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The losers and (relative) winners of Trump's shapeshifting tariff war

From the Field

Chris Kushlis
Sovereign Analyst

Key Insights

- A 90-day pause in most tariffs has been greeted with relief, but the prospect of high tariffs on some markets still casts a shadow.
- High tariffs remain in place on most Chinese goods and it remains unclear if an agreement can be reached to pause those as well.
- The final outcome of the tariff policies is likely to be highly uneven, with most countries (including the U.S. itself) negatively affected, but some significantly more than others.

Despite widespread relief at Donald Trump's 90-day pause on some of the more extreme tariffs he imposed on April 2, the prospect of the original rates being imposed has not gone away. While some countries may succeed in negotiating reduced tariffs over the next few months, others may not—and given the number of nations involved, the complexity of the issues being addressed and the tendency of the White House to make abrupt policy changes, it may be a while before a full picture emerges.

While this remains the case, it is important to focus on the facts—at least as we currently understand them. We know, for example, that while all countries apart from China will be subject to a blanket 10% tariff during the 90-day period, most will face elevated tariffs after that unless they strike a better deal in the meantime. We also know what those higher tariffs will be. This means that we can make informed predictions about the impact of Trump's tariffs if they are imposed at the rates originally announced.

The following analysis below draws upon previous work by our sovereign analyst team, conducted before Trump's original tariff announcement on April 2. It focused on which countries could potentially get targeted by tariffs and their respective exposures to the U.S. In the updated table below, the team looked at whether the tariffs announced on April 2 were an upside or downside surprise and reranked countries as winners, losers, or out of the fray (Figure 1).

Upside and downside surprises from U.S. tariffs imposed on April 2

(Fig. 1)

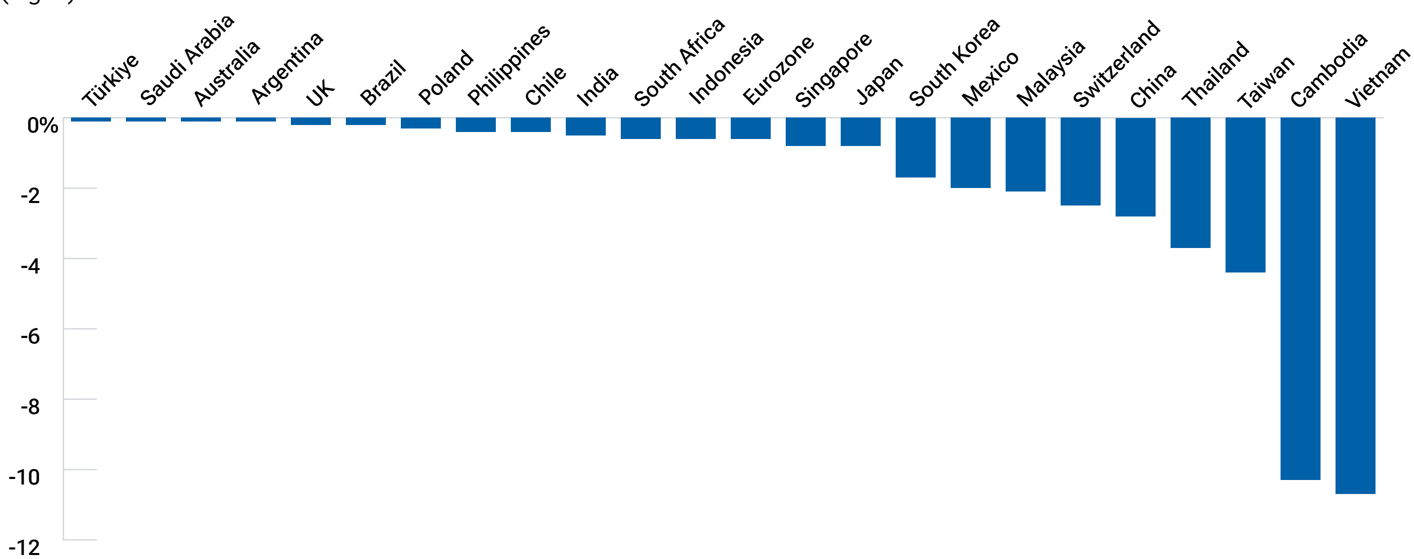
	Impact/defenses							
Market	Trade balance with U.S. (% GDP)	Exports to U.S. %/GDP	Exports to U.S. % total CAR	New tariff rate	U.S. export exposure x new tariffs	FX reserves %/GDP	Potential for retaliation	Surprise
Losers								
Eurozone	1.2%	3.0%	8%	20%	0.6%	4%	High	Downside
China	1.9	2.7	13	34	0.9	20	High	Downside
Japan	1.4	3.4	11	24	0.8	29	Low	Downside
Switzerland	3.4	7.0	7	31	2.2	89	Low	Downside
Taiwan	8.0	13.7	15	32	4.4	77	Low	Downside
India	0.1	1.9	8	26	0.5	18	Low	Downside
Vietnam	22.9	23.0	25	46	10.6	19	Low	Downside
Thailand	6.9	10.0	13	36	3.6	46	Low	Downside
South Korea	3.0	6.6	14	25	1.7	23	Low	Downside
Malaysia	3.9	8.6	12	24	2.1	29	Low	Downside
South Africa	-0.3	2.1	7	30	0.6	17	Low	Mixed
Poland	0.0	1.4	2	20	0.3	28	See EU	Downside
Cambodia	20.0	20.5	28	49	10.0	52	Low	Downside
Winners								
UK	0.1	2.3	8	10	0.2	5	Low	Upside
Singapore	-1.4	8.5	4	10	0.9	74	Low	Upside
Brazil	0.0	1.8	9	10	0.2	15	Medium	Upside
Saudi Arabia	0.2	1.1	4	10	0.1	41	None	No
Argentina	-0.5	1.1	6	10	0.1	5	Low	No
Out of the fray								
Australia	-1.1	0.8	2	10	0.2	3	Low	Mixed
New Zealand	0.0	2.0	7	10	0.7	6	Low	Mixed
Mexico	2.5	28.0	67	7	4.7	13	Unclear	Upside
Chile	0.2	4.2	12	10	1.2	13	Low	Upside
Indonesia	1.2	1.7	4	32	1.3	11	Low	Downside
Philippines	0.6	2.4	8	17	1.4	24	Low	Downside
Turkiye	0.0	1.1	4	10	0.4	14	None	No

Key: ■ = High impact, ■ = medium impact, ■ = low impact. GDP=Gross Domestic Product. FX= Foreign Exchange.
As of December 31, 2024. Tariff rates utilized are as of April 2, 2025. **The views expressed are those of the TRPA sovereign analyst team as of April 2. Information, data, and the views expressed are subject to change.**
Source: Analysis by T. Rowe Price. IMF World Economic Outlook and national sources.

In one sense, of course, it is misleading to talk of winners and losers from Trump's tariffs because tariffs produce no winners. In our analysis, only countries facing the baseline tariff of 10% may be considered winners in a relative sense (particularly if carve-outs reduce their effective tariffs below 10%) because they may be able to gain market share at the expense of harder-hit rivals. We highlight each country's exposure to the U.S. in terms of their goods exports as a percent of total current account receipts (CAR). We then assessed the potential for retaliation. To calculate the net effect, we multiplied the new tariff rate by the total U.S. exposure (Figure 2).

Estimated net effect on GDP of proposed tariff rates on select countries

(Fig. 2)



As of December 31, 2024. Tariff rates utilized are as of April 2, 2025. **Estimates are for illustrative purposes only and actual outcomes may differ materially.**
Source: Analysis by T. Rowe Price; IMF World Economic Outlook and national source.

Implications for the U.S.

If the originally announced tariffs were fully implemented, the U.S. effective tariff rate (ETR) would soar to an estimated 23%, up from 2.5% in 2024—taking it to levels not seen for a century. And it could go even higher depending on the rate ultimately levied on China. The 10% across-the-board tariff on other countries is aligned with the administration's revenue-raising efforts ahead of the planned extension of the Tax Cuts and Jobs Act and is, therefore, likely here to stay. The magnitude of the ETR increase will likely result in a meaningful increase in revenues this year, even at lower import volumes. However, it has also increased the risk of a U.S. recession, in my view.

An important broader theme to monitor is the potential end of U.S. exceptionalism due to a loss of confidence in U.S. policymaking. There were hints of this immediately following the tariff announcements when the U.S. dollar, which normally strengthens when there are global shocks, weakened against most major currencies and even some emerging market currencies. The U.S. administration's hope will be that it can revive U.S. pro-growth sentiment via tax cuts and other investment incentives and ultimately offset the drags from tariffs and uncertainty. As yet, it is unclear whether it will be able to achieve this.

The losing larger economies

Among the larger economies, China has received the biggest downside surprise. While no country has so far escaped Trump's tariffs, China's massive trade surplus with the U.S. made it a target for particularly tough measures. Beijing responded robustly to the U.S.'s initial 34% tariff on Chinese goods before a dizzying escalation of measures between the two countries ended with a U.S. tariff of 145% on imports from China and a corresponding Chinese tariff of 125% on U.S. imports. There was some relief with the news that smartphones and other consumer electronics from China would be exempt from the higher tariffs, but at the time of writing this appeared to be only a temporary reprieve.

Notwithstanding any short-term exemptions for particular sectors, it is clear that unless negotiations lead to a major climb-down from both sides, a trade war with the U.S. will deliver significant shock to Chinese exports and economic confidence. Although China has been careful about overdoing fiscal stimulus and reflating credit for several years now, it will likely provide additional fiscal stimulus in stages over the year as it assesses the economic costs of tariffs. Our baseline estimates are a 1% to 2% drag on gross domestic product (GDP) from the tariffs that China has space at the central government level to offset.[1]

[1] Actual outcomes may differ materially from estimates. Views and estimates are subject to change.

In addition, China will likely undertake some incremental monetary loosening, albeit sparingly. This will play a supporting role in ensuring the smooth issuance of bonds, effectively capping any pressure arising from higher supply. The shock will also likely result in a further rise in domestic savings, with Chinese government bonds acting as a "safe asset" for domestic savers. As a surplus economy and an oil importer, China will likely experience net downward pressure on inflation, easing the path for the People's Bank of China to ease policy.

Elsewhere in Asia, Trump's decision to impose a 25% levy on Japanese auto imports and a 24% tariff on other Japanese goods, will be a major blow for Japan's export-driven economy if it remains in place after the 90-day pause. Rather than retaliating, however, Japan has so far pursued a non-retaliation path, seeking instead to negotiate tariff rates downward. Like China, Japan has more space to respond to tariffs via fiscal rather than monetary policy and is expected to offer targeted fiscal support to affected sectors.

The 20% tariff imposed on the EU, if it goes ahead, could result in the Euro bloc undergoing a meaningful economic slowdown as exports are hit and uncertainty weighs over consumption and investment. The bloc responded to Trump's original tariff with some retaliatory measures but put them on hold after the announcement of the 90-day pause. Unlike China and Japan, the bloc is likely to lean more heavily on monetary than fiscal policy in its response to the tariffs. On the fiscal side, defense and infrastructure spending increases from Germany will likely go through. There's also some potential for EU-wide defense spending.

However, achieving consensus on EU-wide fiscal measures to business cycle management, such as the response to tariffs, will be much harder given that some large EU countries, notably France and Italy, have little extra fiscal space. Instead, the European Central Bank will likely cut rates more than expected, thereby seeking to influence the euro. It can also use its balance sheet to provide a backstop to the eurozone market should financial contagion emerge.

Other losing developed markets and emerging markets

Among the smaller economies, those in Asia have been hit disproportionately hard. For almost all countries in the region, the new tariffs are a negative surprise, especially those running large trade surpluses with the U.S., such as Vietnam, Thailand, and Cambodia. Given their relatively open economies and high exposure to the U.S., there are likely to be notable growth drags across Asia. It is true that many countries in the region have the fiscal scope to offer their export sectors relief, ease monetary policy, and let their currencies depreciate—although the latter could result in them being labeled currency manipulators.

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Early indications are that the U.S. will ask for some type of measures to curb the rerouting trade of Chinese exports through these countries. While some type of agreement to do so may be reached, enforcement over time will likely prove difficult—raising the specter of deals having to be reopened.

Central and Eastern Europe have been dragged into higher tariffs via the EU, and, outside the bloc, Serbia has also received a negative surprise. Direct exposure to the U.S. is low in the region, but there is some indirect exposure via EU supply chains, especially in auto parts. There is only limited room to respond fiscally in most countries, although many have been cutting rates on the back of easing inflation and will likely continue to do so. Poland's fiscal space, in particular, is limited. There should be a monetary policy response, but only after the presidential election in May.

Several frontier countries have been negatively surprised. They had hoped to be too small to get attention, but a number of countries in the lower value added part of the export chain (mainly textiles) are receiving large tariff increases (Sri Lanka, Bangladesh, Cambodia, and Jordan). Several African countries have also been negatively surprised.

The "winners" and those out of the fray (for now)

The winners from Trump's tariffs are those that we believe are less negatively affected rather than positively affected from tariffs. Of these, the UK, upon which Trump imposed a baseline 10% tariff, will be one of the least negatively affected countries. Like the U.S., the UK runs a notable overall goods trade deficit, and UK households should now benefit from much cheaper goods, raising disposable incomes. Crucially, the UK implemented a large fiscal stimulus package six months ago and is, therefore, well-placed to absorb the hit from tariffs. For these reasons, its economy is likely to outperform the EU this year.

Singapore's status as a large financial center with no trade imbalance with the U.S. will help to insulate it from any significant negative effect of its 10% tariff, while Latin America also looks set to escape relatively lightly. Brazil's 10% tariff was considered something of a win as the expectation was for a bigger levy and may now even be able to gain market share in the U.S. over harder-hit rivals. Some countries that have good political relations with Trump may be disappointed that they did not get full carve-outs (Argentina, Ecuador, El Salvador). The region has limited fiscal space to respond, and most of the key countries are in the process of fiscal consolidation to stabilize debt ratios. There is some incremental space for monetary easing, though the region is also most at risk from exchange-rate pass-through and other potential negative effects if currency rates depreciate too quickly.

Among those we consider out of the fray, Australia was hit with the 10% baseline tariff despite hoping for zero tariffs. However, Australia is unlikely to retaliate or be hit with higher tariffs. The oil exporters, including the Gulf Cooperation Council, Central Europe, Middle East and Africa (CEMEA) frontiers, Türkiye, and parts of Africa have ducked any tariff surcharges or will receive benefits from the oil carve-out. The main risks are all second round from a weaker global economy/lower oil prices and potential tightening of financial conditions from a closing of U.S. dollar capital markets.

A more uneven trading environment looms

Although the 90-day pause has brought temporary respite, the outlook for the global economy will remain highly uncertain until there is more clarity over which countries, if any, have succeeded in striking deals with the U.S. It is also unclear how the rising cost of imports will be split between U.S. consumers and producers, and whether the tariffs will ultimately prove to be politically sustainable in the event of an inflation surge.

The challenges ahead are significant but are not likely to compare with those arising following the global financial crisis. While it is impossible to be certain about the ultimate path of Trump's tariffs—especially given the likelihood of further policy shifts from the White House—the final outcome is likely to be highly uneven, with most countries (including the U.S. itself) negatively affected, but some significantly more than others. As the picture becomes clearer, so too will the risks and opportunities arising from that.

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