

# Our View: The United States' First G1 Success. Will Gasoline Prices Follow?

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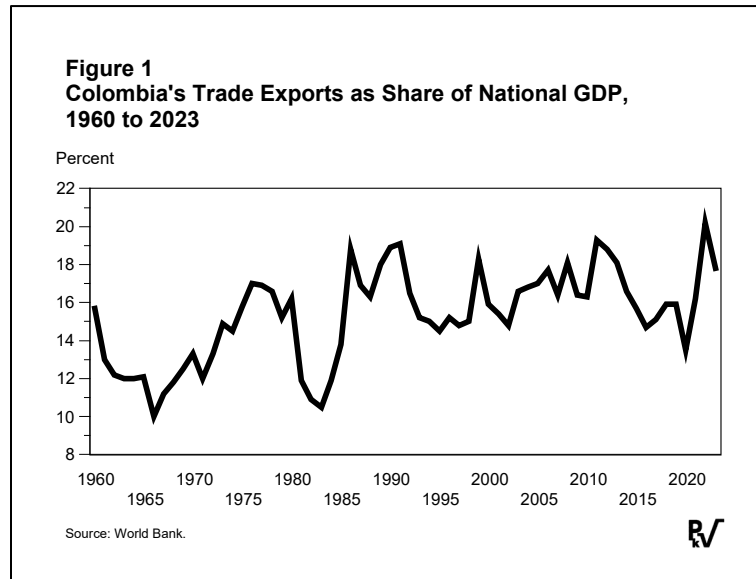
The United States achieved its first G1 success on January 27, seven days after Donald Trump's inauguration. Colombia, a South American country and US ally, had refused to accept repatriated undocumented immigrants being flown there on US military aircraft, turning two flights away. The Trump administration immediately announced it would impose twenty-five percent tariffs on all Colombian exports to the United States, while the State Department imposed restrictions on travel to Colombia and revoked US visas held by Colombian citizens.<sup>1</sup>

Colombia backed down quickly, allowing military flights returning deportees from the US and promising to cancel the tariffs when the next plane landed.

This brief hostile exchange was the first skirmish in what may become an ongoing battle between the US and other countries. The quick US victory illustrates the vulnerability of small nations that depend heavily on our markets.

(Hirschman famously emphasized this type of exposure in his 1945 book *National Power and the Structure of Foreign Trade*.<sup>2</sup>)

Figure 1 illustrates Colombia's weakness: the most recent data show that its exports account for nearly eighteen percent of the country's GDP. A full quarter of its exports come here. The Trump tariff, then, would theoretically threaten three to four percent of the nation's gross domestic product.



Colombia capitulated to preserve its economy.

<sup>1</sup> Genevieve Glatsky, Simon Romero, and Annie Correal, "Colombia Agrees to Accept Deportation Flights After Trump Threatens Tariffs," *The New York Times*, January 26, 2025 [<https://tinyurl.com/52bj7wxy>].

<sup>2</sup> See Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Oakland, California: University of California Press, 1980) [<https://tinyurl.com/357nccxe>].

Gasoline could be the administration's next target. In his January 23 speech to the Davos attendees, President Trump called on Saudi Arabia to lower crude prices. He repeated that call in North Carolina the following day.

Leaving aside the fact that Saudi Arabia does not set global oil prices, the president clearly wants the oil-exporting nations to raise output to induce lower crude prices. His goal seems to be getting US retail gasoline prices down to \$2 per gallon.

National gasoline prices today are well above the Trump target, as Figure 2 shows. His demand for lower crude prices at Davos indicates he still wants \$2 gasoline, a decline of \$1.10. As the graph illustrates, those prices fluctuated around \$2 through most of his first term.

We have noted previously that the Republicans and President Trump believe low gasoline prices keep their supporters satisfied. They also seem to believe that support will continue if they can engineer lower gasoline prices now, even as they pass legislation that offers billions to the wealthy oligarchs populating Trump's inner circle.

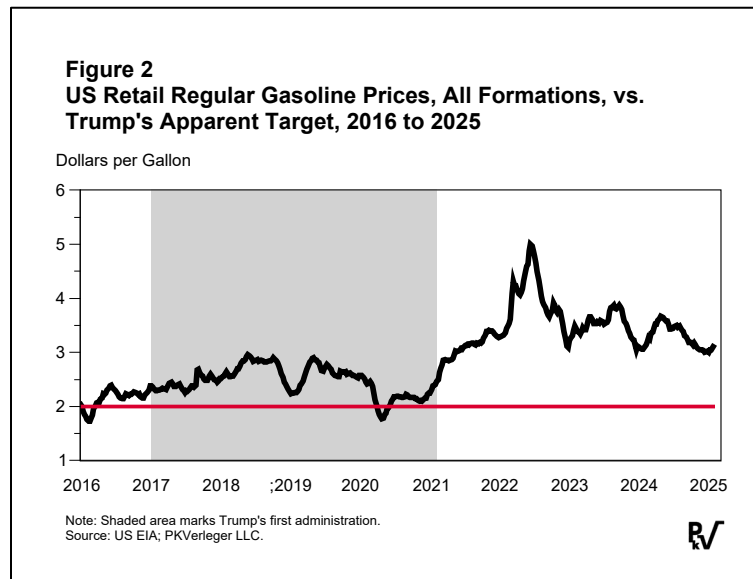
A \$1.10 decline in gasoline prices would require a crude price drop of more than \$40 per barrel to somewhere in the mid-thirties.

Five years ago, in the spring of 2020, President Trump aggressively lobbied

Saudi Arabia to lower crude prices, clearly pushing to defend his \$2 per gallon target. POLITICO writer Ben Lefebvre wrote of the oil industry's frustration with the president at the time. His article's title said everything: "Oil execs to Trump: Whose side are you on?"<sup>3</sup> The subtitle declared that the industry "cringes" when "it hears him celebrate low prices for consumers."

Lefebvre observed that Trump was pleased with the Saudi decision to flood the market, tweeting on March 9, "Good for the consumer, gasoline prices coming down!" On that day, WTI prices fell by twenty-five percent. He was pleased, too, because lower prices would harm Russia.

It was only when WTI reached \$20.31 per barrel, and Brent was \$15.31 that the president took steps to defend the oil industry. At that point, retail gasoline prices, which averaged \$2.50 per gallon on March 9, were less than \$2 in many locations. On April 2, 2020, President Trump called the Saudi



<sup>3</sup> Ben Lefebvre, "Oil execs to Trump: Whose side are you on?" POLITICO, March 24, 2020 [<https://tinyurl.com/bdenrywn>].

crown prince and “asked” him to cut production. A Reuters report indicated that Trump told the prince that the US would remove its troops from Saudi Arabia unless he did as Trump asked.<sup>4</sup>

In discussing the call, Reuters also noted that Trump talked about the trouble Vladimir Putin and the Saudis were having in agreeing on an output reduction. He claimed his call helped solve the problem:

“They were having a hard time making a deal. And I met telephonically with him, and we were able to reach a deal” for production cuts, Trump said.

Clearly, the G1 was fully operational in 2020.

Today, those in the oil industry should be mindful of Colombia’s experience and the Trump effort to depress oil prices. The G1 is back in full swing.

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<sup>4</sup> Timothy Gardner, Steve Holland, Dmitry Zhdannikov, and Rania El Gamal, “Special Report: Trump told Saudi: Cut oil supply or lose U.S. military support,” Reuters, April 30, 2020 [<https://tinyurl.com/72r75mv3>].