

How Reciprocal Tariffs Shook Global Markets

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In early April 2025, the US administration announced sweeping “reciprocal” tariffs. The measures included the imposition of a 10% tariff on imports from nearly all trading partners (effective April 5) and an additional individualised reciprocal tariff on 57 countries or groupings (effective April 9).¹ Markets reacted immediately to the announcement: one analysis notes US tariff rates jumped to about 23% on average (nearly a 10-fold increase of the rate last year), contributing to steep sell-offs in financial markets.² China responded in kind, and within days, bilateral duties on each other’s goods climbed to 145% against China and 110% against the US. To de-escalate, the US Government then suspended all country-specific reciprocal tariffs (except on China) for 90 days while keeping a 10% baseline in place.³ These rapid moves have “thrown the world economy into chaos,” according to industry reports.⁴ Notably, economists point out that US tariffs are now the highest in decades – a Yale analysis finds the average US tariff at 17.8%, the highest since 1934.⁵ In short, the April decisions instantly upended trade norms, triggering global uncertainty and market volatility.

Why This Matters

These developments have far-reaching implications for the rules-based trading system. By departing from predictable tariff schedules, they shake the liberal trading order built over decades. The International Monetary Fund (IMF) warns that longstanding trade frameworks are being reset – “existing rules are challenged” – and that the resulting policy uncertainty itself will significantly slow global growth.⁶ Indeed, the World Trade Organisation (WTO) projects merchandise trade to stagnate in 2025 (and even face a 1.5% decline in a worst-case scenario) if tensions escalate. The WTO’s Director-General has cautioned that such “enduring uncertainty” can “act as a brake on global growth, with severe negative consequences for the most vulnerable economies”.⁷ The combination of

¹WilmerHale. (2025, April 17). President Trump announces, then suspends, reciprocal tariffs; defers tariffs on certain electronics and increases tariffs on China. Available at: <https://www.wilmerhale.com/en/insights/client-alerts/20250417-president-trump-announces-then-suspends-reciprocal-tariffs-defers-tariffs-on-certain-electronics-and-increases-tariffs-on-china>

²Harvard Business Review. (2025, April). Understanding the global macroeconomic impacts of Trump’s tariffs. Available at: <https://hbr.org/2025/04/understanding-the-global-macroeconomic-impacts-of-trumps-tariffs>

³BBC News. (2025). Tariff uncertainty rattles markets as Trump policy shifts unfold. Available at: <https://www.wilmerhale.com/en/insights/client-alerts/20250417-president-trump-announces-then-suspends-reciprocal-tariffs-defers-tariffs-on-certain-electronics-and-increases-tariffs-on-china>

⁴PBS NewsHour. (2025). Economists say Trump’s tariffs are unpredictable and still working their way through the system. Available at: <https://www.bbc.com/news/articles/cn93e12rypgo>

⁵International Monetary Fund. (2025, April 22). The global economy enters a new era. Available at: <https://www.pbs.org/newshour/nation/economists-say-trumps-tariffs-are-unpredictable-and-still-working-their-way-through-the-system>

⁶World Economic Forum. (2025, April). Global trade decline in 2025: International trade stories this month. Available at: <https://www.imf.org/en/Blogs/Articles/2025/04/22/the-global-economy-enters-a-new-era>

⁷World Economic Forum. (2025, April). Global trade decline in 2025: International trade stories this month. Available at: <https://www.weforum.org/stories/2025/04/global-trade-decline-2025-international-trade-stories-this-month/>

higher trade costs and deep uncertainty risks is denting growth worldwide and hitting weaker economies hardest.

Global Responses

In early May, the US and UK struck a deal, lifting the US' 25% steel and aluminium tariffs on British exports and sharply cutting US car duties for the first 100,000 cars imported from the UK into the US. Prime Minister Starmer hailed it as protecting jobs, but the US kept a 10% minimum tariff on most imports and key issues (like food safety standards) still require further talks. It remains the only such agreement to date with the US and would not stand up to scrutiny if ever challenged at the WTO, due to its lack of scope and ambition.

The EU, by contrast, has insisted on acting as a unified bloc. Brussels proposed a “zero-for-zero” swap, dropping all industrial tariffs on both sides, and even offered to buy more US farm and energy exports to help rebalance trade in goods. After President Trump's call with EU Commission Chief von der Leyen, the US agreed to postpone a planned 50% tariff on EU goods from June 1 until July 9 to allow more talks.⁸ But EU leaders emphasise that any deal must be mutually beneficial and protect all members, and no individual country will cut its own separate agreement.

Elsewhere, relief efforts have been scattered and weak. In Asia, Governments moved cautiously. Japan's Trade Minister immediately urged Washington to exempt Tokyo from the levies, while Singapore's leaders announced they would not retaliate with their own tariffs. Southeast Asian Heads only just agreed that any US tariff deal should not hurt their neighbours,⁹ a sign of how fragmented the region's stance remains. In Latin America, the picture is similar. The Southern Common Market (MERCOSUR) bloc quietly extended its own tariff waivers under a vague pledge of co-operation,¹⁰ rather than presenting a unified front to Washington. Brazil faced with a 10% US duty says it is “evaluating all possible actions” (even WTO appeals) to restore trade balance, and Mexico's President vowed to avoid a tariff tit-for-tat while seeking broader remedies.¹¹ Across Africa and other emerging regions, most countries have simply pleaded their case or looked to diversify markets rather than secure carve-outs.

International Economics' Analysis of the New Trade Environment

To provide clarity in this volatile environment, International Economics Consulting Group (IEC) has produced a series of data-driven [Tariff Briefs](#). These briefs quantitatively

⁸ Reuters, Trump Tariffs Draw Global Promises of Counter-Measures, 3 April 2025. Available at:

<https://www.npr.org/2025/05/07/nx-s1-5389973/trump-trade-deal-uk-tariffs>

⁹ Reuters, “ASEAN leaders agree tariff deals with US should not harm fellow members,” 27 May 2025. Available at:

<https://www.reuters.com/world/china/asean-leaders-agree-tariff-deals-with-us-should-not-harm-members-2025-05-27/>

¹⁰ Reuters, “South America bloc Mercosur agrees to extend exemptions to common external tariff,” 11 April 2025. Available at:

<https://www.reuters.com/world/americas/south-america-bloc-mercotur-agrees-extend-exemptions-common-external-tariff-2025-04-11/>

¹¹ Reuters, South America Bloc Mercosur Agrees to Extend Exemptions from Common External Tariff, 11 April 2025. Available at:

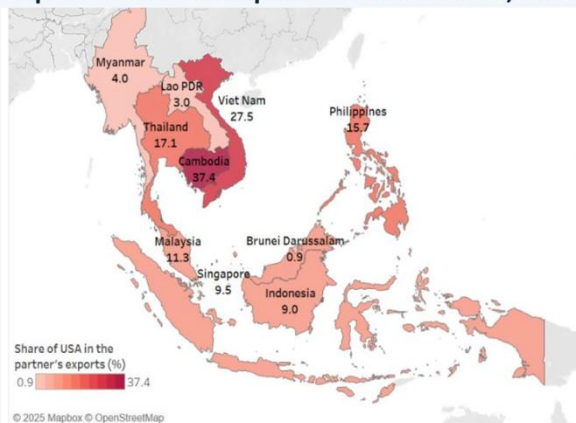
<https://www.reuters.com/markets/trump-tariffs-draw-global-promises-counter-measures-2025-04-03/>

analyse the announced tariffs' impact on partner countries and regions. They leverage IEC's proprietary Trade Simulation Model – a two-stage partial-equilibrium framework – that first measures the direct effects of higher tariffs on trade flows and then models the secondary trade-diversion effects as importers shift to alternate sources while taking into account existing levels of protection. While every country in the world is covered, a deep dive on specific markets is also provided, such as the EU, ASEAN, and African groupings. Every report compares current versus projected tariff schedules, analyses export exposure at the product level, estimates the value of exports at risk, and projects the changes in trade volumes, including detailed product-by-product breakdowns, along with practical policy and exporter recommendations.

Impact on Trade Flows

IEC's simulation results reveal varied impacts across regions and countries.

Exposure of ASEAN Exports to the US market, 2023



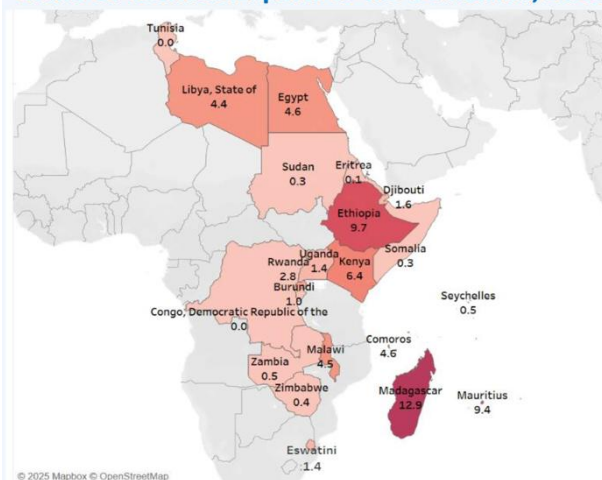
Note: Exposure is calculated as the share of the country's exports to the US market; Source: IEC Calculations; ITC TradeMap

- ASEAN:** Southeast Asian Nations export to the US are concentrated in electronics, textiles, and agricultural products. IEC's Trade Simulation Model indicates that Cambodia (37.4% of exports go to the US), Vietnam (27.5%) and Thailand (17.1%) are highly dependent on the US market. Vietnam's exports are projected to decline by USD 64.5 billion, Thailand's by USD 24.9 billion and Malaysia's by USD 11.6 billion. Electrical machinery would suffer the greatest loss (USD 50.9 billion), followed by losses from the mechanical machinery sector (USD 18.3 billion). Other hit industries are furniture, apparel and footwear. Countries like Myanmar, Lao PDR, and Brunei Darussalam face a negligible impact.
- Cambodia:** The US' retaliatory tariffs on imports from Cambodia would become the second highest in ASEAN, affecting 37.4% of Cambodia's exports to the US, mainly the garment and footwear industries. Cambodia is projected to lose USD 7.1 billion in exports, with Vietnam, Thailand, and Malaysia also affected. Key affected products are electrical machinery, apparel and leather goods. Trade disruptions are expected to lead to some job losses, reduced foreign investment and lower export earnings.
- Indonesia:** Among Indonesian exports, those in textiles, rubber and footwear face the greatest decline after the US levied 34% tariffs on goods from Indonesia. Indonesia is less exposed than other ASEAN members, but Cambodia, Vietnam and Thailand have a greater number of their exports at risk of US retaliatory tariffs. Projected export decreases in Indonesia will total USD 11.2 billion; greater falls are expected in Vietnam, Thailand and Malaysia. Among the main affected products are electrical machinery, animal and

vegetable fats, apparel, rubber goods and footwear. The imposition of tariffs may result in fewer exports, difficulties in shipping and producing goods, increased hazards for jobs and reduced prices.

- **Philippines:** The proposed retaliatory tariff on the Philippines by the US means that 16% of Philippines' exports risk being affected, especially the sectors of electronics, leather and furniture, causing a projected USD 2.8 billion in lost export revenue.
- **Vietnam:** About 27.5% of Vietnam's exports, mainly in electronics and textiles, could be affected by the proposed 48% retaliatory tariffs. The value of Vietnam's projected export loss is the largest in ASEAN at USD 64.5 billion. Affected products are electrical machinery, mechanical machinery, apparel and footwear, among others. The tariffs could result in losing jobs, less investment and delays in supply chains.
- **India:** US retaliatory tariffs of 31% on imports from India affect 17.6% of its exports, mainly precious stones, electrical products and pharmaceuticals. Sri Lanka, Pakistan and Bangladesh are also highly exposed, with 23.8%, 17.4% and 15% of their exports going to the US. India will lose USD 29.8 billion in exports, with major losses in electrical machinery and mineral fuels. Bangladesh and Pakistan will lose USD 3.3 billion and USD 1.7 billion.

Share of COMESA Exports to the US market, 2023



- **Sub-Saharan Africa:** The introduction of retaliatory tariffs is expected to undermine a significant portion of Sub-Saharan Africa's exports, particularly in apparel, coffee, precious stones and select industrial products. Currently, 32 African nations can access the US market at duty-free levels for most products under the African Growth and Opportunity Act (AGOA).¹² Close to 3% of the exports from the Common Market for Eastern and Southern African States

(COMESA). Egypt faces the highest export loss at USD 409 million, followed by Tunisia and Madagascar. In the East African Community (EAC), 1.3% of exports are subject to the tariff, with Kenya incurring the highest potential export losses (USD 101 million). Products affected include garments, coffee, tea and precious stones. Tanzania (USD 29 million) and Uganda (USD 21 million) also face a drop in exports. Economic Community of West African States (ECOWAS) economies dependent on AGOA face heightened pressure. The drop in exports is expected to be most severe for Liberia (-37.4% of exports to the US),

¹² USTR, "African Growth and Opportunity Act (AGOA)", 2024, available at <https://ustr.gov/issue-areas/trade-development/preference-programs/african-growth-and-opportunity-act-agoa>

Nigeria (-7.5%), and Ghana (-4.7%). The Southern African Development Community (SADC) exports to the US are projected to drop by 4.4%, as a result of higher tariffs on precious stones, aluminium, vehicles, and mining ores. South Africa is projected to face a USD 5.4 billion reduction in exports. Lesotho and Madagascar will be the highest hits in terms of percentage drop in exports. IEC projects that we will witness slowdowns in exports, trade diversion effects, with the risk of job losses and volatility in foreign exchange dynamics.

These tariff increases pose widespread challenges for exporters, disrupting key sectors and shifting trade flows. While some markets may gain, overall trade patterns will adjust, requiring strategic responses to navigate the changing landscape.

Strategic Takeaways and Way Forward

Each of these steps, taken together, can help governments and firms manage the current upheaval and build more resilient trade relationships moving forward.

Strategic Takeaways	Way Forward
• Reduced exports to the US, especially in electronics and apparel, losing competitiveness. • Higher production costs and GVC disruption. • Trade diversion and FDI slowdown. • Factory closures and job losses in exposed sectors like textiles, electronics, footwear, precious stones and vehicles. • Currency volatility and low global prices, affecting export revenue. • Supply chain realignment and logistics bottlenecks. • MSMEs' dependency on US demand. • Lower FDI attractiveness and higher investment risks. • Production shift away from key sectors. • Trade uncertainty and foreign exchange earnings decline.	• Diversify export markets and trade partners beyond the US. • Regional integration through ASEAN, AfCFTA, COMESA, EAC and SADC policy dialogues rather than bilateral channels. • Promote domestic value addition and push for value-added exports in key sectors. • Support exposed sectors and SMEs with targeted support and capacity building. • Facilitate trade to reduce bottlenecks and improve logistics. • Upgrade product quality and comply to new market requirements. Negotiate trade preferences to maintain market access.

Looking Ahead

The next few months will be critical. In mid-May 2025, the US and China agreed to a provisional truce: US tariffs on Chinese imports dropped from roughly 145% to 30%, and China's retaliatory rate fell from 125% to 10%.¹³ These changes took effect on May 14 but will expire after 90 days. Importantly, if no new agreement is reached by then, the previous US tariff would snap back in.¹⁴ Other uncertainties loom as well. Retaliatory measures from the EU or other partners could emerge if negotiations stall, and some countries may reassert their own tariffs (for example, on US exports to the EU). The US President has threatened 50% tariffs on the EU. Economists warn this environment will drive a "sharp contraction of global value chains":¹⁵ production and investment may shift to lower-tariff regions (for instance, manufacturing may move to Mexico, India or Southeast Asia, while the US and China realign their trade flows).

Throughout this evolving episode, IEC will continue to provide clear, evidence-based insights on which countries and sectors are the most affected and the way forward.

CEO Insights is a monthly publication of International Economics Consulting Group (IEC). IEC is an independent consultancy group working with governments, international development partners, and the private sector to navigate trade opportunities and promote sustainable growth and development. IEC provides strategic advisory services underpinned by research and quantitative analysis to assist organisations, governments, and businesses in anticipating risks, building resilience, mitigating impacts, and supporting clients on recovery against economic shocks. Learn more about the services that IEC provides [here](#).



Paul Baker is the founder and chairman of IEC. Nominated for seven consecutive years in Who's Who Leading Trade Economists, he has advised several G7, G20 and G90 governments in developed and developing countries, and is a Visiting Professor at the [College of Europe](#). Paul currently serves as an Advisory Board Member of UNESCAP's [Trade Intelligence Negotiation Advisor](#) and Research Advisor at [ARTNeT](#), the largest trade research network in the Asia-Pacific. He is a member of the expert group in the World Economic Forum trade, data flows and technology ([TradeTech](#)). He founded and is the chairman of the [Africa Trade Foundation](#) in 2023, a non-profit organisation.

¹³ PBS NewsHour. (2025). Economists say Trump's tariffs are unpredictable and still working their way through the system. Available at:

<https://www.pbs.org/newshour/nation/economists-say-trumps-tariffs-are-unpredictable-and-still-working-their-way-through-the-system>

¹⁴ China Briefing. (2025). US-China tariffs lowered to 10 percent for 90 days. Available at:

<https://www.china-briefing.com/news/us-china-tariffs-lowered-to-10-percent-90-days/>

¹⁵ CEPR (2025). The roaring tariffs: Global impact of the 2025 US trade war. Available at:

<https://cepr.org/voxeu/columns/roaring-tariffs-global-impact-2025-us-trade-war#>