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IDEAS**



2024 U.S. ELECTION: IMPACT ON BUSINESS FOR THE NORTH AMERICAN REGION

**AN ANALYSIS OF KEY POLICIES,
INDUSTRY IMPACTS, AND STRATEGIC
CONSIDERATIONS FOR NORTH
AMERICAN BUSINESSES**

LLORENTE Y CUENCA

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POLITICAL LANDSCAPE LEADING TO THE U.S. ELECTION

As the U.S. prepares for its next presidential election, the potential impacts on North American businesses are significant. This outline examines the key policies and positions of both parties, their expected effects on various industries, and the broader implications for the region's economic landscape. Political divisions are more pronounced as the United States approaches an election period. Debates center around policies, business regulation, taxation, labor laws, trade deals, and environmental regulations. Companies in North America are keenly observing the candidates' stances as these decisions directly impact stability and business activities.

BUSINESS-FOCUSED ELECTORAL POLICIES

DEMOCRATIC PARTY (KAMALA HARRIS)

Harris is expected to support raising taxes to target the wealthiest businesses and promote fairer tax distribution to decrease income inequality and boost funding for healthcare, education, and infrastructure improvements; this could potentially affect the profit margins of big corporations.

Proposals regarding labor laws could enhance workers' rights, raise the minimum wage, and strengthen labor unions. This might lead to higher operational expenses for businesses heavily dependent on low-wage labor.

Harris favors environmental regulations that involve investing in green energy and implementing mandates to reduce carbon emissions. These regulations could significantly impact the energy sector, as well as the automotive and heavy industries, in North America.

Harris might advocate for antitrust measures that could affect significant technology firms and healthcare and telecommunications companies.

REPUBLICAN PARTY (DONALD TRUMP)

Trump is expected to continue offering or implementing tax breaks for businesses, emphasizing lowering corporate tax rates to encourage more domestic manufacturing activities. This would benefit big companies by lessening their tax obligations and enhancing their earnings potential.

Trump supports deregulation in the energy, healthcare, and manufacturing industries, which could reduce business restrictions. However, potential environmental effects over time are a concern.

Trump's emphasis on prioritizing trade interests might lead to reconsidering or strengthening trade deals, which could impact supply chains in North America but boost local manufacturing instead. Changes in tariffs could impact industries that heavily depend on imports or exports.



ELECTORAL THERMOMETER

States that are crucial in determining the outcome of an election, like Pennsylvania and Michigan, will play a role in the upcoming election due to their strong ties to industries such as manufacturing and healthcare. This makes them pivotal battleground states for policies affecting businesses and the economy.

If Democrats win in swing states and come into power, policies will likely be geared toward regulations and labor rights, whereas a Republican victory could result in an emphasis on tax cuts and deregulation of industries to cater to the interests of corporations in those areas.

IMPACT ON MAJOR CORPORATIONS AND THEIR POSITIONS

Due to antitrust concerns in the **tech industry**, focus is being placed on tech firms such as Amazon, Google, and Facebook. These companies might prefer supporting Democrats to prevent disassembly efforts even though they encounter regulatory hurdles from both political parties.

Energy and Automotive: Energy firms and car manufacturers in swing states might support Trump because of his pro-deregulation stance, which could help streamline production processes and boost their profits. However, companies shifting towards eco-energy sources might prefer Harris as they view her candidacy as an opening for investing in renewable energy projects.

The **healthcare sector** will experience a contrast depending on the election outcome. A Democratic victory might lead to increased government involvement in pricing and regulations, which could impact pharmaceutical companies, while a Republican win could mean relaxed rules, maintaining a more private and less restrained healthcare market.

Finance and Wall Street have historically leaned toward advocating for reduced taxes (a position typically associated with Republicans). However, there is a shift towards Democrats due to their emphasis on investing in infrastructure and ensuring market stability, which are critical drivers of sustained financial expansion.

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KEY CHALLENGES OF A HARRIS ADMINISTRATION

Raising taxes may lead to profits, but companies operating in industries like the technology, finance, and energy sectors may face challenges adjusting their financial plans to cope with these increased tax obligations.

The regulatory landscape regarding environmental protection laws, labor rights, and antitrust regulations may become stricter shortly. This could potentially increase the expenses associated with compliance for sectors such as oil and gas, motor vehicles, and pharmaceutical companies.

Rising labor expenses arise from the advancement of employees' entitlements, which involve elevating wages and enhancing perks; this would directly impact corporations by escalating labor costs in industries heavily dependent on low-wage employees, like the retail and hospitality sectors.



POTENTIAL CHALLENGES UNDER A TRUMP PRESIDENCY

Trade Uncertainty Concerns arise from the America First trade strategies, which might increase tariffs and trade interferences. These could particularly affect businesses with supply chains or those operating in North America regionally. Furthermore, trade policy ambiguity can impede business development and strategic planning efforts.

Failure to prioritize regulations may pose sustainability risks for industries in the long run, as companies not embracing green technologies could encounter reputation and operational hurdles when global standards become stricter.

Trump's focus on isolationism in policies could pose challenges for companies seeking to operate in markets, such as technology firms and pharmaceutical companies reliant upon international collaborations and worldwide supply chains.



THE SIGNIFICANCE OF USMCA FOR NORTH AMERICAN BUSINESSES

The USMCA (United States-Mexico-Canada Agreement) is a pivotal trade agreement for both Mexican and American companies, given its potential to foster growth, streamline operations, and enhance regulatory protections across North America. LLYC outlines the importance of the USMCA and highlights specific chapters that support stability and the rule of law between the two countries.

- **Market Access:** The agreement facilitates access to larger consumer markets by removing tariffs on certain goods, which benefits both Mexican and American companies by increasing export opportunities and making imports more affordable.
- **Investment Protections:** USMCA strengthens investment protection mechanisms, **improving investor confidence** by providing a predictable legal environment. This fosters foreign direct investment, essential for both economies' growth and job creation; allowing greater stability and creating the purchasing power of citizens.
- **Labor and Environmental Standards:** These new standards level the playing field across borders, ensuring that companies adhere to fair **labor practices and environmental protections**, which helps prevent a "race to the bottom" in production costs.
- **Supply Chain Resilience:** The agreement promotes cross-border supply chain integration, which is critical for sectors like automotive and manufacturing. With clear trade rules, companies in these industries can plan long-term with reduced risk of trade disruptions.

KEY CHAPTERS WITH RULE OF LAW PROTECTIONS

We enlist several chapters within USMCA help companies mitigate risks related to rule of law by providing legal frameworks and enforcement mechanisms:

- Chapter 7 – Customs and Trade Facilitation: Streamlining customs processes and reducing red tape, this chapter promotes transparency and reduces the opportunities for corruption. Clear procedures for customs administration create a predictable trading environment, crucial for companies moving goods across borders.
- Chapter 14 – Investment Protections: strengthens investor rights and offers provisions against expropriation without compensation and ensures fair treatment of investors. It includes the minimum standard of treatment to protect companies from unjust treatment or bias, providing a safeguard against legal unpredictability.
- Chapter 19 – Digital Trade: By promoting data protection and open digital markets, it supports rule of law in the digital sphere. Clear standards for data security, consumer privacy, and intellectual property protections enable companies to operate in the digital market without facing inconsistent national regulations.
- Chapter 23 – Labor Rights: This chapter establishes labor standards to ensure fair working conditions across borders. For instance, Mexico is required to adopt labor reforms that promote freedom of association and collective bargaining. These protections support companies by fostering a stable workforce and reducing labor disputes.
- Chapter 24 – Environmental Protections: With stricter environmental obligations, this chapter prevents regulatory rollbacks that could harm the rule of law or give unfair advantages. Compliance is ensured through dispute resolution provisions that hold countries accountable.

- Chapter 31 – Dispute Resolution Mechanisms: This chapter provides a structured approach to resolve disputes between governments, ensuring that companies aren't caught in regulatory uncertainty due to political shifts. The mechanisms offer neutral arbitration and aim for fair enforcement of the agreement's rules.

By establishing these frameworks, the USMCA supports a stable, rules-based trading environment that allows companies on both sides of the border to thrive with greater predictability and legal security for their investments and trade.

As the 2024 U.S. presidential election approaches, businesses across North America must remain vigilant and adaptable. The contrasting policies of the Democratic and Republican parties present distinct opportunities and challenges that will shape the region's business landscape. Whether it's the emphasis on regulatory and environmental measures or tax cuts and deregulation, companies should assess potential impacts and prepare for shifts that could affect their operations, profitability, and long-term strategies. The USMCA continues to play a vital role, ensuring stability and offering protections that mitigate risks and foster growth in cross-border trade. Understanding these dynamics will be key for businesses to navigate the uncertainties and leverage opportunities in the post-election environment.

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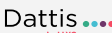
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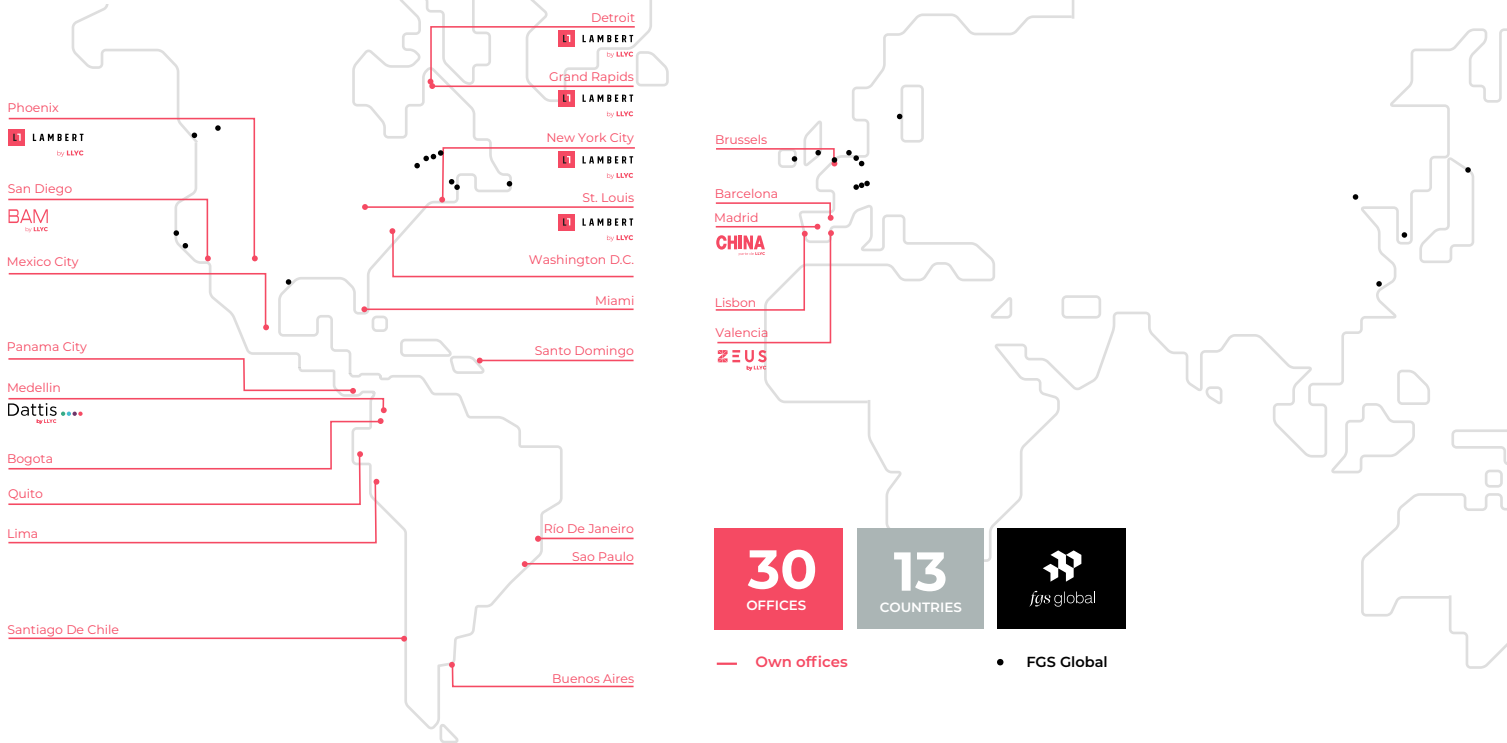
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