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In fact, Donald Trump's objective is to open up markets for American companies and to uphold their profitability

Tariffs, protectionism, and the taxation of non-residents are seen by the Trump administration as mere means to achieve its ultimate goal: open new markets for American companies and boost their profits.

The implementation of high tariffs cannot be a permanent policy for the United States, as such a policy would lead to a significant rise in imported inflation, a decline in household consumption, and a loss of popularity for Donald Trump. Similarly, taxing the income of non-residents cannot be a long-term option, as it would discourage foreign investment in the United States.

In fact, the Trump administration's ultimate aim, using tariffs as a threat, is to open new markets for American businesses (in the agrifood, automotive and digital sectors, etc.) and to uphold their profitability by securing reductions in health and environmental protections from other countries, the easing of competition rules, and the elimination of fiscal measures deemed discriminatory (such as minimum taxes on multinationals and the taxation of digital companies). This strategy has proven successful, as demonstrated by the decisions taken at the latest G7 summit.

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Tariffs, protectionism, and the taxation of non-residents cannot be the ultimate goal of the Trump administration

The Trump administration has threatened the United States' partners with:

- Very high tariffs;
- A tax on the income earned by non-residents on their holdings of United States-based assets (shares, bonds, company stakes; this is Section 899 of the Big Beautiful Bill).

However, protectionism or the taxation of non-residents' assets in the United States cannot be a lasting, ultimate goal of the Trump administration's economic policy. Indeed:

- **keeping high tariffs would be inflationary,** and we can already see that the increase in inflation expectations by American households (**Chart 1**) has led to a decline in consumer confidence (**Chart 2**) and threatens to weaken consumption.

Chart 1
United States: Consumer's inflation expectations for the year ahead (as %, Conference Board)

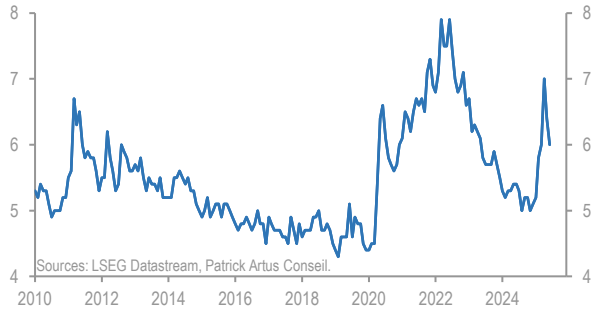
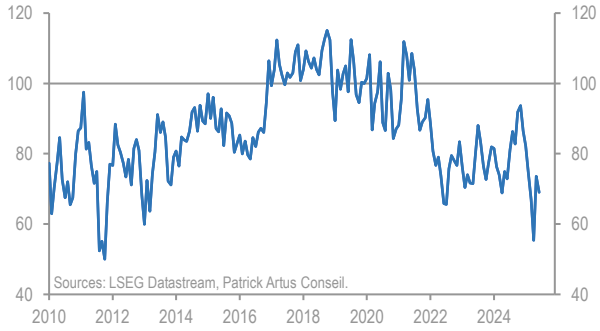
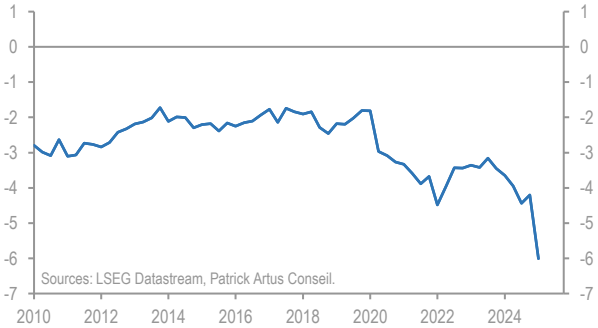


Chart 2
United States: Consumer confidence index - Expectations index (Conference Board, 1985 = 100)



- **The introduction of a tax on income from assets held by non-residents in the United States** would lead to a decline in financial investment and in corporate investment by foreign companies in the US. It is therefore incompatible with the persistence of a significant current account deficit (**Chart 3**).

Chart 3
United States: Current account balance (as % of nominal GDP)



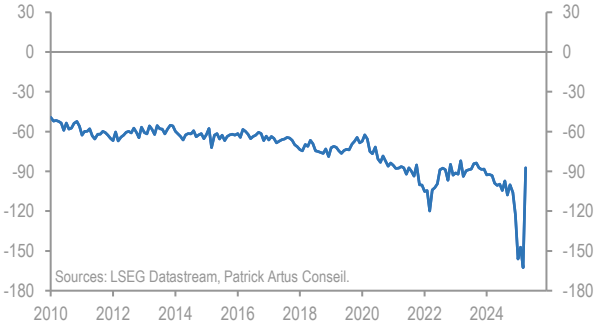
In fact, tariffs and the taxation of income from non-residents' assets in the United States are merely **threats aimed at securing the opening of markets to American companies and at supporting their profitability**.

The true objective of the Trump administration: to open foreign markets to American companies and support their profitability

The real goal of the Trump administration is to obtain:

- **The removal of health and environmental protections** that limit the United States' ability to export agri-food products and automobiles—something the Trump administration views as the main cause of the US goods trade deficit with the rest of the world (**Chart 4**);

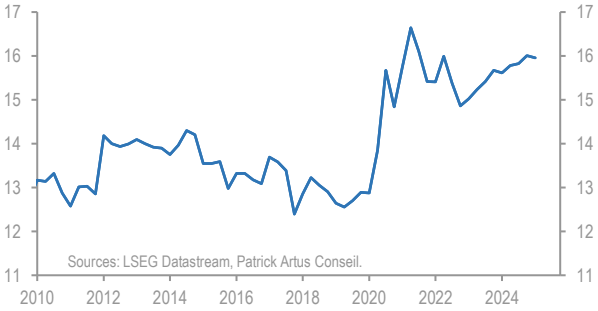
Chart 4
United States: Trade balance in goods
(monthly data, USD bn)



- **The elimination of tax measures considered discriminatory** towards American companies, including the minimum taxation of multinationals (as promoted by the OECD) and the digital services tax adopted by the European Union;
- **The easing of competition rules, particularly in Europe**, which regularly penalise US tech giants for abuse of dominant position.

The aim, therefore, is to open new markets for American businesses and to increase their profitability—by reducing their tax burden abroad and enabling them to generate greater monopoly rents (**Chart 5**).

Chart 5
Profits after tax and interest of non-financial corporations
(as % of nominal GDP)



Summary: the outcome of negotiations between the United States and other countries remains uncertain

The outcome of negotiations between the United States and other countries—especially the European Union—remains thus uncertain.

The United States will not implement high tariffs or overtax the income earned by non-residents on their US-based assets, in exchange for other countries abandoning their health and environmental regulations, corporate taxation, and competition policies. This has already been decided regarding the taxation of non-residents' assets. However, relinquishing health and environmental protections, as well as easing competition laws, is unacceptable—particularly for the European Union.

Therefore, the outcome of negotiations between the US and other countries, especially the EU, is uncertain. If Europe continues to refuse to loosen its regulations, one cannot rule out the possibility that the US may impose tariffs that are highly detrimental to the EU—but also to the US, as they would drive up domestic prices.

Yet, since other countries backed down during the G7 summit on the 15% minimum tax on multinationals and the digital services tax, the US strategy has, for the time being, proven successful.

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