LOOKING AHEAD

Business Impact of a New US Administration

Five Areas to Watch:

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

Trump Administration Impact:
Five Areas to Watch

As Donald Trump prepares to take office as the 47th United States president, we outline the policy positions we expect to see across five key areas that will have significant implications for business. Trump has pledged to lower taxes, cut regulation and impose new tariffs on imported goods.

The ability of the new President to implement his plans will be heavily impacted by the makeup of Congress. With President-elect 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.

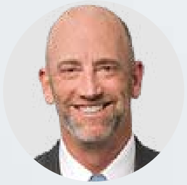
We also anticipate a mixed impact on dealmaking, with a likely return to more traditional regulatory scrutiny and antitrust enforcement, along with an anticipated increase in trade restrictions and inflation, leading to varied sectoral implications across Healthcare, Technology, Oil and Gas and CG&R. While many specifics remain uncertain, the need for preparation is key.

Business Outlook

“President-elect 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 Commercial & Trade

“President-elect 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
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Employment & Compensation

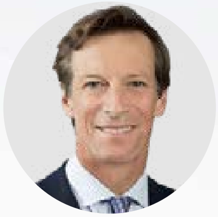
01
Trade & Tariffs

Trump's second term will continue his "America first" approach to international trade, marked by unilateral actions, aggressive negotiation tactics, and a focus on reducing the trade deficit and protecting US industries. During his previous term, Trump used tariffs as a primary tool in trade negotiations. In his election campaign, he proposed tariffs of between **10%** and **20%** on all US imports, and a **60%** tariff on imports from China. He has also threatened to impose **100%** tariffs on countries that stop using the US dollar. His reforms could mean that substantial amounts of government revenues would come from tariffs rather than the taxation of businesses and individuals.

During his previous term and as a candidate in the election, Trump emphasized his support for reshoring manufacturing and reducing US dependency on foreign supply chains. Trump has also consistently advocated for renegotiating trade agreements that he perceives as unfavourable to the US. This could involve reopening discussions on agreements like the US-Mexico-Canada Agreement (USMCA). For example, he indicated during his election campaign that he would renegotiate the USMCA to include language to prevent China from using its access to Mexico's market to ship goods into the US.

Geopolitical conflicts, such as the conflicts in Ukraine and the Middle East, are profoundly affecting US international trade by disrupting supply chains, influencing commodity prices, and reshaping geopolitical alliances. In contrast to the Biden administration's multilateral approach to sanctions, the new Trump administration may employ a unilateral approach to sanctions and other trade measures, targeting countries like China or Iran. Though it is logical to assume that enforcing sanctions against Russia will not be a priority, it is not a foregone conclusion that those sanctions will be materially relaxed. Remember that his first administration implemented sanctions targeting Russia.

> "President-elect 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 Commercial & Trade Practice,
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02
Dealmaking & Antitrust

Consistent with President-elect Trump's campaign theme of alleviating "burdensome regulation" on business, the second-term Trump antitrust enforcement environment is generally expected to create a more merger-friendly regulatory environment in general than under President Biden's administration and may facilitate an M&A boon.

First, new leaders for the Department of Justice's Antitrust Division and for the Federal Trade Commission will be nominated early in 2025 and are expected to be Republicans. While specific enforcement priorities may vary depending on who is appointed, we can expect Trump's new antitrust leaders to pursue a more "business-friendly" approach.

During Trump's first term, his antitrust enforcers pursued some novel theories — for example, by bringing the first vertical merger challenge in years — so we cannot assume a second Trump administration will be hesitant to challenge mergers that raise competition concerns. Nevertheless, we expect the Trump team to return to the traditional approach of settling merger challenges with appropriate remedies to resolve perceived competitive harms while still allowing deals to close. The Trump administration might also withdraw the Biden team's recent merger guidelines and reinstall the prior version, which generally outlined a more permissive approach to merger reviews.

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. It is probable that technology industry cases will continue as a priority. But we should still expect to see robust dealmaking in this sector with fast-moving developments and growing investments in AI creating attractive 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 if they involve buyers from rival nations, heightened CFIUS scrutiny can be expected. Overall, we should expect to see significant M&A activity during Trump's second term.

"We expect M&A activity 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 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.

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. Instead, he has threatened retaliatory tariffs for countries who participate in Pillar 2.

We expect Trump to continue encouraging the reversal of Biden era green energy-based tax credits enacted as part of the Inflation Reduction Act and instead to support tax incentives favoring the petroleum industry.

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 to no chance of Congressional enactment.

> "Major tax legislation is unavoidable in 2025 as many TCJA provisions expire. Trump has been consistent in proposing to cut rates and increase protectionist measures. Moreover, Congressional Republicans have already announced their opposition to any legislation adapting our existing US-international tax laws to align more closely with the global minimum tax that is already in play and, in fact, have proposed retaliatory measures. 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

04
Technology

Trump's victory means that tech companies of all sizes can anticipate fewer rules and regulations. Trump has already pledged to repeal Biden's Executive Order on AI which he says hinders AI innovation. During his previous presidency, Trump signed his own Executive Order about AI, but it prioritized AI research and development with the aim of driving technical breakthroughs in AI rather than regulatory frameworks. Biden broadly pushed tech regulation in the same direction as EU enforcement.

Trump's proposals on tariffs, deportation and tax cuts are expected to boost inflation, and Treasury yields have already surged 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.

Antitrust lawsuits have targeted Big Tech companies. 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.

There were some significant antitrust enforcement efforts in the tech sector in Trump's first term. Both Trump and Vice President-elect JD Vance have made comments during the campaign around competition and preventing monopolies, and the Republicans are thought to want to continue to scrutinize Big Tech monopolies through antitrust suits in the same way as the Biden administration has done. However, under Trump we expect changes in leadership at key agencies. While antitrust scrutiny will likely continue, particularly for Big Tech and large deals in the sector, overall it is expected to be less aggressive than under the Biden administration.

As a candidate, Trump has shown 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.

"A new administration always brings uncertainty, but it is clear that Trump will reverse measures introduced by Biden that regulate the sector."

Aarthi Belani
Partner,
Transactional Practice,
Palo Alto

05
Healthcare & Life Sciences

On his campaign site, President-elect Trump vowed to continue earlier efforts to regulate surprise medical bills, price transparency and prescription drug prices. He also promised to lower health insurance premiums, so we expect forthcoming activity in these areas even though prior to the election he had not provided much detail on how he would accomplish these measures. Trump has clarified he will not pursue the "Most Favored Nation" (MFN) policy to lower prescription drug prices. However, it remains unclear how he intends to tackle prescription drug costs.

While we can certainly anticipate a firm stance in all these areas, Trump's proposals are still expected to be slightly more favorable to the industry than the previous administration. Trump's proposals could potentially lead to reduced FTC intervention, resulting in fewer regulatory hurdles for companies. Additionally, he is expected to implement favorable tax rates 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.

Days after the election, President-elect Trump nominated Robert F. Kennedy Jr. to be the next US Secretary of Health and Human Services. Kennedy's nomination has been closely watched by the life sciences industry. During the campaign, Kennedy stated he would make substantial changes to the healthcare system and in particular to federal health agencies like the FDA, CDC, and NIH.

Following his nomination, in an interview with National Public Radio (NPR), Kennedy mentioned Trump gave him three main directives:

- Eliminate corruption and conflicts of interest in regulatory agencies.
- Return to evidence-based, empirical science and medicine.
- Address the chronic disease epidemic with measurable improvements within two years.

Kennedy's nomination still needs Senate confirmation.

Trump has also recently nominated Martin Makary as FDA Commissioner. His role also requires Senate confirmation.

"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
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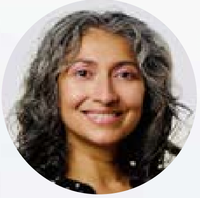

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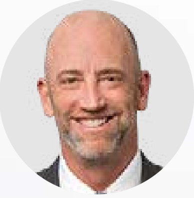

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