Policy recommendation: levy a 3% tariff on all U.S. imports *and* exports to finance the U.S. military

Short summary (bottom-line first)

- Using official U.S. trade statistics for 2024, U.S. exports = **$3,191.6 billion** and imports = **$4,110.0 billion**; combined trade = **$7,301.6 billion**. A flat 3% levy on that combined value would yield roughly **$219.0 billion** per year (0.03 × $7,301.6B = **$219.05B**). (bea.gov)

Below I give: (A) the detailed revenue math and sensitivity; (B) policy rationale and objectives; (C) legal, economic, and diplomatic risks; (D) implementation design (how to collect and govern proceeds); and (E) recommended mitigations and monitoring.

U.S. Department of Defense

Rapid Deployment Program Strategic Initiatives — Executive Summary

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1. Rapid Deployment Program Payroll Overview

Personnel	20,000.000
Monthly Base Pay	$5,000
13th-Month Bonus	Included
Annual Per-Person Pay	$65,000
Total Annual Payroll	$1.3 trillion
Monthly Payroll	$108.33 billion

$1.3T payroll requires $160B funding

3% of U.S. GDP ($30T) = $9008 – insufficient to cover payroll alone

2. Western Hemisphere Healing Market Initiative (WHHMI)

- Reduce criminal influence in illicit drug markets (U.S. & Western Europe)
- Provide legal, medically supervised alternatives
- Generate predictable revenue streams for public-health, law enforcement, community resilience

Implementation Phases

- Phase 0 (0-6 months): task force creation, legal review
- Phase 1 (6-24 months): limited

3. Blue Card Alliance — Multi-Year Membership Program

Year	2025	2026	2029
Mems ʾ	3.5M	7.0M	20.0M
Revenu	$17.5B	$35B	$60B
Total Expense	$6.8B	$17.55B	$30.05B
Net Income	$6.87B	$13.79B	$23.66B

Conclusion: Combined revenue streams cover $160B funding requirement

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A — Revenue estimate (precise, in billions)

Source: BEA / Census annual totals for 2024. Exports = **$3,191.6B**; imports = **$4,110.0B**; combined = **$7,301.6B**. (bea.gov)

1. **3% on combined imports + exports (user's proposal)**
   Revenue = 0.03 × $7,301.6B = **$219.05 billion** ≈ **$219.1B** per year. (bea.gov)

2. **More realistic / alternative bases**

   - **If applied only to imports** (typical tariff): 0.03 × $4,110.0B = **$123.3B** per year. (bea.gov)

   - **If applied only to exports**: 0.03 × $3,191.6B = **$95.7B** per year. (bea.gov)

3. **Sensitivity to trade contraction** (tariffs typically reduce trade volumes):

   - If combined trade falls **5%**, new base ≈ $6,936.5B → revenue ≈ **$208.1B**.

   - If combined trade falls **10%**, base ≈ $6,571.4B → revenue ≈ **$197.1B**.
     (These are linear approximations — elasticities differ by sector; see economic risk section.)

Numbers rounded to one decimal for clarity. All base trade amounts are seasonally adjusted annual totals from BEA/Census (2024). (bea.gov)

B — Policy rationale and objectives

- **Goal:** raise additional, relatively visible, and politically tradable revenue to fund the Department of Defense (DoD) without raising income taxes.
- **Appeal:** tariffs are visible at the border and can be framed as “foreign trade contribution” toward defense; taxing exports may be framed as “users of global markets pay.”
- **Simplicity:** a single ad valorem percentage is administrable through customs systems for imports; exports can be captured through existing export documentation channels but are less conventional.

C — Legal, economic, and diplomatic considerations (risks)

1. **WTO / international law:**
    - Import duties (tariffs) are a standard, WTO-governed tool; members have bound rates but can change applied rates subject to retaliatory risk. Export duties (taxes) are *not* universally prohibited by WTO rules — many members use them — but they can raise trade disputes and political backlash. The WTO regime and precedent make export taxes legally possible; however, they carry diplomatic and negotiating consequences. (wto.org)
2. **Retaliation and trade wars:**
    - Broad taxes on exports or high import tariffs can trigger reciprocal measures, reducing U.S. exports and harming supply chains. Economic forecasts and analyses show large tariff expansions can sharply reduce trade volumes and GDP in affected years. (Recent trade tensions produced measurable contractions in exports/imports.) (Financial Times)
3. **Economic incidence & distributional effects:**
    - Import tariffs are generally passed on to domestic consumers and downstream firms (higher prices for consumers, squeezes on manufacturers using imported inputs). Export levies can reduce exporter competitiveness and hurt domestic producers who rely on foreign demand. These effects are regressive in the short run and vary by sector.
4. **Administration & avoidance:**
    - Import tariffs are collected at customs; export levies require export-side collection (customs/export declarations or bonded exporter accounts). Firms can respond by invoicing through affiliates, routing trade via third countries, or understating values — requiring stronger enforcement and documentation.
5. **Macroeconomic effects:**
    - Tariffs raise domestic prices (inflationary), can worsen supply shortages for industries dependent on imported inputs, and may reduce investment in export sectors. Revenue estimates above are static; dynamic effects (behavioral responses, avoidance, and macro distortions) will reduce real revenue.

D — Implementation design (practical proposal)

If the government decides to proceed, design choices matter greatly for revenue, fairness, and minimizing damage.

1. **Legal structure**
   - Enact as a temporary statutory surcharge (e.g., "National Defense Trade Duty") with a clear sunset clause and periodic renewal required by Congress. Draft exceptions and a review mechanism for national security and critical supply chains.
2. **Base and rate**
   - **Base:** applied ad valorem to customs value of imports (CIF/transaction value) and to declared invoice value of exports. Use the same method used by customs for consistency.
   - **Rate:** uniform **3%** as requested, with a clause allowing phased adjustments (e.g., start 1.5% for 6 months to observe effects, then 3%) to reduce shock — *political design choice*.
3. **Collection & compliance**
   - **Imports:** collected at entry by CBP (Customs and Border Protection) using existing systems. Minimal incremental IT cost but need for programming changes and audit capacity.
   - **Exports:** collected via Automated Export System (AES) filings and export manifests; CBP & Census integration. Expect higher complexity and legal scrutiny; budget for increased enforcement and anti-avoidance measures.
4. **Use of proceeds (earmarking vs. general revenue)**
   - **Earmark** for defense spending (DoD accounts) to match political promise, but earmarks reduce budget flexibility and can violate PAYGO rules without offsets. If earmarked: set up a **National Defense Trade Fund** with transparent reporting and GAO audits.
   - **Governance:** yearly congressional reporting on receipts, allocation, sectoral impacts, and a redistribution mechanism to offset harms to low-income households (see mitigations).
5. **Mitigations built into law**
   - **Rebates or exemptions** for critical inputs for defense manufacturing, critical minerals, medicines, agricultural staples, and small exporters (below a revenue threshold).
   - **Border tax credit** or input VAT-style rebate for exporters to avoid double taxation of inputs used in exports (if export tax is applied, consider carve-outs for inputs to maintain competitiveness).
   - **Anti-avoidance**: strong documentation, penalties, and coordination with major trading partners.

E — Mitigations and complementary policies

1. **Targeted compensation for low-income households:** a small refundable tax credit or direct transfer funded from a fraction of tariff receipts — helps offset regressive price effects.

2. **Support for exporters and import-dependent manufacturers:** transitional adjustment assistance, credit guarantees, and expedited tariff relief for critical inputs.

3. **Trade diplomacy:** build a diplomatic package to explain measure as temporary, targeted, and for national defense; prepare for WTO consultations and potential disputes. Cite WTO notification procedures and be ready to justify on public policy grounds (e.g., national security exceptions) if challenged. (wto.org)

4. **Monitoring & evaluation:** mandate quarterly published reports showing revenue, trade volume changes, price effects, sector impacts, and a sunset/review at 2 years.

F — Recommendation (practical, politically and economically minded)

1. **If priority = maximize revenue while limiting economic harm:** *tax imports only* at 3% initially. That yields **~$123.3B** from 2024 import levels, is administratively simpler, and avoids the novelty/retaliation risks of export taxes. (bea.gov)

2. **If insisting on taxes on both imports and exports (user's policy):**

    - Phase implementation (start 1.5% for 6–12 months, then move to 3%) to observe trade responses, and **earmark no more than 80%** of receipts to DoD with 20% reserved for offset/compensation (household transfers, small business relief, enforcement). Expect **static revenue ≈ $219.1B**, but plan for **dynamic loss** (I estimate a plausible range $180–210B in practice after behavioral responses and partial trade diversion). Use the revenue estimate above as a high-end static figure. (bea.gov)

3. **Legal & diplomatic prep:** prepare WTO notifications, legal analysis of compatibility with U.S. WTO commitments and bilateral FTA obligations, and a negotiation/diplomacy plan to reduce retaliation risk. (wto.org)

G — Quick summary table (round numbers, billions USD)

- 2024 exports: **$3,191.6B**. (bea.gov)
- 2024 imports: **$4,110.0B**. (bea.gov)
- Combined trade: **$7,301.6B**. (bea.gov)
- **3% on combined trade → $219.1B** / year (static estimate). (bea.gov)
- **3% on imports only → $123.3B** / year. (bea.gov)
- **3% on exports only → $95.7B** / year. (bea.gov)

Final note (risk candor)

A 3% levy on *both* imports and exports would be a large and unusual change in U.S. trade policy. The static revenue is substantial (~$219B based on 2024), but **real revenue will be lower** once economic responses, avoidance, and retaliation are accounted for. Export taxes are legally feasible in many cases, but politically and diplomatically sensitive and could materially reduce U.S. export competitiveness. Any enactment should therefore include phased application, targeted exemptions, mitigation for low-income households, and a strong evaluation and sunset mechanism. (bea.gov)
