told that President Trump had signed these tariffs, and they would go into effect on Tuesday: 25 percent on Mexican imports, 25 percent on Canadian imports, with an exemption of a lower tariff of 10 percent for Canadian oil, and then 10 percent on all Chinese imports.

Chad Bown: So eventually, and not immediately, for folks like me, you could find these executive orders on the White House website. They were eventually published, and there were three of them. There was one explaining what the tariffs on China would be. There was a separate executive order explaining what the tariffs on Mexico would be. And a third executive order explaining the tariffs on Canada.

The economics behind these threats are pretty important.

During President Trump's first administration, he had threatened on numerous occasions to rip up the NAFTA, the original free trade agreement between the US, Canada and Mexico. Now, ripping up NAFTA would have increased tariffs, but it would have only increased tariffs to the same rate that the rest of the world pays, something called the MFN rate. They wouldn't have gone as high as what he was threatening to do this time around, i.e., 25 percent for most of those products. So this would have been a much bigger deal than anything he had threatened during the first administration.



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And just in terms of the data, about 28 percent of what the United States imports from the world comes from Canada and Mexico alone. The North American economy is super integrated with these cross-border supply chains – things that go back and forth, parts that ultimately go into a car, may go back and forth across the Mexican-US-Canadian border multiple times before they're imbedded in a final vehicle. So it's going to be 25 percent on everything, as you said, except Canadian oil.

Aime, what happened next?

Aime Williams: Well, interestingly, Canada and Mexico, as this tariff threat approached, and it became more and more apparent that this might actually happen, Canada and Mexico had both said they had packages of retaliatory tariffs ready.

But once these EOs were released and it became clear that these might actually go on, only Canada actually released its retaliatory tariff package. So they put tariffs on \$107 billion of US stuff, including orange juice, peanut butter, wine, spirits, footwear, motorcycles – all the usual stuff. And Justin Trudeau gave a very heartfelt speech about feeling betrayed by his ally, and how Canadians had always stood by Americans, and so on and so forth.

And Mexico didn't release its retaliation package. They strung it out, and they strung it out, and it came to over the weekend, and they eventually never really did. So we have a different diplomatic process there.

But, over the weekend, as Mexican diplomats, Canadian diplomats, were holding frantic calls and meetings with their US counterparts, trying to stave off these tariffs applying on Tuesday, we had Trump, who was playing golf and posting on social media, attacking Canada, whose retaliatory tariffs had obviously annoyed him, writing that – the US did not need anything Canada had, Canada wouldn't even be a sovereign state were it not for its trade with the US, and perhaps it should become the 51st state of America – all this kind of incendiary and inflammatory stuff.

On Sunday, it became apparent that this idea of putting massive tariffs on Canada and Mexico was not being well received by the US, by businesses in the US or the stock market.

Here's Kevin Hassett, chair of the Trump administration's National Economic Council, appearing on CNBC on Monday morning.

Kevin Hassett (CNBC, February 3, 2025): “The thing I can say is that I think it's totally 100 percent being mis-covered, this story. What you need to do is go back and read the executive



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order where President Trump was absolutely 100 percent clear that this is not a trade war, this is a drug war.”

Chad Bown: Wow. OK, so you've got financial markets on Monday that are sort of in a tizzy. Maybe the Trump administration is getting the sense that starting a trade war this early with Canada and Mexico is not a great idea.

Where did the Trump administration and Canada and Mexico end up by late in the day on Monday?

Aime Williams: Over the course of the day on Monday, there was a call between Mexican President Claudia Sheinbaum and Donald Trump and a separate two calls between Canadian Prime Minister Justin Trudeau and Donald Trump.

Mexican President Sheinbaum agreed to send more troops to the border to stem migration and drug trafficking of fentanyl, which are the two issues Trump said were behind his tariffs, in exchange for the US dropping the tariff threat. This was announced in the morning by President Sheinbaum. She gave a press conference and said Trump had agreed to drop the tariffs.

Mexico never even threatened its retaliatory tariffs. They managed to do it all through negotiation and promising to beef up border security.

Trudeau was left hanging a lot longer, and he had to have two calls with Trump to assure him that Canada, too, would do a lot more to secure its border, combat fentanyl, get a “fentanyl czar” – Canada promised to appoint a “fentanyl czar” – and also re-upped its previous pledge to invest \$1 billion into improving border security.

So both premiers essentially had to communicate directly with Donald Trump and outline the steps they were taking to improve border security and combat fentanyl trafficking. The two things that Trump said he was angry about and putting the tariffs on as a result of.

However, the tariffs had not gone away.

Trump did not totally suspend his threat, but he said he would delay them for 30 days to give both countries time to carry out the things they promised. And he would be watching essentially to see if they both make good on their promises.



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Chad Bown: You wrote this fantastic article this week chronicling a lot of the details of what happened over the weekend and on Monday. And the piece was titled, “Donald Trump unleashes 72 Hours of trade chaos.”

And I just want to set the scene for everybody. And now it's Monday afternoon. It's been this long day of markets going crazy, tariff threats, who knows what we're going to get. But ultimately we get deals. The Trump administration with both Canada and Mexico, they're going to do more on trying to stop drug trafficking and border security.

Here's President Trump now sitting in the Oval Office on that Monday afternoon after all of this drama with Canada and Mexico. And this is what he says,

President Donald Trump (Oval Office, February 3, 2025): “Tariffs are very powerful, both economically and in getting everything else you want. When you're the pot of gold, the tariffs are very good. They're very powerful.”

Aime Williams: Just fantastic. I love the things he says on tariffs. Another thing he came out with earlier on Friday was “tariffs are going to make us very rich and very strong.” So, he really loves tariffs, really, really loves these things.

Chad Bown: He really does. This reminds me of the first Trump administration where he said things like, “I'm a tariff man,” and “Trade wars are good and easy to win.” He really does know how to spin a phrase when it comes to tariffs.

Now I want to talk a little bit about what's going on behind the scenes on the US government side that you've learned through your reporting and all this. We all know that President Trump runs the show. He certainly did on trade in his first administration, and it's almost surely the case this time around as well.

But tell us a little bit about some of the key players on trade and trade policy at the moment. Some of these are old faces – folks that we have seen before – but some of them are new.

What can we take away from the weekend's events and what can we learn so far?

Aime Williams: Yeah, totally. The main familiar returning face is, of course, our good friend, Peter Navarro, who has come back into his exact same job, Counselor for Trade and Manufacturing. He is a renowned tariff hawk. He loves tariffs maybe more than Trump himself. He's quite hardline. He pushes maximalist positions. Somebody told me that he is often



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wheeled out by Trump to scare people with his hard-nosed views on trade policy and tariff threats.

And he's also now quite beloved by Trump. He went to prison briefly over the January 6th stuff. He is apparently referred to as "my Peter" by Trump. So he's quite "in there" in the White House. He really has Trump's ear. And we hear that he was one of the main proponents for this coming in hot, hot coming out big on the tariffs that we saw over this weekend.

We then have Howard Lutnick, who is the Commerce Secretary, who will likely have been confirmed by the time this podcast comes out. He has been very involved, particularly in some of the diplomacy. He has met with at least Canadian Foreign Minister Mélanie Joly in Mar-a-Lago. He's met with Justin Trudeau in Poland. He's been quite active behind the scenes there.

Then we have Jamieson Greer, who is Trump's nominee as US Trade Representative. He has not been confirmed, just had his Senate hearing, so he's been keeping a lower profile. He was Bob Lighthizer's Chief of Staff during the first administration. (Bob Lighthizer, of course, was Trump's last USTR, quite a famous character in his own right and also a big fan of tariffs.)

Then we've had some activity from Scott Bessent, the Treasury Secretary. He hasn't been quite so involved in the US-Mexico activities we've seen this weekend, but he is for sure a voice on trade policy.

And then Kevin Hassett, as well, has been a bit involved. He's the Director of the National Economic Council in Trump's White House.

Chad Bown: I had one last question for you before we move on, which is the Saturday, February 1st, there were three executive orders that we saw. Now during the first Trump administration, I remember reading in Bob Woodward's "Fear" – Bob Woodward, of course, is the famous Washington Post journalist, and he had this book on President Trump in the first administration – and in that book, he described how some of President Trump's White House officials would take potential executive orders off the president's desk and hide them. And hopefully the president would forget about them, some that they might have disagreed with. A famous example was the executive order potentially pulling the United States out of the free trade agreement with Korea.

To your knowledge, were there any other executive orders on trade and tariffs beyond those three that we saw on February 1st?

Aime Williams: No, to my knowledge, that was it.



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But is that was that not enough for you, Chad? Do you want some more?

Chad Bown: Yeah, no, that was plenty.

Part 2. Is this a resumption of the US-China trade war?

Chad Bown: Let's go back to Monday evening, February 3rd, in Washington.

President Trump has just given this briefing conversation with reporters after a long day of negotiations with Canada and Mexico, 72 hours of chaos, ...

To me, that was exhausting, but at least it was over.

Except it wasn't over, was it?

Aime Williams: Nope. We were told that there would be a call between Trump and President Xi Jinping of China within 24 hours. And that was sort of suggestive that some deal would be hashed out there too. Given that we'd seen deals made with Mexico and Canada, it seemed like Trump was in a deal-making kind of mood.

But no, there was this outstanding executive order that put a 10 percent tariff on all imports from China. And that was supposed to go into effect on Tuesday, February the 4th, i.e. the next day.

Chad Bown: And it did. And this executive order on China is actually a pretty big deal.

Stepping back, as of President Trump's first term – all the tariffs that were implemented that time around with respect to China – average US tariffs toward China increased from 3 percent or so back in 2017 before the trade war, to being around 20 percent.

Now, suddenly on that Tuesday, February 4th, the tariffs on China are increasing by another 10 percentage points. So the average US tariff on goods from China is now going from about 20 percent to, say, 30 percent.

The first Trump administration's tariffs on China ended up covering about two-thirds of what the United States imported from China at that time. In the subsequent six or seven years since those tariffs have first gone on, the United States is now importing a lot less of the stuff that



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has a 25 percent tariff on it, and is importing a lot more of the other things that didn't have tariffs on. The last time I looked, it was essentially more than 50 percent of what the United States was importing from China didn't have any tariffs on whatsoever.¹

Aime Williams: So what products were not hit with tariffs the first time around that will be hit now for the first time?

Chad Bown: And that's the really, really important question. And this turns out to be a lot of consumer goods.

If we remember back to the summer of 2019, so the first Trump administration, there was actually one last list of products that President Trump was going to put tariffs on, but they were waiting to implement those tariffs. And the reason why they were waiting is, well, here's President Trump explaining why. (He's standing under an airplane, so you can barely hear him. But here he talks about why they were waiting before imposing this last round.)

President Donald Trump (Under Air Force One, August 13, 2019): “We're doing this for Christmas season, just in case some of the tariffs would have an impact on US customers, but so far they've had virtually none.”

Chad Bown: He was worried that prices were going to go up and that products that hadn't been hit with tariffs yet – things like iPhones, other consumer electronics, laptops, computer monitors, video game consoles, and toys – President Trump initially delayed the tariffs back then until after the Christmas shopping season. He was worried about prices.

But then what happened is his administration struck a deal with China. They negotiated a pause to the trade war, and those tariffs never ended up going on.

But now tariffs are going to go on those products. So there's a lot of consumer-facing products that the United States has not hit with tariffs yet. Suddenly overnight, they're now hit with these 10 percent tariffs.

So the big question I have is whether this is going to turn into higher prices and something consumers notice more quickly than we saw last time. And again, last time, back in the first Trump administration, the tariffs went on much more slowly. They were spread out over almost 16-18 months. And they were primarily focused on intermediate inputs, not things that people

¹ Chad P. Bown. “[US imports from China are both decoupling and reaching new highs. Here's how.](#)” PIIE Chart, March 31, 2023.



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like you or me buy, but things that companies buy and turn into other products, where price increases are going to have to flow through supply chains.

The big question today is, is today going to be different?

Aime Williams: Right. And inflation has obviously become a much bigger political issue in the United States since COVID. That is really something to watch out for and could be quite bad politically for Trump.

The other important development on February 4th was China's immediate response to these new 10 percent tariffs. They retaliated instantly with their own tariffs against US LNG, crude oil, coal, farm equipment and some cars.

But at least for now, they've stayed away from new tariffs on US farm products like soybeans. Chinese tariffs on American soybeans were quite a big deal last time around and led to President Trump having to give tens of billions of dollars in subsidies to US farmers to help them out.

Chad Bown: Another difference in the way China retaliated this time around – i.e., on February 4th – was by announcing new export controls on critical minerals and rare earths. The Chinese government announcement mentioned tungsten, tellurium, bismuth, molybdenum and indium.

Over the last couple of years, China has implemented export restrictions on other critical minerals – things like graphite, gallium, germanium. A lot of these are used in tech products. Some of them have military applications. Others are important for the batteries that go into electric vehicles and other green tech products.

And the United States government has been really, really worried about its dependence on China as a supplier of these sorts of critical minerals. They've been worried for a long time and have been working hard, actively, to try to get companies to diversify their supply chains and to try to find alternative sources outside of China. And they wanted companies to do this before China weaponized its supplies of these critical minerals by suddenly cutting them off.

So the big question for today is, will China cut us off? We'll wait and see if those export restrictions really do bite this time around.

Finally, China did announce some other interesting response measures, including an antitrust investigation into Google. While a lot of Google's products actually don't work in China – i.e., American companies don't have full access to the Chinese internet – Google's Android



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operating system, its software, does. That may be what the Chinese government is looking into there. But again, this is something that we're still waiting for details on as well.

OK, to wrap this up, Aime, what are you looking out for next?

Aime Williams: Well, in 30 days, on March 4th, are we just back to square one with Canada and Mexico? Are we back to deal-making, tariff threats, etc.? We'll all need to be watching that, and I'll definitely be very interested in what happens in early March.

Chad Bown: I will be tracking that as well.

The other thing I'll be tracking is whether the new US tariffs on China actually stick, or if what President Trump did with Canada and Mexico, once he actually has a phone call with President Xi Jinping of China, whether he chooses to backtrack and remove some of those tariffs or put them on pause once they've had a conversation.

But the other big question for me is whether this new tactic that President Trump has shown – especially with respect to Canada and Mexico here – is something that he seeks to use with other partners and even allies, like the European Union or Korea or Japan.

These tariff threats under those February 1st executive orders, at least, were not about trade. They were about fentanyl.

President Trump has a lot of grievances with lots of countries in the world. The big question is whether tariffs become the tool that he uses against everyone, regardless of the issue, regardless of whether they're a friend or a foe.

Aime, thank you very much.

Aime Williams: Thanks for having me. I'm glad *Trade Talks* is back.

Goodbye for Now

Chad Bown: And that is all for *Trade Talks*.

A huge thanks to Aime Williams at the *Financial Times*. Do read her ongoing coverage of trade, tariffs and everything else coming out of Washington. I look for her articles every single day.



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A big thanks as well to Isabel Robertson, our audio producer. Thanks to Melina Kolb, our supervising producer. And thanks to Sam Elbouez on Digital.

So *Trade Talks* is back. This was an emergency episode in light of all the tariff action. We did come back a little bit sooner than I was planning. But rest assured, we do have an exciting episode lineup in the works to roll out over the next couple of months.

So please subscribe to Trade Talks on Apple Podcasts, on Spotify, or wherever you get your podcasts. And tell your friends, like Aime, that we're back.

Trade Talks will continue to cover the important news of international trade and policy with experts. We'll bring in some exciting research insights by talking to some of your favorite trade nerds. And maybe, maybe, we will even do an episode someday about what I learned during my time in government. We'll see.

Until next week, a huge thanks from me for listening. I've missed you. I'm really glad to be back.

READ MORE...

- Williams, Aime et al, "[When you're the pot of gold, tariffs are very good': Donald Trump unleashes 72 hours of trade chaos](#)," *Financial Times*, February 4, 2025.