

**Baker
McKenzie.**

LOOKING AHEAD

Business Impacts of the Trump Administration

Key Areas to Watch:

Trade & Tariffs | Tax Policy | Dealmaking & Antitrust | Healthcare & Life Sciences |
Technology | People | Immigration

Trump Administration Impact: Key Areas to Watch

With Donald Trump now in office, we outline the policy positions and business impacts that we expect to see across key areas. Trump has pledged to lower taxes, cut regulation and impose new tariffs on imported goods and issued a range of initial executive orders related to these and other plans to deliver a “new golden age” for the US. With President Trump’s party controlling the Senate and the House, Trump’s new administration will be well-positioned to see its legislative agenda embraced by Congress in 2025.

In addition, 2025 will be a watershed year in US tax legislation as the 2017 Trump tax cuts will expire, impacting individuals and various corporate tax provisions, while clients will need to prepare for the US government’s response to other countries’ plans to implement Pillar 2.

We also anticipate a boost to dealmaking in some areas, with a likely return to more traditional regulatory scrutiny and antitrust enforcement, along with an anticipated

increase in trade restrictions and inflation, leading to varied sectoral implications across Healthcare, Technology, Oil and Gas and CG&R. While many specifics still remain uncertain post-inauguration, the need for preparation remains key.

Business Outlook

“ President Trump will continue to use trade as a key geopolitical tool to advance his administration’s foreign policy, US national security interests and protectionist trade policy – with a real impact on cross-border business.



Kerry Contini
Partner,
International Trade

“ President Trump will continue his prior administration’s efforts to deregulate employment at the federal level, withholding support for federal minimum wage and overtime increases and restrictions on employee mobility, while standing behind Right to Work laws that challenge unions. Trump campaigned on a promise to eliminate taxes on overtime and tips.



Robin Samuel
Partner,
Employment & Compensation

01

Trade & Tariffs

As we have already seen in the first few weeks of the new Trump administration, Trump's second term will continue his "America First" approach to international trade, marked by unilateral actions, aggressive negotiation tactics, efforts to reduce the trade deficit and protecting US industries. He will continue to use tariffs, sanctions, export controls and other trade measures as foreign policy tools to achieve his objectives. To date, executive orders and announcements made by Trump have included deferred tariffs on Mexico and Canada, tariffs on China, steel and aluminum tariffs and return to "maximum pressure" on Iran and more, as summarized below.

On Day One, Trump signed an America First Trade Policy ("Policy"), which established a framework for investigations and other processes that could lead to tariffs being imposed on other countries down the line. As a result, it seemed possible that the threat of tariffs, which he had announced during his campaign trail would reach a wide range of areas, would be deferred to April, when the reports required by the Policy would come due.

However, the threat of tariffs became imminent much more quickly than that. On January 26, Trump announced that he was imposing 25% tariffs and sanctions on Colombia because of Colombian President Petro's refusal to authorize the entry of military flights carrying individuals deported from the United States. That same evening, the two countries reached an agreement on the flights, and Trump announced that the tariffs would be held in reserve unless Colombia failed to honor the agreement.

“ President Trump and his new administration will seek to use trade policy levers to strengthen US industry while deploying security regulations to restrict tech transfers to China and imports of Chinese-made software and equipment. Businesses will need to reexamine their internationally distributed supply chains.



Rod Hunter
Partner,
International Trade,
Washington, DC

On February 1, Trump signed three executive orders imposing tariffs on Canada, Mexico and China. The executive orders invoke the International Emergency Economic Powers Act (IEEPA), the statute that is commonly used by US Presidents to impose sanctions but which had never been used for tariffs. The executive orders set:

- 10% tariff on energy imports from Canada and 25% tariff on all other imports from Canada
- 25% tariff on all imports from Mexico
- 10% tariff on all imports from China (though Trump has stated that the additional duties on imports from China are an “opening salvo” and are likely to increase further).

In addition, the executive orders bar any goods subject to the new tariffs from entering the US duty-free through the de minimis program, which ordinarily allows certain shipments valued at \$800 or less to be imported duty- and tax-free. The executive orders direct that the tariffs cannot be refunded through duty drawback. Specific to China, Trump subsequently signed another executive order allowing packages from China to once again qualify for duty-free entry under the de minimis program, but only until “adequate systems are in place” to process and collect tariffs on such shipments, with no public timeline for making those improvements.

Canadian Prime Minister Trudeau initially vowed to retaliate, saying he would impose 25% tariffs on \$155 billion worth of US goods, including beer, wine and bourbon, fruits and fruit juices, vegetables, perfume, clothing, shoes, household appliances, furniture, sports equipment, lumber and plastics. However, following an agreement in which Trudeau agreed to implement a “\$1.3 billion border plan” along with other “new commitments”, Trump delayed the tariffs for one month. Trump signed an executive order on February 3, pausing the effective date for tariffs on imports from Canada from February 4 to March 4, 2025.

Mexican President Sheinbaum also initially vowed to retaliate, saying she was instructing her economy minister to implement a plan that includes tariff and non-tariff measures crafted to defend Mexico’s interests. However, following an agreement in which Sheinbaum agreed to deploy 10,000 troops to the border, Trump also delayed the tariffs on Mexico for one month.

Trump signed another executive order on February 3, pausing the effective date for tariffs on imports from Mexico from February 4 to March 4, 2025. If the tariffs against Mexico and Canada ultimately go into effect, this would nullify the largely duty-free trade occurring pursuant to the US-Mexico-Canada Agreement (USMCA). The USMCA is subject to a renewal clause requiring the United States, Canada and Mexico to renew the

agreement by July 1, 2026. The America First Trade Policy memorandum specifically directs the commencement of a public consultation on the renewal of the USMCA.

The US tariffs against China went into effect on February 4. China announced retaliatory measures in response to the tariffs imposed on imports from China, scheduled to take effect February 10, which include:

- 15% tariffs on US coal and liquefied natural gas;
- 10% tariffs on US crude oil, agricultural machinery, and high-displacement vehicles and pickup trucks;
- export controls on more critical minerals such as tungsten and other rare metals;
- adding two US companies to its Unreliable Entities List and launching an antimonopoly investigation into another.

On February 10, Trump issued a Proclamation imposing 25% tariffs on steel and aluminum imports from all countries, effective March 12, including major trading partners that negotiated exceptions to US metals tariffs during his first term. In response, the European Commission stated that they would “react to protect” European interests from “unjustified measures.” Australian Prime Minister Anthony Albanese announced that he would attempt to seek an exemption to the tariffs.

On the same date Trump also reiterated that he would announce a new “reciprocal” trade approach through which the US would ensure its tariffs matched those imposed by trading partners. Further announcements on the reciprocal tariffs are expected on February 13. More tariffs appear to be on the horizon, particularly aimed at the EU, Taiwan and other trading partners as well as on critical industries like copper, pharmaceuticals and semiconductors. If tariffs are imposed on the EU, it could also introduce retaliatory tariffs, triggering a wider trade war. It is thought that the EU would likely seek to make a more targeted response on specific US-origin goods than broad retaliatory tariffs.

The tariff threats on Colombia, Canada and Mexico, all announced during weekends when financial markets were closed, indicate that Trump is using access to the US market as leverage to achieve political and policy outcomes unconnected with trade, including taxes on trade for protectionist ends and restrictions on trade for security purposes. It is also clear that the Trump administration is taking a transactional approach to decisions on whether or not to actually implement tariffs. Clients operating internationally are therefore faced with a period of uncertainty, which is likely to weigh on capital expenditure, and ultimately

employment, decisions by businesses. Meanwhile, geopolitical conflicts, such as the conflicts in Ukraine and the Middle East, are also profoundly affecting US international trade by disrupting supply chains, influencing commodity prices and reshaping geopolitical alliances. Trump has repeatedly declared that he would seek a negotiated settlement to the Russia-Ukraine conflict. A few days after his inauguration Trump sent a warning to Russian President Vladimir Putin on social media that unless a deal to end the war is made by Russia quickly, he may apply new sanctions and tariffs against Russia. Administration officials believe that there is scope to target Russia’s energy sector with further sanctions.

Multinational companies should keep in mind that even if the Trump administration ultimately relaxes Russia sanctions, many other jurisdictions have imposed sanctions against Russia (EU, UK, Switzerland, Canada, Australia, Japan, etc.) and would be much less likely to relax them. Trump has recently said that he may seek a deal with Ukraine to continue sending aid to them in exchange for rare earth materials.

In the Middle East, the Trump administration is expected to maintain strong ties with allies in the region, continue the hardline policy on Iran, reimpose visa restrictions, and

push for further expansion of the Abraham Accords. On February 4, Trump signed a National Security Presidential Memorandum (NSPM) imposing “maximum pressure” on Iran. On February 5, the Trump administration sanctioned a number of individuals and entities that it had determined formed an international network facilitating the shipment of millions of barrels of Iranian crude oil worth hundreds of millions of dollars to China.

In China, the Trump administration is expected to focus on protecting US technological development, especially in Artificial Intelligence research and development efforts, and increasing US investment to enhance the US semiconductor industry. Secretary of State Marco Rubio is expected to advance Trump’s tough-on-China policies, including restrictions on importing goods with forced labor, as he is one of the two co-authors of the Uyghur Forced Labor Prevention Act. Moreover, the House Select Committee on the Chinese Communist Party and the Trump administration will coordinate the passage of legislation aimed at increasing restrictions on China and increasing US domestic capabilities.

02

Dealmaking & Antitrust

Consistent with President Trump's campaign theme of alleviating "burdensome regulation" on business, the second term Trump antitrust enforcement environment is generally expected to be rooted in more traditional antitrust policies and processes and to take a less heavy-handed approach towards mergers than under President Biden's administration.

First, new leaders for the Department of Justice's Antitrust Division and for the Federal Trade Commission have been nominated: Gail Slater as Assistant Attorney General (AAG) for the Antitrust Division of the Department of Justice and current FTC Commissioner, Andrew Ferguson, will serve as Chair of the Federal Trade Commission. In addition, President Trump nominated Mark Meador to replace Lina Khan and become the third Republican Commissioner. Omeed Assefi, a former Trump Justice Department official, and who was an assistant US attorney, has been named as Acting AAG for Antitrust until Slater is confirmed.

The Slater and Meador nominations will require Senate confirmation. While specific enforcement priorities have not yet been announced, the new team will be presented with early opportunities to demonstrate whether their approach to merger enforcement will differ from that of their Biden administration predecessors.

During Trump's first term, his antitrust enforcers pursued some novel theories — for example, by bringing the first vertical merger challenge in years after refusing to accept the parties' proposed remedies — so we cannot assume a second Trump administration will be hesitant to pursue novel theories or

challenge mergers, including vertical mergers. Indeed, Ferguson has made public statements critical of vertical mergers and has voted in favor of challenging vertical mergers.

Nevertheless, it is anticipated that the Trump administration will revert to the conventional method of addressing merger challenges through structural remedies in the context of horizontal mergers. This approach aims to mitigate perceived competitive harms whilst permitting deals to proceed to closure. The Trump administration is also likely to consider process reforms to increase the efficiency of merger reviews and may withdraw the recent merger guidelines and reinstall the prior version, which generally outlined a more permissive approach to merger reviews and required higher concentration thresholds before harm to competition could be presumed.

In recent years there has been bipartisan consensus that antitrust enforcement against Big Tech firms is warranted, and some actions were filed during Trump's first term. Technology industry cases may continue as a regulatory priority, despite a movement by some leaders in the technology space to embrace the incoming administration. We nonetheless anticipate continued robust dealmaking in this sector, driven by rapid advancements and increasing investments in AI that may create appealing M&A opportunities. M&A in the oil and gas industry should rise too, as Trump has indicated that growth in this sector is a priority. Cross-border deals will continue, but geopolitical risk remains a focus, particularly with looming tariff discussions, and deals that involve buyers from rival nations can expect to receive heightened CFIUS scrutiny. Overall, we should expect to see significant M&A activity during Trump's second term.

“ We expect M&A activity to continue to rise and more deals to be notified. Certain deals may have been deferred due to the Biden antitrust enforcement environment, so 2025 may show an uptick in new dealmaking.



Brian Burke
Partner,
Antitrust & Competition Practice,
Washington DC



Michelle Heisner
Partner,
Transactional Practice,
Washington, DC

03

Tax Policy

The cornerstone of Trump's second term will be to extend or make permanent many of the provisions of the 2017 Tax Cuts and Jobs Act that expire at the end of 2025, including the individual income tax provisions. These provisions were drafted as temporary to comply with budgetary limitations for passing a bill as part of the Congressional reconciliation process. They were never intended to expire, and some of the more critical business deductions (i.e., immediate R&D expensing) have garnered bipartisan support.

Trump campaigned on further reducing the base corporate rate to 20% with an additional cut to 15% for companies that produce goods in the US. In response to concerns about the effect this would have on the deficit, Trump proposes baseline tariffs on foreign imports of 10%-20%, with a 60% tariff on all US imports from China and 25% tariffs on imports from Canada and Mexico. It is likely that Treasury Secretary Scott Bessent and Ken Kies, whom Trump put forth as the Assistant Secretary for Tax Policy, will actively engage with Congress during the legislative discussions.

Trump has thus far expressed unwillingness for the United States to cooperate with the OECD's two-pillar approach to address tax avoidance, ensure consistency in international tax rules and promote a more transparent global tax environment.

Hours after taking office, Trump signed an executive order clarifying that the OECD's Global Tax Deal has no force or effect in the United States. The executive order instructs the Treasury Secretary and US Trade Representative to investigate whether foreign countries are not in compliance with treaties or have extraterritorial rules that disproportionately affect US corporations. This executive order

“ Major tax legislation is unavoidable in 2025 as many TCJA provisions are scheduled to expire at the end of the year. Trump has been consistent in proposing to cut rates and increase protectionist measures. Moreover, Congressional Republicans have introduced legislation that would impose a retaliatory tax on the US income of citizens and corporations of foreign countries that enact extraterritorial or discriminatory taxes, such as Pillar 2's UTPR or Digital Services Taxes. Top-up taxes in other countries threaten double taxation for US multinationals, and a tax and trade conflict could result.



Alexandra Minkovich
Partner,
Tax Practice,
Washington, DC

also ordered the Treasury Secretary and US Trade Representative to present the President with a list of options for protective measures within 60 days.

Similarly, in President Trump's order regarding the "America First Trade Policy," the president directed the Treasury Secretary, Commerce Secretary and US Trade Representative to investigate whether any foreign country subjects US citizens and corporations to discriminatory or extraterritorial taxes. That order referred to the existing section 891, which allows the president to double the rates of taxes on citizens and corporations of countries imposing extraterritorial or discriminatory taxes.

On January 21, 2025, Chairman of the US House Ways & Means Committee Jason Smith (R-MO) re-introduced a bill, H.R. 591, that is thematically consistent with these executive orders and is targeted at "extraterritorial" and "discriminatory" taxes imposed by foreign countries. The bill would impose increased rates of US tax on citizens of and corporations of foreign countries that have imposed extraterritorial and/or discriminatory taxes.

As we expected, the reversal of Biden era green energy-based tax credits were included in President Trump's day one agenda as he:

- Issued the Unleashing American Energy executive order announcing that it is the policy of the United States to eliminate the "electric vehicle (EV) mandate, in part by "considering the elimination of unfair subsidies and other ill-conceived government imposed market distortions that favor EVs over other technologies..."; and
- Issued an order rescinding several of President Biden's executive orders, including an order setting a goal for half of US vehicles sold in 2030 to be zero-emission.

In the waning days of the Biden administration, Treasury and the IRS released several sets of proposed and final tax regulations. As has become common practice in the last few administrations, Trump issued an executive order announcing a regulatory freeze that would require a review of all pending regulatory guidance and delay effective dates for those.

Trump announced a series of narrowly-focused tax breaks in the final days of his campaign to appeal to specific groups of voters. Earlier in the campaign he began appealing to hourly-wage earners by proposing no taxes on tips or overtime. He then suggested exempting the income of police officers, firefighters, veterans and active duty military, and eventually proposed tax credits for family caregivers. At one point, he suggested doing

away with the federal income tax entirely and supporting the fisc with tariffs. These proposals were generally presented in rallies without detail, and most have little chance of Congressional enactment.

Ultimately, the fate of Trump's tax policy agenda depends on the budgetary restrictions of the reconciliation process, and the bargaining that comes with an increased deficit and a narrower majority in both houses.

Finally, Trump recently signed an executive order reinstating review of tax regulations by the Office of Information and Regulatory Affairs ("OIRA") prior to the publication of those regulations. While OIRA does not weigh in on agency regulations from a substantive tax standpoint, that office is tasked analyzing the cost-benefit analysis performed by agencies and ensuring that agencies are not issuing regulations at cross-purposes with an administration's policy preferences.

04

Technology

As the Trump administration takes the reins, tech companies of all sizes can anticipate fewer rules and regulations. As a candidate, Trump pledged to repeal Biden's Executive Order 14110 on Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence which he said hindered AI innovation. This executive order was included in the list of many Biden-era executive actions revoked by Trump immediately following his inauguration. Trump has signed a new executive order on AI, stating US policy is to "sustain and enhance America's global AI dominance". This order directs his advisors within 180 days to develop an AI action plan and review all actions taken under Biden's AI policies, suspending or revoking any that are inconsistent with the new US policy.

Biden broadly pushed tech regulation in the same direction as EU enforcement. Biden implemented a Trade and Technology Council (TTC) in which the EU and US discussed areas such as AI regulation. With Trump's victory, the TTC continuing in a similar guise looks unlikely. Further alignment on EU/US tech regulation policy could also be halted.

At the World Economic Forum in Davos, Trump spoke against EU fines on US multinational tech companies and said "we have some very big complaints with the EU." Vice President JD Vance called out onerous international rules (identifying the Digital Services Act and the GDPR in particular) in his speech at the Paris AI Action Summit 2025.

During his campaign, Trump showed extensive backing for the cryptocurrency industry, vowing to reduce regulatory scrutiny of the industry in an attempt to reassure major companies and keep them situated in the US. He has said he would be a "pro-innovation and pro-bitcoin president."

Trump's announcements for positions in his new administration have continued to signal deregulation and a pro-industry approach. In his Truth Social post on David Sacks' selection for a new role of "AI and Crypto Czar," Trump said that Sacks "will focus on making America the clear global leader in both areas". Market optimism and investor sentiment following Trump's victory has already helped lift bitcoin to an all-time high.

Trump has signed an executive order to "establish regulatory clarity for digital financial technology and secure America's position as the world leader in the digital asset economy." This order establishes a Working Group on Digital Asset Markets, to be chaired by the AI and Crypto Czar, and directs the Working Group within 180 days to recommend regulatory and legislative proposals that advance the policies set out in the order. Trump's executive order also revokes Biden's previous digital assets executive order (EO 14067) and the Treasury Department's "Framework for International Engagement on Digital Assets."

“ A new administration always brings uncertainty, but it is clear that Trump is acting quickly to reverse measures introduced by Biden that regulate the sector.



Aarthi Belani
Partner,
Transactional Practice,
Palo Alto

David Sacks subsequently led a joint press conference on cryptocurrency regulation with key congressional leaders, in which he reiterated the President's goal of making sure America leads the way in digital assets.

Trump's initial actions have also included announcing a \$500 billion private investment initiative called Stargate, focusing on developing AI infrastructure, including data and energy generation centers.

Protection of free speech and tackling online censorship was a key theme of Trump's first presidency. We expect further emphasis on this during his second term, with the topic having featured heavily in Trump's announcements for key roles. Trump's initial series of executive orders included an executive order to stop all government censorship and bring back free speech to America, and this order was also one of the actions Trump trailed in his inauguration speech.

Antitrust lawsuits have targeted Big Tech companies in recent years. Under Trump there will be changes in leadership at key agencies. Trump has nominated Gail Slater to head the Department of Justice's (DOJ) Antitrust Division, selected Andrew Ferguson to be chair of the Federal Trade Commission (FTC) and nominated Mark Meador to fill the third Republican Commissioner slot, replacing outgoing chair Lina Khan. Specific enforcement priorities have not yet been announced. However, these selections indicate that antitrust scrutiny for Big Tech and large deals in the sector will likely continue. In his Truth

Social post on Gail Slater's nomination, Trump highlighted acting against Big Tech in his first term and stated that work would continue under the DOJ's new leadership.

Early indications, and the history from the first Trump administration, suggest that the Trump administration transition team is reimagining the approach to cyber policy and considering reorganization of the agencies tasked with cyber strategy, oversight and responsibilities. The new Trump administration has terminated all memberships of advisory committees reporting to DHS which affected CISA's Cyber Safety Review Board (CSRB). This board was responsible for investigating major cyber security incidents. However, the administration is expected to continue its hard line against China and countries considered "foreign adversaries". This could lead to an expansion of current executive orders protecting outbound transfers of sensitive data to China and other national security related developments.

By a further executive order, Trump has established the President's Council of Advisors on Science and Technology to advise him on matters involving science, technology, education and innovation policy.

While immigration was a central focus of Trump's campaign, the platform took aim at asylum law and unlawful immigration rather than legal immigration and employer-based immigration. However, a key area to watch for tech companies is whether Trump will seek to introduce

restrictions on the H-1B visa program (which enables US companies to hire foreign workers for specialty occupations), as he sought to do in his first term. There has already been heated debate about the program among some of Trump's advisors and other key figures in the wider America First movement. In response, Trump has been quoted as saying the program is "great."

Trump's proposals on tariffs, deportation and tax cuts are expected to boost inflation, and Treasury yields quickly surged after Trump's victory in reaction. The Technology sector is not insulated from inflationary effects on valuations and financing costs. Semiconductor and metals prices also directly impact the whole industry.

05

Healthcare & Life Sciences

The new Trump administration has made clear its intent to target the public health system and measures adopted by the previous administration. It is also expected to continue earlier efforts to regulate surprise medical bills, price transparency and prescription drug prices. Trump promised to lower health insurance premiums, so we expect forthcoming activity in these areas too, even though at this stage he has still not provided much detail on how he will accomplish these measures. Trump has clarified he will not pursue the “Most Favored Nation” (MFN) policy to lower prescription drug prices, but it is expected that his administration will still look at alternative mechanisms to lower drug costs.

Robert F. Kennedy Jr’s nomination as US Secretary of Health and Human Services has been closely watched by the life sciences industry and is likely to lead to substantial changes to the healthcare system and in particular to federal health agencies like the Food and Drug Administration (FDA), the Centers for Disease Control and Prevention (CDC), and the National Institutes of Health (NIH).

At FDA level, we expect to see new regulations and practices with potential shorter approval procedures and relaxed regulations. Trump has nominated Dr Martin Makary as FDA Commissioner who has criticized the FDA’s management practices in the past regarding them as too political. Other relevant nominations include Dr. Dave Weldon as CDC Director and Dr. Jay Bhattacharya as head of the NIH. Both have openly opposed public health policies followed by the previous administration, and their appointment is also likely to lead to an overhaul of these agencies and policies with some

measures already announced on inauguration day such as the repealing of Biden orders to manage the COVID-19 pandemic and the US withdrawal from the World Health Organization (WHO). Trump also announced a hiring freeze that could affect health agencies and a reduction in federal spending.

While these policy changes may lead to uncertainty at the start and require companies to adapt their strategies and priorities, other measures proposed by Trump are likely to have a more immediate positive effect on the industry. For instance, we expect to see reduced FTC intervention, which will likely lead to an increase in M&A activity in the life sciences space. In addition, Trump has promised lower interest rates, and he is also expected to implement favorable tax policies for corporations, including those in the life sciences sector, to encourage investment and growth. Trump has also defended reshoring production of essential medicines and medical countermeasures as a way to put an end to pharmaceutical shortages.

Of particular relevance to the industry is the dinner Trump hosted at his Mar-a-Lago residence in early January. The event included several industry representatives, such as the CEO of the Pharmaceutical Research and Manufacturers of America (PhRMA), Stephen Ubl, and top executives from major pharmaceutical companies. Although the topics that were addressed during the event have not been disclosed, it is understood that the discussions included opportunities for collaboration between the industry and the new administration. Many industry experts see this as a positive sign of receptiveness and support from Trump towards the promotion of research and innovation in the healthcare and life sciences sector.

“ Until specific policy or legislative proposals are known, it may be a challenge for companies to plan and implement their strategies effectively. The nomination of Robert F. Kennedy, Jr. as Secretary of HHS could lead to reforms to the federal health agencies and to regulatory changes that companies will need to navigate. However, reduced federal oversight, lower interest rates and more favorable tax policies could boost investment and growth.



Randall Sunberg
Partner,
Healthcare & Life Sciences,
New York

06

People

In his first days in office, President Trump signed a series of executive orders aimed at dismantling diversity programs across the federal government, revoking DEI and affirmative action requirements for federal contractors and directing public and private entities to end policies that constitute “illegal DEI discrimination” without defining that term.

The DEI EOs do not change discrimination statutes, such as the bedrock prohibitions on employment discrimination under Title VII of the Civil Rights Act of 1964. Instead, the DEI EOs direct federal agencies and deputized private citizens to root out “illegal discrimination and preferences” through enforcement actions or False Claims Act litigation. Private sector workplace DEI programs that were lawful before Trump’s inauguration remain so. What has changed is the focus and enforcement priorities of the federal government and the resources dedicated to eradicating unlawful private-sector DEI preferences, mandates, policies, programs and activities. The January EO with the most material impact on federal contractors and the private sector is summarized below.

To mitigate risk in this area, government contractors and other private sector employers should engage in a targeted DEI Health Check conducted under legal privilege. This includes gathering and reviewing how any DEI efforts are described externally (e.g. on the website, in the Company’s mission statement, in corporate filings with the SEC etc.) and internally (e.g. in employee handbooks, employee training and Codes of Conduct), as well as prioritizing an audit of certain programs like company-sponsorship of affinity groups or using diverse hiring slates. Developing a thoughtful strategic plan with counsel (and avoiding knee-jerk decisions) is the best way forward.

Summary of Trump’s DEI EO on

Ending Illegal Discrimination and Restoring Merit-Based Opportunity

This revokes several previous Executive Orders on diversity dating as far back as 1965. Significantly, Executive Order 11246 of September 24, 1965 (Equal Employment Opportunity), is revoked. For 90 days (i.e., until April 21) from the date of this order, federal contractors may continue to comply with the regulatory scheme in effect on January 20, 2025.

Continue reading for an overview of this latest EO.

“ Trump’s executive orders targeting DEI are significantly impacting US employers. The EOs 1) call for an immediate end to DEI efforts in the federal government, terminating diversity programs and eliminating related offices and employment positions; 2) roll back transgender protections, declaring that the US government will recognize only two sexes; and 3) direct federal agencies to clamp down on ‘illegal DEI discrimination’ from federal contractors and private employers, without defining that term.



Robin Samuel
Partner,
Employment & Compensation

Summary of Trump's DEI EO on

Ending Illegal Discrimination and Restoring Merit-Based Opportunity

Key Provisions

Orders all executive departments and agencies to terminate all discriminatory and illegal preferences, mandates, policies, programs, activities, guidance, regulations, enforcement actions, consent orders, and requirements.

Further orders all agencies to enforce longstanding civil-rights laws and to combat illegal private-sector DEI preferences, mandates, policies, programs, and activities. Directs the Office of Federal Contract Compliance Programs to immediately cease:

- (A) Promoting "diversity";
- (B) Holding federal contractors and subcontractors responsible for taking "affirmative action"; and
- (C) Allowing or encouraging federal contractors and subcontractors to engage in workforce balancing based on race, color, sex, sexual preference, religion, or national origin.

Requires every federal contract or grant award include:

- a term requiring the contractual counterparty or grant recipient to agree that its compliance in all respects with all applicable Federal anti-discrimination laws is material to the government's payment decisions for purposes of section 3729(b)(4) of Title 31, United States Code (False Claims Act); and
- A term requiring such counterparty or recipient to certify that it does not operate any programs promoting DEI that violate any applicable Federal anti-discrimination laws.

Directs the heads of all agencies, with the assistance of the Attorney General, to take all appropriate action with respect to the operations of their agencies to advance in the private sector the end of "illegal DEI discrimination."

The Order carves out exceptions for employment and contracting preferences for veterans and the blind.

Key Dates

Signed January 20, 2025. After 90 days, federal contractors may not continue to comply with the regulatory scheme set forth in now revoked EO 11246 (i.e., taking affirmative action). Starting April 21, 2025, contractors "shall not consider race, color, sex, sexual preference, religion, or national origin in ways that violate the Nation's civil rights laws."

Within 120 days, the AG is to submit a report identifying "key sectors of concern," "egregious and discriminatory practitioners," and a plan to deter DEI programs or principles that constitute illegal discrimination or preferences.

TL;DR

The Order instructs the Office of Federal Contract Compliance Programs to stop promoting diversity, stop holding federal contractors and subcontractors responsible for taking "affirmative action," and allowing or encouraging federal contractors to engage in

workforce balancing based on race, color, sex, sexual preference, religion, or national origin.

Significantly, the Order reverses the federal contractor certification of compliance requirement, flipping it on its head. Now, a federal contractor must "certify that it does not operate any programs promoting DEI that violate any applicable Federal anti-discrimination laws."

The Attorney General has 120 days to identify compliance investigation targets from publicly traded corporations or large nonprofits with assets of \$500 million or more (or of state and local bar and medical associations or higher education institutions). Each agency will report to the AG up to 9 targets in order to end "illegal DEI discrimination and preference" in the private sector. The Order specifically identifies a few industries that may receive extra scrutiny: "major corporations, financial institutions, the medical industry, large commercial airlines, law enforcement agencies, and institutions of higher education."

The AG's report (due by May 21), must also identify: (1) key sectors of concern within each agency's jurisdiction and (2) the most "egregious and discriminatory DEI practitioners" in each sector. This conceivably opens the door for many more companies to be called out.

Looking Ahead Spotlight:

Immigration

The Potential Workforce Implications of Trump's Immigration Policy on H-1Bs (Plus Biden's Parting Changes)

Most commentators agree that President Trump's immigration policy may have significant implications for US employers, particularly for companies that rely on H-1B visa holders. Many have speculated that the H-1B visa program, which allows US companies to employ foreign workers in specialty occupations, is likely to face stricter regulations and increased scrutiny under the new administration.

With interesting timing, on December 18, 2024, the Department of Homeland Security (DHS) issued a [new final rule reshaping the eligibility criteria](#) for the H-1B visa program, clarifying which foreign workers can apply for the coveted slots and expanding the reach of the program to cover more workers. The new regulations took effect on January 17, 2025, 3 days before Trump took office. Changes include making it easier to extend existing H-1Bs, expanding eligibility to gain exemptions, and student visa expansion, among other things. In addition, the new rules usher in stricter workplace scrutiny and grant USCIS (United State Citizenship and Immigration Services) expanded power to conduct workplace site visits to ensure the H-1B visas are being implemented correctly and not being abused.

It's possible that the Trump administration will challenge this parting rule from the Biden administration. The Congressional Review Act offers a quick way for a new president, with the consent of Congress, to undo certain regulatory actions implemented by the previous administration. On its face, by bolstering the program integrity of the H1-B program and increasing scrutiny and on-site inspections, the new DHS regulations align in part with some of Trump's stated policy goals related to workplace immigration. Accordingly DHS's new regulations may not be immediate targets for reversal. We will continue to monitor developments in this space.

Connect with Our Partners to Prepare for What Comes Next

Trade & Tariffs



Rod Hunter
Partner,
Washington, DC



Kerry Contini
Partner,
Washington, DC



Chandri Navarro
Senior Counsel,
Washington, DC

Tax Policy



Alexandra Minkovich
Partner,
Washington, DC

Transactional



Michelle Heisner
Partner,
Washington, DC



Alan Zoccolillo
Partner,
New York

Antitrust & Competition



Creighton Macy
Partner,
Washington, DC



Mark Hamer
Partner,
Washington, DC

Technology



Aarthi Belani
Partner,
Palo Alto



Lawrence Lee
Partner,
Palo Alto

Healthcare & Life Sciences



Randall Sunberg
Partner,
New York



Oren Livne
Partner,
New York

Employment & Compensation



Robin Samuel
Partner,
Los Angeles



Betsy Morgan
Partner,
Chicago

Cybersecurity & Data Privacy



Brian Hengesbaugh
Partner,
Chicago

Baker McKenzie helps clients overcome the challenges of competing in the global economy.

We solve complex legal problems across borders and practice areas. Our unique culture, developed over 65 years, enables our 13,000 people to understand local markets and navigate multiple jurisdictions, working together as trusted colleagues and friends to instill confidence in our clients.

bakermckenzie.com

© 2025 Baker McKenzie. All rights reserved. Baker & McKenzie International is a global law firm with member law firms around the world. In accordance with the common terminology used in professional service organizations, reference to a "partner" means a person who is a partner or equivalent in such a law firm. Similarly, reference to an "office" means an office of any such law firm. This may qualify as "Attorney Advertising" requiring notice in some jurisdictions. Prior results do not guarantee a similar outcome.