CHART OF THE WEEK

12 February 2025

US TARIFF OFFENSIVE: A (NON-EXHAUSTIVE) RISK MAP

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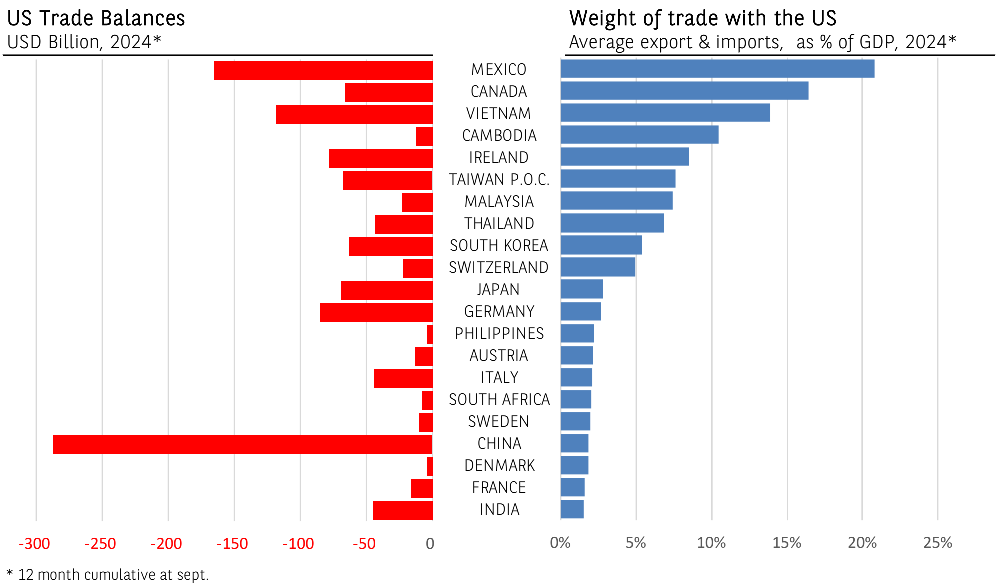

Source: US Census Bureau, IMF, WTO

Who's next? As soon as he became the 47th President of the United States, Donald J. Trump drew the weapon of tariffs, *"the most beautiful word in the dictionary"*, as he put it. Mexico, Canada and China were the first to be hit, while the European Union (EU) was explicitly targeted. According to the latest news, a 25% surtax on US aluminum and steel imports will soon be applied, which, in addition to the countries already mentioned, will affect Germany, Brazil, South Korea, Taiwan, India and Japan[1].

The feeling that the White House's tariff offensive will spare no one is reinforced by the chart above. It offers a "Trumpian" vision of American trade relations, where the intersection of deficits (*left*) with the various degrees of dependence on trade with the United States (*right*) leads to the identification of the countries most likely to be taxed.

The first observation is that the list is long: in the United States and in 2024, three-quarters of bilateral merchandise trade show a negative balance. Another noteworthy observation is that, although China continues to account for a large share of US deficits, it is not the Asian economy most directly exposed in the event of sanctions. At the top of our chart (just after Mexico and Canada) are most of the ASEAN members (Vietnam, Cambodia, Malaysia, Thailand) who, as "connector countries", have taken advantage of Sino-American tensions and strengthened their ties with the United States (for an overview of emerging economies' sensitivities to "Trump 2", see also our latest EcoPerspectives[2]).

With the exception of Ireland (where the weight of intra-group trade with the USA is significant, particularly in the pharmaceuticals sector) and, to a lesser extent, Germany (connected to the North American market via its automotive sector), EU countries appear less vulnerable than others, protected as they are by the scale of intra-Community trade (62% of the total in 2024). This was further strengthened by the latest tariff offensive led by the "Trump 1" administration. Under "Trump 2", the integration of the single market is likely to take another step forward, as much by necessity as by choice[3]. In the all-out trade confrontation promised by the United States, the EU is not necessarily the one with the most to lose.

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1 On February 1, 2025, barely two weeks after his inauguration, Donald J. Trump issued an executive order imposing a 25% import surcharge on all products from Mexico and Canada (with the exception of Canadian oil, taxed at 10%), two countries linked to the United States by a free trade agreement (USMCA). Supposed to take effect on February 3, this measure was suspended for 30 days. China, for its part, has been subject to a 10% surtax on all its products, effective since February 3. Additional duties of 25% on aluminum and steel will apply from March 12.
2 Faure F. (2025), 'World trade: waiting for the audit', BNP Paribas Eco-Perspectives, February.
3 Mateos y Lago I. (2025), 'Five Reasons Trumponomics Need not Weaken Europe, Even the Opposite', BNP Paribas Eco-Week, February.

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