



# What to Know: Foreign Policy Priorities and Geopolitical Considerations in a Second Trump Administration

President-elect Trump’s first term saw a fundamental reshaping of U.S. foreign policy in line with his “America First” approach, an ideology that will continue to shape Trump’s second term. As the rest of the world weighs the impact of changing U.S. priorities and how to work with the United States on shared global challenges, more uncertainty with allies in Europe, Asia and Latin America can be expected. Other geopolitical issues top-of-mind include Russia’s aggression against Ukraine, the potential for an expanded conflict in the Middle East, uncertainty over the future of U.S.-China relations, territorial disputes in the South China Sea, and instability in Africa – a source of commodities critical to the world economy.

## The Trump Administration’s Priorities

### A New Era of Global Trade

The era of global trade, liberalization governed by multilateral negotiations, and a rules-based order is fading. Trump will accelerate the trend of countries prioritizing inward-looking economic policies. Trump wants to increase import tariffs to reduce the U.S. goods deficit, which reached \$1.06 trillion in 2023, and to raise revenue. Countries with the largest trade deficits – China, Mexico, Vietnam, Germany and Japan – or those that impose high import tariffs on U.S. exports are potential targets for higher tariffs. With Europe, Trump may focus on two sectors – automotive and agriculture – with its significantly higher tariffs on U.S. imports.

Trump’s proposed tariffs and support for resource nationalism will invite broader protectionism and trade retaliation, and trigger disputes. It’s uncertain how new tariffs, such as the proposed 10%-20% baseline tariff on all imports and 60% on goods from China, will be imposed. Global companies will need to monitor the impacts of trade policy across their supply chains and the flow of traded goods and raw materials. Countries and business sectors will be pushing for exemptions or carve-outs.





## The Trump Administration's Priorities (cont.)

### Isolationism or Global Leadership?

Trump 2.0 will offer a different approach to the world than either President Biden or Vice President Harris. It's uncertain if it will be more punitive or pragmatic, and how much the Trump team will favor isolationism over global leadership. It stands to be more unpredictable and transactional; Trump will seek to keep the world guessing – which he has said is his ideal foreign policy. Many world leaders – especially those who lead coalition governments – understand transaction politics and are skilled at it.

Trump's "America First" approach will mean less U.S.-led cooperation with the United Nations and other multilateral institutions on issues such as climate, arms control, security and development. While Trump may continue initiatives such as the QUAD (U.S., India, Japan and Australia) and AUKUS (U.S., UK and Australia), he may withdraw the United States from the Paris Climate Agreement and deprioritize working with other international bodies. Trump will propose changes to what he thinks are unbalanced relationships (in trade) and unbalanced risks (in security) for the United States. For example, Trump wants NATO and East Asia allies (Japan, South Korea and Taiwan) to share more of the burden of collective security and defense.

At the same time, some things will not change. The United States is a \$30 trillion economy with strong fundamentals and leading global companies in key sectors such as technology, healthcare, finance and defense. Finance and equity markets are well-capitalized. A strong culture of business and scientific innovation will remain intact. Decarbonization will advance, led by companies, investors and activists. America will spend more on defense than the next eight countries combined. The benefits of these intangibles will continue to ripple outward across the world.

### Key Leadership in the Trump Administration

The new administration is set to include strong China and Iran hawks as well as pro-Israel voices. President-elect Trump has nominated **Sen. Marco Rubio (R-FL)** as Secretary of State. Rubio has taken a tough line on China and Iran on the Senate Foreign Relations and Intelligence Committees. Fox News host and Army National Guard veteran **Pete Hegseth** has been nominated as Secretary of Defense. **Rep. Mark Waltz (R-FL)** will be the National Security Advisor; **Gov. Kristi Noem (R-SD)** has been nominated as Homeland Security Secretary, and **Rep. Elise Stefanik (R-NY)**, a staunch supporter of Israel, has been nominated as UN Ambassador. **Former Democratic congresswoman Tulsi Gabbard (HI)** has been nominated to be Director of National Intelligence. Trump also nominated **Howard Lutnick**, CEO of financial services firm Cantor Fitzgerald – and co-chair of the Trump transition team – to be Secretary of Commerce, a position that oversees much of the administration's technology, competition, trade and tariff policy.



## What to Watch

**UKRAINE:** Ukraine is the country with the most to worry about in the near term. Trump wants to cut off U.S. aid to what he calls a “never-ending war.” Ukraine will need to convince the incoming administration that continued support remains essential to U.S. interests. If aid is cut, European leaders will have to step up and align around a strategy to both counter Russia and address broader security relations with Washington.

**CHINA:** There is bipartisan support in Washington to continue to counter China in support of U.S. economic and national security interests, but without triggering a conflict with harmful global consequences. Trump’s early foreign policy nominees suggest a hawkish approach to China. The Trump administration will impose new tariffs on China, continue tech-related export controls and investment restrictions, and seek to further deleverage the U.S. and Chinese economies. Trump’s approach to Taiwan may be more transactional than ideological. Other countries and global companies will seek to stay out of the crosshairs.

**EUROPE:** Leaders are gearing up to counter any harmful trade policies and retaliate against higher tariffs. There will be less U.S.-EU cooperation on global climate change, possible disputes on tech regulation, and differences between Washington and Brussels on how to manage geopolitical hotspots. Trump will continue to press European countries to increase their defense spending. Europe’s automotive and aerospace sectors are most worried about Trump protectionism.

**MIDDLE EAST:** Trump’s immediate need will be to push Israeli Prime Minister Benjamin Netanyahu to quickly bring an end to hostilities against Hamas and Hezbollah and prevent tensions with Iran from spiraling across the region as it moves unchecked toward becoming a nuclear state. That will require U.S. collaboration with the Gulf States. Over the horizon, Trump could restart efforts to normalize relations between Israel and its Gulf neighbors, but that will depend on bringing an end to the current conflict in a manner that enables such an endeavor.

**MEXICO:** The U.S.-Mexico agenda will include bilateral trade, migration, border security and drug trafficking issues in which trade-offs and concessions can be expected. Mexico is America’s largest trade partner, and U.S. companies have sourcing and supply chains in the country, which, if disrupted, could create economic harm. The U.S. wants to prevent Chinese products entering the U.S. either through Chinese investments in Mexican facilities or Chinese companies using Mexico as a transshipment point.

**INDIA:** Trump enjoyed cordial relations with India’s Prime Minister Narendra Modi during his first term. But the geopolitical landscape has changed over the last four years, and it is uncertain how the two leaders will engage around Russia’s war in Ukraine, China’s influence in Asia, legal immigration, regional defense and bilateral trade.

**NORTH KOREA:** With its growing partnership with Russia, including providing arms and troops in Ukraine, North Korea may be less open to diplomatic talks with the United States, and less willing to trade its nuclear weapons program for U.S. and international recognition or sanctions relief.

**ADVERSARIES:** The Trump administration will face an increasingly aggressive partnership between China, Russia, Iran and North Korea seeking a new world order with an alternative global financial structure. China and Russia are increasingly active in Africa and Latin America, aiming to undermine U.S. influence. It’s uncertain how Trump’s foreign policy can push back without strong alliances in Europe, India and East Asia, and without alienating leaders across the Global South.