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The Post-Election Landscape

This article captures the highlights of the discussion from Keith Halliday's presentation to members of CNEXT's Generate Program. Please see the accompanying presentation for more details.

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Keith Halliday:

Keith Halliday is a core member of the BCG's Global Advantage, Climate & Sustainability and Public Sector practices.

For over 25 years, Keith has advised global corporate and government leaders on trade, finance, and diplomacy in the Americas, Asia, and Europe.

He led the firm's Global Corporate Banking expert team in London, Chicago and Delhi for ten years, and the BCG Centre for Canada's Future for seven. At the Centre, he directed BCG's thought leadership in Canada on the climate transition and green industrial policy.

Keith's latest publication: *New Tariffs Are Coming, Here's How to Prepare.*

Under the new US administration, shifts in trade, policy, and global alliances are reshaping the business landscape in real time.

The challenge isn't just predicting outcomes but understanding how these overlapping policy changes will interact and create different realities depending on a company's industry, supply chain, and market position.

The new US administration will shape business in six key areas:

1. America-first trade policy
2. Industrial reshoring
3. Expansionary fiscal policy
4. Deprioritized climate policy
5. Immigration restrictions
6. Transactional foreign and national security policy

The stated goal is to rebuild the US economic base. While these initiatives may create attractive short-term investment opportunities, their overall impact will vary significantly by industry and company.

A CONVERSATION **BETWEEN**:

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Chief Legal Officer and Corporate Secretary, Casey's General Stores

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1. TRADE

New Tariffs

New import tariffs announced on February 1, 2025:

- 25% on Mexico
- 25% on Canada (10% on energy and mining)
- An additional 10% on all existing tariffs on China

If tariffs on Canada and Mexico take effect, the shift from free trade to 25% tariffs will significantly impact US businesses, increasing costs and disrupting operations. Many companies, accustomed to free trade, lack the processes and data to manage tariffs. Some may not even know the origin of their goods, as it was previously irrelevant.

Tariffs on Mexico and China will be especially complex, as the US aims to target Chinese companies producing in Mexico. Typically, tariffs apply based on where goods are produced, not company ownership—but this may change in China's case.

Retaliation

Even US companies without foreign supply chains will feel the impact of retaliation.

When the US imposed tariffs on Canada in 2018, Canada responded with counter-sanctions targeting industries in politically sensitive Republican states. A similar strategy is likely again.

China structures its retaliation to hit key US industries and companies while keeping the overall trade impact limited. It has imposed tariffs on US coal, LNG, and oil, added export controls on critical minerals like tungsten and molybdenum, and launched an antitrust investigation into Google.

Scenario Planning:

Instead of trying to predict the future, develop four to five alternative business realities. Then, assess them using the following key questions:

1. What are the key differences between scenarios?
2. How resilient is your business strategy under each scenario, and which favors you most?
3. What do the outcomes reveal about your P&L, balance sheet, or competitive position?
4. What signposts indicate you are trending toward one scenario over another?
5. If a specific outcome were certain, how would you respond?
6. What no-regret decisions apply across all scenarios?

Inflation

CPI inflation will see only mild effects from tariffs.

Since services and US-made products dominate the CPI basket, tariffs will create some upward pressure but won't be fully passed on, as they hit before store markups.

However, this macro view masks competitive pricing shifts. Companies that anticipate which prices will stabilize faster than their rivals will gain an advantage. Competitors will take different approaches—some absorbing costs to build goodwill, others inflating prices beyond tariff impact, citing the crisis. Managing cost responses will become a key competitive lever.

Long-Term Impact

If enacted, the new tariffs on Canada and Mexico will violate multiple international legal frameworks. But even the threat of these measures raises doubts about the US commitment to free trade, introducing a new layer of policy risk. Investors planning under one trade arrangement will now question whether the current framework is reliable long term.

Why Tariffs?

Opinions vary on why tariffs are being imposed, but the true motives remain uncertain. These theories, however, provide a basis for analysis, debate, and strategic planning.

Some see tariffs as a negotiating tactic—setting a high target to secure better deals. Others argue from a security standpoint that critical industries like steel must remain within US borders. A fiscal policy view suggests tariffs are needed to fund tax cuts and spending increases. Another perspective fears that the dollar's role as the global reserve currency harms US trade terms, and tariffs serve as a corrective measure.

The broader consensus is that tariffs may be the new normal, with no near-term return to the previous free trade framework.

No Regret Moves:

The direction of the changes and their implications for your company may be impossible to predict, By seeking out no-regret moves, you can mitigate the impact of uncertainty. For example:

1. Accelerate shipments from overseas factories to lessen the impact of potential tariffs.
2. Intensify political monitoring and build alliances closer to policy makers, where possible.
3. Monitor and manage the fears and related stress of your employee base.

2. THE LABOR MARKET

Upward Price Pressure

The push for onshoring, combined with stricter immigration policies, could worsen the talent shortage and drive labor costs higher among both skilled and unskilled workers.

In many states, undocumented workers make up 5% to 10% of the labor force, particularly in agriculture, distribution centers, and trucking. Following the CHIPS Act, companies building major semiconductor plants were already struggling to find enough workers.

Any inflation from the new administration's policy is more likely to stem from labor market pressures than from tariffs.

3. BROADER GEOPOLITICAL SHIFTS

Trade Alliances

While divisions among the US, China, Europe, India, and Russia have always existed, they rarely restricted other nations from trading across blocs. Now, countries may face pressure to align with either the US or China. Companies in strategically sensitive sectors—automotive, aerospace, or key technologies—may find it impossible to operate across multiple trade blocs.

Technology as a Battlefield

As trade polarization deepens, political risk is becoming a critical factor in technology decisions. Advanced chips, AI, and data systems are now national security concerns. Companies must assess whether they can safely use technologies and digital platforms from multiple trading blocs and evaluate long-term risks when selecting suppliers and service providers.

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