SCWA Legislative & Regulatory Update

May 12, 2025

Trump Administration Announces Trade Deal with China

Announcement from the White House:

Today, on the heels of the brand-new deal with the United Kingdom, President Donald J. Trump reached an agreement with China to reduce China's tariffs and eliminate retaliation, retain a U.S. baseline tariff on China, and set a path for future discussions to open market access for American exports.

- Today, the United States issued the first joint statement on trade in many years with China after successful negotiations over the weekend in Geneva, Switzerland.
- Both parties affirmed the importance of the critical bilateral economic and trade relationship between both countries and the global economy.
- For too long, unfair trade practices and America's massive trade deficit with China have fueled the offshoring of American jobs and the decline of our manufacturing sector.
- In reaching an agreement, the United States and China will each lower tariffs by 115% while retaining an additional 10% tariff. Other U.S. measures will remain in place.
- Both sides will take these actions by May 14, 2025.
- This trade deal is a win for the United States, demonstrating President Trump's unparalleled expertise in securing deals that benefit the American people.

CHINESE ACTIONS: China will remove the retaliatory tariffs it announced since April 4, 2025, and will also suspend or remove the non-tariff countermeasures taken against the United States since April 2, 2025.
·China will also suspend its initial 34% tariff on the United States it announced on April 4, 2025 for 90 days, but will retain a 10% tariff during the period of the pause.

AMERICAN ACTIONS: The United States will remove the additional tariffs it imposed on China on April 8 and April 9, 2025, but will retain all duties imposed on China prior to April 2, 2025, including Section 301 tariffs, Section 232 tariffs, tariffs imposed in response to the fentanyl national emergency invoked pursuant to the International Emergency Economic Powers Act, and Most Favored Nation tariffs.

- The United States will suspend its 34% reciprocal tariff imposed on April 2, 2025 for 90 days, but retain a 10% tariff during the period of the pause.
- The 10% tariff continues to set a fair baseline that encourages domestic production, strengthens our supply chains and ensures that American trade policy supports American workers first, instead of undercutting them.
- By imposing reciprocal tariffs, President Trump is ensuring our trade policy works for the American economy, addresses our national emergency brought on by our growing and persistent trade deficit, and levels the playing field for American workers and producers.
- Unlike previous administrations, President Trump took a tough, uncompromising stance on China to protect American interests and stop unfair trade practices.

WORKING TOWARDS A REBALANCING: When these changes come into effect, both nations agreed to establish a mechanism to continue important discussions about trade and economics.

- The U.S. goods trade deficit with China was $295.4 billion in 2024—the largest with any trading partner.
- Today's agreement works toward addressing these imbalances to deliver real, lasting benefits to American workers, famers, and businesses.
- As our nations continue these discussions, China will be represented by He Lifeng, Vice Premier of the State Council.
- The United States will be represented by Scott Bessent, Secretary of the Treasury, and Jamieson Greer, United States Trade Representative.

ADDRESSING THE FENTANYL CRISIS: The United States and China will take aggressive actions to stem the flow of fentanyl and other precursors from China to illicit drug producers in North America.

Fact Sheet: President Donald J. Trump Announces Actions to Put American Patients First by Lowering Drug Prices and Stopping Foreign Free-riding on American Pharmaceutical Innovation

Announcement from the White House:

REDUCING DRUG PRICES FOR AMERICANS AND TAXPAYERS: Today, President Donald J. Trump signed an Executive Order to bring the prices Americans and taxpayers pay for prescription drugs in line with those paid by similar nations.

- The Order directs the U.S. Trade Representative and Secretary of Commerce to take action to ensure foreign countries are not engaged in practices that purposefully and unfairly undercut market prices and drive price hikes in the United States.
- The Order instructs the Administration to communicate price targets to pharmaceutical manufacturers to establish that America, the largest purchaser and funder of prescription drugs in the world, gets the best deal.
- The Secretary of Health and Human Services will establish a mechanism through which American patients can buy their drugs directly from manufacturers who sell to Americans at a “Most-Favored-Nation” price, bypassing middlemen.
- If drug manufacturers fail to offer most-favored-nation pricing, the Order directs the Secretary of Health and Human Services to: (1) propose rules that impose most-favored-nation pricing; and (2) take other aggressive measures to significantly reduce the cost of prescription drugs to the American consumer and end anticompetitive practices.

GETTING A BETTER DEAL FOR AMERICANS: President Trump is once again taking action to keep pharmaceutical manufacturers from charging Americans high drug prices while giving steep discounts to other wealthy nations.

- According to recent data, the prices Americans pay for brand-name drugs are more than three times the price other OECD nations pay, even after accounting for discounts manufacturers provide in the U.S.
- The United States has less than five percent of the world's population, yet funds roughly 75% of global pharmaceutical profits.
- Drug manufacturers discount their products to gain access to foreign markets and then subsidize those discounts through high prices charged in America—in essence, Americans are subsidizing drug-manufacturer profits and foreign health systems, despite drug manufacturers benefiting from generous research subsidies and enormous healthcare spending by the U.S. Government.
- In his first term, President Trump took historic action to keep Medicare and seniors from paying more for drugs than economically comparable countries, which the Biden Administration rescinded before it could take effect.

- Instead of fixing this problem, the Biden Administration's greatest achievement was to negotiate prices that were, on average, 78 percent higher than in 11 comparable countries as part of Biden's effort to “beat Medicare.”

DELIVERING ON PROMISES TO PUT AMERICAN PATIENTS FIRST: President Trump is delivering on his promise to once again put America first by furthering efforts to get American patients and taxpayers a fair deal for prescription drugs.

- This Order builds on actions from President Trump's first term to make progress on reducing price disparities at home and expands those efforts by including Medicaid in addition to Medicare.
- President Trump recently signed an Executive Order to take additional action to lower drug prices, including by providing massive discounts to low-income patients for lifesaving medicines, facilitating importation programs, and increasing the availability of generic and biosimilar medicines.
- President Trump is also working to make drug prices radically transparent, as he recently signed an Executive Order to build on his historic price transparency efforts undertaken during his first term.
- President Trump has been relentless in his effort to address the unfair and outrageous prices Americans pay for prescription drugs:
    - President Trump: “In case after case, our citizens pay massively higher prices than other nations pay for the same exact pill, from the same factory, effectively subsidizing socialism aboard [abroad] with skyrocketing prices at home. So we would spend tremendous amounts of money in order to provide inexpensive drugs to another country. And when I say the price is different, you can see some examples where the price is beyond anything — four times, five times different.”

Death Should Not Be a Taxable Event

By James Carter

In 1789, Benjamin Franklin famously observed, “In this world, nothing is certain except death and taxes.” It wasn't until 1797 that U.S. politicians, in their wisdom, combined death and taxes, imposing a temporary federal estate tax on the American people to increase military spending. Adopted “temporarily” thrice more—the last time in 1916 on the cusp of World War One—the estate tax now remains the only living survivor of the Great War.

Earlier today, more than a century later, I joined with 849 economists from universities, think tanks, and businesses across the country to convey a message to the American people: “Death should not be a taxable event. The estate tax should be repealed.”

Twenty-four years ago, Milton Friedman, the Nobel laureate, published an open letter calling for repeal of the estate tax. More than 275 economists joined Milton at that time by adding their names to his letter. Since then, hundreds more economists have signed onto his letter, bringing the cumulative number of signatories to 850.

Our open letter, printed below in its entirety and signed by some of the country's most prominent economic theorists and practitioners—including five Nobel laureates (Milton Friedman, 1976; Vernon Smith, 2002; Edward Prescott, 2004; Oliver Williamson, 2009; Eugene Fama, 2013)—laments how “the income used to accumulate the assets left at death was taxed when it was received; the earnings on the assets were taxed year after year; so, the estate tax is a second or third layer of taxation on the same assets.”

Family businesses that have paid taxes over the course of their owner's lives oftentimes end up “land or inventory rich” on paper but “cash poor,” putting them at risk of being hobbled by the estate tax. Few, if any, family farmers and manufacturers have the cash on hand to pay a 40% tax, levied at the worst possible time, while grieving the loss of a loved one. A family business that cannot easily raise liquid cash to pay the estate tax may be forced to lay off workers, sell off parts of the business, or, in the worst cases, shutter their doors for good.

The estate tax's crushing impact on America's family businesses leads to severe consequences for the U.S. economy. A 2012 Joint Economic Committee study showed that the estate tax is responsible for over $1 trillion in reduced capital stock since its inception in 1916. Less capital stock in the economy means forgone business creation, stifled innovation, and fewer jobs for the American people.

The late Milton Friedman, responding to a question about raising the estate tax, argued, “Where do you get the factories? Where do you get the machines? Where do you get the capital investment? Where do you get the incentive to improve technology?”

While the estate tax's impact on the economy is well known, you would be surprised by how little revenue the tax actually generates. Estate and gift taxes are expected to produce 0.57% of federal revenue this year. That's literally not enough to fund the federal government for even one full day!

A study issued earlier this year by Steve Moore, a longtime outside economic advisor to President Trump, concludes that each dollar raised by the estate tax results in five dollars lost from other taxes due to the collateral damage to family-owned businesses. The economic literature clearly shows that the estate tax is dollar for dollar the most inefficient and economically destructive tax on the books today.

Moreover, the Tax Foundation found this year that the compliance costs associated with the estate tax are just as onerous as the tax itself, creating a bonanza for estate planning attorneys and life insurance executives on the backs of family businesses struggling to pass their legacies to the next generation.

President Trump, Vice President Vance, and key congressional leaders, including House Speaker Johnson, Ways and Means Chairman Smith, and Senate Finance Committee Chairman Crapo, have called for eliminating the estate tax. As such, Congress ought to include repeal of this unfair and economically destructive tax in the reconciliation bill it is slated to consider this summer.

Our message is unequivocal: eliminating the estate tax will lead to faster economic growth and likely *boost* federal revenue. The estate tax is a bad tax, and pulling the plug is 100 years overdue.

James Carter is a principal with Navigators Global. He previously headed President Donald Trump's tax team during the 2016-17 transition and served as a deputy assistant secretary of the U.S. Treasury (2002-06).

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