

Cozen Currents: The Method to Trump's Tariff Madness

“President Trump loves tariffs because he believes they provide him powerful negotiating leverage with foreign leaders. But he also loves them because they are his preferred mechanism for reshoring US manufacturing. While the former tariffs can be traded away, the latter cannot so easily.” — Howard Schweitzer, CEO, Cozen O'Connor Public Strategies



Howard Schweitzer

CEO, Cozen
O'Connor
Public
Strategies

hschweitzer@cozen.com
Phone: (202) 912-4855
Fax: (202) 640-5932

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The Cozen Lens

- President Donald Trump's tariff policies have roiled the business community. However, there are likely limits to how far he is willing to push the uncertainty, while some of the more targeted measures enjoy support from domestic beneficiaries.
- President Trump has put innovation at the heart of his approach to AI but has maintained export controls on the emerging technology, an indicator that his focus is primarily on the domestic AI industry in “America First” fashion.
- From investigations to funding, higher education across the country is feeling President Trump's attempt to reform an institution he's long derided.

Making Sense of Trump's Tariffs

Trump's Reasoning. As disruptive as President Trump's tariff policies have been, he and his senior advisers have repeatedly said they believe they are on the right track.

- Central to Trump's tariff plans is his belief that pursuing these policies will economically benefit the US in the long term, either by providing leverage to win deals unrelated to trade or encouraging businesses to relocate their operations to the US. Critically, the debate on tariffs within the Trump administration has shifted from focusing on whether to impose tariffs during his first term to how they should be implemented during his second term, a reflection of the more widespread protectionist bent among Trump's advisers this time around.
- Trump has been upfront about the potential economic disruption that implementing these policies may cause, including not dismissing the possibility of a recession in an interview earlier this month. The president's willingness to tolerate this risk is also bolstered by his belief that any economic struggles occurring early in his second term can be blamed on the Biden administration, so there is an interest in concentrating the disruption as early as possible to maximize the blame that can be placed on his predecessor.
- While there are some tariffs that Trump sees as sources of leverage, he considers other measures a key source of revenue, meaning that some amount of them will have to be permanent. Raising this revenue is a necessary part of Trump's messaging that the cost of the Republicans' planned tax cuts reconciliation package will be offset.

Trump's Limits. Despite the appearance that Trump is willing to pursue these policies irrespective of the potential consequences, there are still likely limits to how far he is willing to push the issue in practice.

- The recent market downturn and Trump's insistence on continuing with his tariff plans creates a sense there is no limit to the pain he is willing to tolerate. However, there are likely still some redlines for Trump but they will vary among specific industries depending on the value he places on them.
- Among the markers that Trump will likely consider for adjusting his tariff policies is a sustained adverse impact on the equities markets, though he has expressed little concern about the recent market downturn thus far. Other advisors, like Treasury Secretary Scott Bessent, also monitor additional financial indicators, such as the 10-year Treasury yield. Still, Trump likely values these metrics less than the equities markets, which is significant as his

deep interest in tariff policy means he is less deferential to senior advisers than on other issues.

Tariffs' Champions. As much as tariffs have irked many businesses in the US, some sectors are thankful for the protection that Trump's measures will offer.

- While the president's plans for country-wide tariffs, such as those targeting Mexico and Canada, have frustrated many US businesses, those aimed at specific industries, like the duties on steel and aluminum, have some defenders domestically. Similar to Trump's first term, these tariffs are welcomed by the protected sector but often derided by the industries reliant on those goods as inputs.
- The long-term viability of these sectoral tariffs may depend on Trump's willingness to grant limited exemptions, but he has signaled a reluctance to offer any relief. Still, the experience with the tariffs on Mexico and Canada shows there can be a willingness to protect industries Trump deems valuable, such as auto manufacturers. As such, these businesses may be able to win narrow relief from Trump's tariffs, but others, like pharmaceuticals, may be less likely, making being in Trump's good graces essential to success.

Trump's AI Paradox

Industry-Friendly. President Trump has de-emphasized a risk based approach to AI in favor of promoting deregulation and innovation.

- Since taking office, Trump has moved to establish a more permissive regulatory environment for AI. He began his term by **revoking** former President Biden's 2023 AI executive order (EO), which had set guidelines for managing AI risks and replaced it with his own, **focused** on US competitiveness in AI. Trump's EO states that the goal of US AI policy is "to sustain and enhance America's global AI dominance in order to promote human flourishing, economic competitiveness, and national security." The short EO does not address AI safety or discrimination related to the use of AI tools.
- In a **speech** at last month's AI summit in Paris, Vice President JD Vance further outlined the administration's vision for AI. Vance highlighted the deprioritization of AI safety relative to the Biden administration. "I'm not here this morning to talk about AI safety," Vance **noted**. "I'm here to talk about AI opportunity." Vance criticized "excessive regulation" in a clash with the EU's more restrictive AI policy. This suggests that the White House will take a more unilateral tack on AI under Trump.

AI Export Restrictions. Even as Trump has given Silicon Valley plenty to cheer about, he has left the Biden administration's export controls in place and is expected to go further than his predecessor.

- Trump is focused less on supporting AI innovation globally than advocating for the US domestic AI industry. This aligns with his "America First" view of great-power competition with China.
- While Trump was quick to tear up his predecessor's AI EO, he has maintained the **AI Diffusion Rule**, a controversial rule within the tech industry announced by the Biden administration in its final days. This rule mandates export licenses for high-powered chips used for AI systems and for non-public model weights for some advanced dual-use AI models. It sets up three tiers of countries with standards that apply to each. The rule does not take effect until May, but the Department of Commerce has solicited, so changes to the rule are possible. Several tech companies have criticized the regulation, arguing that it could disadvantage American companies relative to their competitors.
- The Trump administration's handling of this rule indicates a willingness to pursue tougher export controls intended to limit China even if it may have a consequence of slowing the global rate of AI innovation. In the "America First" perspective, this isn't incongruent because the White House's goal is to make the United States the clear champion of AI, not necessarily support the AI industry more broadly. The recent **release** of the new AI model R1 from Chinese AI company DeepSeek that is reportedly a peer of OpenAI's most advanced large language model at a much lower cost is likely to keep US-China AI competition top of mind.

Higher Education Playing Defense on Multiple Fronts

Hit Them Where It Counts. . . Perhaps nowhere are the Trump administration's actions more threatening to college and universities than where it impacts their bottom line.

- In February, the National Institutes of Health made a major change to how they structure grants: capping the reimbursement of indirect costs by universities to 15 percent. For scale, the average rate in recent years has been 28 percent and indirect costs comprised \$7 billion last fiscal year. This change faced a temporary restraining order and then a preliminary nationwide injunction last week.
- Yet another target is universities' endowment funds. Discussion has swirled in conservative circles on the possibility of raising some of the money for the GOP's coming tax cut push from hiking taxes on their investment income. Currently, institutions with at least 500 students and endowment assets of more than half a million dollars per student pay a rate of 4 percent. While increasing this rate would impact all endowments, it would have the biggest impact on the largest funds: just 23 institutions hold half of the \$500 billion in endowment wealth in the US.
- Other seemingly unrelated policy actions are also trickling down. John Hopkins University is eliminating more than 2,200 employees because of a loss of funding from USAID. New financial uncertainty is prompting higher education across the country to activate hiring freezes.

And Also Everywhere Else. Besides cold hard cash, the federal government has many other tools to shape and guide policy in higher education — and the current administration is using them.

- The White House abruptly canceled \$400 million granted to Columbia University earlier this month. Last week, it listed its demands to get that money back, which include banning masks, limiting protests, empowering the campus police, and ousting the leadership of an academic department.
 - The administration has also launched several investigations. The Department of Education is looking into 52 schools for allegedly violating the 1964 Civil Rights Act by partnering with a nonprofit that helps students from underrepresented groups earn doctoral degrees in business. Separately, 60 were made known they were being looked over for allegedly creating a hostile environment for Jewish students. The Justice Department is also looking into possible violations of terrorism laws during past protests at Columbia as well as whether the institution concealed “illegal aliens” from federal agents. The message is clear: adopt the administration's line or face repercussions.
 - Students are not immune from the crossfire, especially non-citizens. In the most high-profile case, one Columbia student and green card holder has been detained and faces deportation for engaging in pro-Palestinian protests last year. Another student was arrested for allegedly overstaying a visa; another had her visa revoked for “supporting Hamas [sic], a terrorist organization,” and left the country as a result.
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