Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

By: Daniel Gros

# Global trade shows resilience to Trump tariffs

Nearly six months after US President Donald Trump announced his ultra-high "reciprocal" tariffs – in blatant defiance of World Trade Organization rules – the global trading system is holding up well.

No other major economy has followed Trump's example, and according to United Nations Trade and Development (UNCTAD), world trade has increased by about $300 billion in the first half of 2025.

Most of the world seems to understand that Trump's tariffs are economically irrational.

Of course, in many cases, economics is not the point: Trump uses tariffs to advance geopolitical goals or to salve his personal grievances.

Nowhere is this more apparent than in the 50% tariff imposed on Brazil as punishment for prosecuting former President Jair Bolsonaro for inciting a Trump-inspired coup attempt in 2023, following his electoral loss.

But Trump has always held that tariffs are the key to improving the United States' trade balance, which is why his "reciprocal" tariffs are purported to reflect the size of America's deficit with each economy.

Economists, by and large, dispute these claims, warning that tariffs will only reduce America's overall trade volume, both exports and imports. And, so far, their admonitions have been borne out.

## Why US import demand has withstood Trump's tariffs?

The very short-run data now available are difficult to interpret, because imports surged early in the year in anticipation of the tariffs.

But if Trump was right about the impact of tariffs, this "hump" should by now have been offset by lower imports, as traders draw down inventories.

Instead, US imports in the first half of 2025 exceeded their 2024 level. America's monthly merchandise-trade deficit stood at $103 billion in July – almost exactly the same level as one year earlier.

The US economy continues to perform strongly, and tariff rates have, on average, remained well below those Trump announced in April

And the cumulative US trade deficit has widened: during the first half of this year, it was about $160 billion larger than it was in the first half of 2024.

There are two obvious reasons why US import demand has withstood Trump's tariffs: the US economy continues to perform strongly, and tariff rates have, on average, remained well below those Trump announced in April.

In fact, Trump "paused" those tariffs almost immediately, in what turned out to be just the beginning of a bewildering succession of tariff threats, reversals, announcements, suspensions, and vague "deals" – such as with Japan and the United Kingdom – involving 10-15% US tariffs, alongside conditions relating to investment and energy.

## The "real" tariff rate

Given the relentless changes to the tariff schedule, it is difficult to obtain a clear picture of where US trade policy stands.

After all, the WTO's Harmonized System for goods classification has about 15,000 tariff lines, and each of America's more-than-150 trading partners may face different tariff rates at any given time, meaning that there could be more than two million different fluctuating tariff rates to consider.

Determining the average tariff rate – which would also have to account for bilateral imports (another two million pieces of information) – is thus not a simple task.

But even if one carries out this calculation, it might not reflect the “real” tariff rate, because the extent to which official rates are being applied at the border is currently unclear.

Fortunately, there is a simple way to determine how restrictive Trump’s trade policy actually is, despite any discrepancy between announcement and enforcement: divide tariff revenues by imports.

The resulting ratio represents the average effective tariff being applied. And, in the case of the US today, this rate is much lower than White House pronouncements would suggest.

> About half of all US imports still enter duty-free

According to US International Trade Commission data, the US collected $28 billion in tariff revenue in July, equivalent to 10% of its imports ($283 billion).

This is up eight percentage points from the January level – an increase that, while unprecedented, is too small to have a strong immediate impact on trade flows.

Since May, the US has collected tariffs of just 9-10%, on average, from its trading partners, owing partly to the fact that about half of all US imports still enter duty-free.

The fact that tariff increases have, in practice, remained relatively contained explains why their impact on US inflation has so far been muted.

## US will not transform the global trading system

There are large disparities in the tariff rates faced by different US trading partners.

Whereas most imports from China have been subjected to duties of over 50% – for an average tariff rate of 40% – less than 10% of Canada’s imports are subject to tariffs at all.

The European Union falls somewhere in between, with 60% of its exports subject to tariffs, usually in the 15% range (except cars, on which Trump has imposed a 25% tariff), resulting in an average tariff below 10%.

*When it comes to tariffs, Trump’s bark has so far proven worse than his bite*

These figures belie reports that Trump has “gone soft” on China, while treating US allies more harshly.

The framework trade agreement that the EU recently agreed with the Trump administration is further evidence of US allies’ enduring relative advantages.

Though many have criticized the EU for its supposed capitulation to Trump, the agreement would put the tariff rates on European imports well below those faced by China, and even slightly below those faced by America’s Asian allies, such as Japan and South Korea.

Only Canada and Mexico are in a significantly better position than the EU, because the US-Mexico-Canada Agreement de facto remains largely intact (though neither economy can compete with an export giant like the EU).

When it comes to tariffs, Trump’s bark has so far proven worse than his bite.

While current US trade policy will have a moderate impact on the country’s trade flows, it will not transform the global trading system

– as long as the rest of the world continues to eschew Trump's example and remains committed to open trade.

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