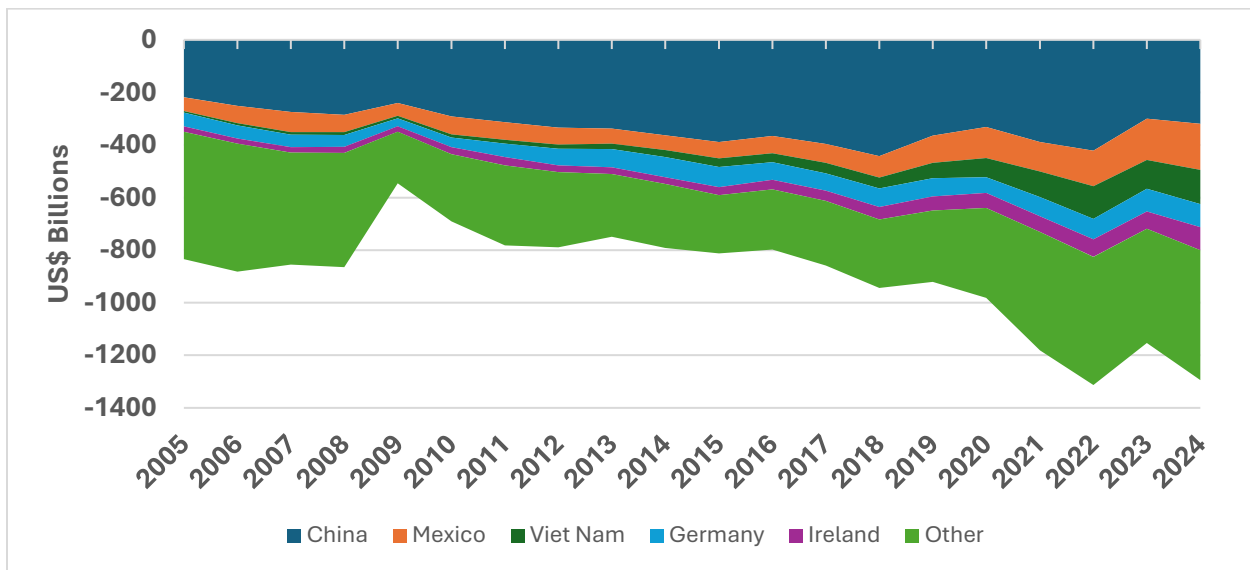


CEO INSIGHTS – MARCH 2025

The global economic landscape is significantly influenced by rising geopolitical tensions, which are impacting production networks and trade dynamics. The International Monetary Fund (IMF) projected Global growth at 3.3% for 2025. These tensions are leading to a significant slowdown on the back of fading confidence. The US's recent tariff increases on China, Mexico, Canada, and the EU are changing the nature of international trade by prompting businesses to frontload imports while the impacted countries are already retaliating. Fears of a recession and a decline in consumer confidence have caused financial markets to respond unfavourably. As a result, nations including the UK, Japan, and India are actively engaging in free trade talks with the US to reduce risks.

Figure 1. US Trade Deficit and Major Sources 2005-2024



Source: ITC TradeMap



Source: [New Jersey Business Magazine](#)

US Imposes New Tariffs on Canada, Mexico, and China

Although announced in February, and after some back and forth on the matter, the new US administration has embraced a radical change in its approach to trade by promoting the use of tariffs against its closest allies¹. Taking effect from March 4, 2025, the US placed tariffs on China, Mexico, and Canada. Despite his own

¹ White House (2025). [Fact Sheet: President Donald J. Trump Imposes Tariffs on Imports from Canada, Mexico and China](#). 1 February

negotiation of the USMCA to eliminate tariffs between Canada and Mexico, President Trump introduced 25% tariffs on all imports from Canada and Mexico, and a lower 10% tariff on Canadian energy imports, such as natural gas and crude oil. Mexico received a short delay in the application of tariffs for reasons which are unclear. In retaliation, Canada plans to impose 25% tariffs on \$105 billion worth of US goods, targeting sectors such as food, beverages, consumer goods, vehicles, and industrial products, with a second phase of tariffs anticipated after a 21-day consultation period. Mexico is preparing a "Plan B" strategy that could affect US exports of steel, pork, and other key products.

With regards to China, the US has been hawkish and introduced tariffs and is considering other non-tariff measures. Tariffs on exports from China and Hong Kong reached 20% by March.² Furthermore, the US Trade Representative has suggested imposing hefty fees on ships built in China or operated by Chinese ship operators that dock at US ports. These fees would be \$1 million for Chinese-operated ships and \$1.5 million for Chinese-built ships, in addition to other service fees. Additionally, there is a possible "Commercial Cargo Preference" phase-in that would require an increasing proportion of US ocean exports to be transported on US-flag vessels. This would start at 1% and increase to 15% over seven years in an effort to counter China's maritime dominance and improve US shipbuilding capabilities. This proposal has elicited mixed reactions from the industry, with stakeholders encouraged to submit comments and participate in a public hearing in March 2025.³ General policies indicate that there are no exclusions except for specific exemptions under US law apart from the de-minimis rule allowing for tariff-free shipments under \$800 from these countries for now, with no refunds permitted on tariffs already paid by businesses. As of early February 2025, the de-minimis rule has been eliminated for shipments from China⁴. The Chinese tariffs, applied in retaliation, include a levy of 15% on US products like chicken, wheat and corn, as well as 10% on products such as soybeans, pork, beef and fruit⁵. China is expected to introduce new tariffs on US agricultural products and an export tax on critical metals.⁶

² Dentons (2025). "US Imposes New Tariffs on Canada, Mexico, and China Citing National Emergency Under The International Emergency Economic Powers Act (IEEPA)", March 4, 2025

<https://www.dentons.com/en/insights/alerts/2025/march/4/united-states-imposes-new-tariffs-on-canada>

³ Holland & Knight (2025). "US Proposes Port Fees on Chinese-Built Ships and Operators to Counter China's Shipping Dominance", March 5, 2025.

<https://www.hklaw.com/en/insights/publications/2025/03/us-proposes-port-fees-on-chinese-built-ships>

⁴ Reuters (2025) "Trump pauses de minimis repeal as packages pile up at US customs". 7 February

⁵ New York Times (2025). "China's Tariffs on U.S. Agricultural Products Take Effect". 10 March.

⁶ Dentons (2025). "US Imposes New Tariffs on Canada, Mexico, and China Citing National Emergency Under The International Emergency Economic Powers Act (IEEPA)", March 4, 2025

<https://www.dentons.com/en/insights/alerts/2025/march/4/united-states-imposes-new-tariffs-on-canada>

Surge in US Container Imports Amid Tariff Concerns



US container imports jumped 4.7% year on year to reach over 2.2 million TEUs in February, just over the 2.1 million benchmark, which is the highest previously recorded in one month. This was stimulated mostly by strong consumer demand, which drove imports from China up by 7.9%. In anticipation of tariffs imposed against China, Mexico, and Canada, businesses have been stockpiling imported parts and finished solutions for manufacturing.

The economic implications are significant, with the Nasdaq and S&P 500 sharply free-falling. Rising costs due to these tariffs are straining both businesses and consumers, and concerns about a recession are growing, with economists estimating a 50-50 chance of one occurring,⁷ and declining consumer confidence indicating increasing economic anxiety. The Federal Reserve's Atlanta branch projects a 2.4% GDP contraction in Q1 2025.



Source: [Motosha](#)

EU-US trade: How Tariffs Could Impact Europe

On 10 February, the US levied a 25% tariff on industrial-grade steel and aluminium, other steel and aluminium semifinished and finished products, and also their derivative commercial products (from machinery parts to knitting needles), covering up to €26 billion worth of EU exports to the US. This spurred the EU to counterattack, affecting €26 billion of goods

from the US⁸. In retaliation, the EU has introduced tariffs on several products imported from the US such as motorcycles, peanut butter, jeans, beef, chicken, and bourbon. These products are produced in predominantly “red” states which voted for Trump.

The US and EU countries have enjoyed good economic relations, which translated into a €157 billion trade in goods surplus for the EU, and a €109 billion trade in services surplus for the US in 2023. The trade in goods deficit with the EU rose significantly in 2024, to reach \$235.6 billion according to the USTR⁹. This tit-for-tat tariff war poses the risk of raising prices, lowering sales, disrupting supply

⁷ AP (2025). “Explainer: What’s a recession and why is rising anxiety about it roiling markets?”, March 13, 2025. <https://apnews.com/article/economy-trump-recession-78e4513c8990fcc9daa9fdab0dd84e45>

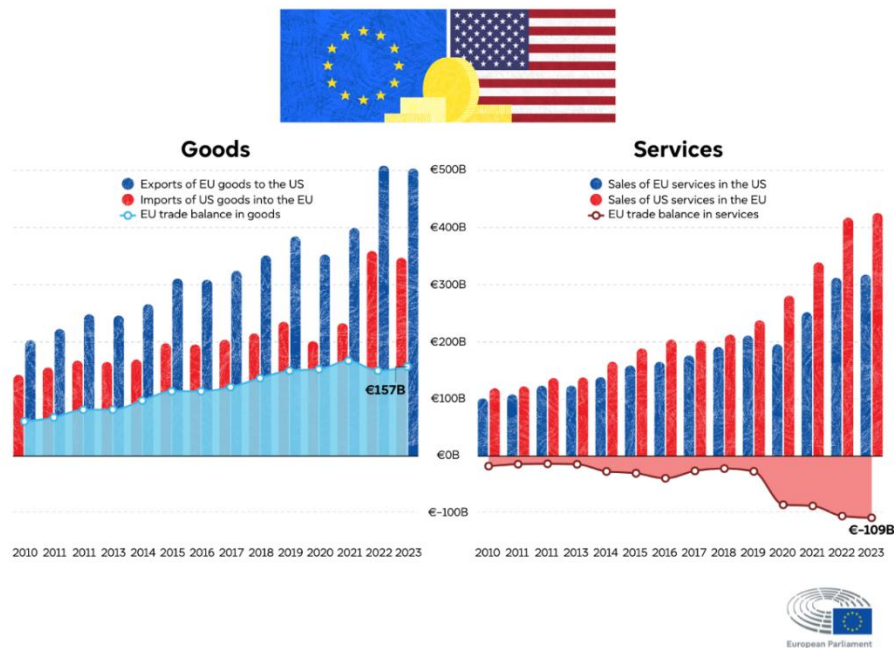
⁸ European Commission (2025). “[Commission responds to unjustified US steel and aluminium tariffs with countermeasures](#)”. 12 March.

⁹ USTR (2025). “[European Union](#)”

chains and lower investor confidence. EU Commission President Ursula von der Leyen has criticised these tariffs as detrimental to both businesses and consumers.¹⁰

Trade in goods and services between the EU and the US

2010–2023, in billions of euros



Source: [European Parliament](#)

Rest of the World Watching US Tariff Moves



Source: [Motosha](#)

Japan

Japanese Trade Minister Yoji Muto recently met with US officials, including US Commerce Secretary Howard Lutnick and US Trade Representative Jamieson Greer. The US trade deficit with Japan reached \$68 billion in 2024¹¹. Japan was unable to obtain exemptions from the universal 10% tariff applied by the Trump Administration, despite highlighting its substantial investments in the US as leverage. The possible acquisition of US Steel by Nippon

Steel, which featured a \$14.1 billion bid which ended up being blocked, was also discussed. The

¹⁰ AP News (2025). “Canada and the EU swiftly retaliate against Trump’s steel and aluminium tariffs”, March 13, 2025. <https://apnews.com/article/trump-eu-tariffs-countermeasures-806a3b9bcc9cd4e45817e672d95f0070>

¹¹ US Census Bureau (2025). “Trade in Goods with Japan”. <https://www.census.gov/foreign-trade/balance/c5880.html>

introduction by the US of a 25% tariff on steel and aluminium imports in March kicked in. President Trump also signalled that he intends to introduce a 25% tariff on imported cars from April. The US now imposes a 2.5% tariff on passenger cars, a 25% tariff on trucks, and a 2% tariff on buses, in contrast to Japan, which does not impose tariffs on imported cars. These measures are expected to affect Japan's automobile sector, which exports 1.37 million cars to the US, and accounts for 28.3% of Japan's total exports to the US.¹²



Source: [Motosha](#)

India

India is currently navigating a complex landscape of trade negotiations and international pressures, particularly from the US. The US goods trade deficit with India was \$45.7 billion in 2024¹³. The average duty levied by India was 17% in 2023, compared to 3.3% levied by the US¹⁴. India's Commerce Minister, Piyush Goyal, went to Washington to negotiate terms for trade where G20 Nations were invited by President Trump. India is under

pressure to reduce its tariffs under '*reciprocal*' conditions for trade. India already pledged to cut taxes on foreign luxury cars, high-end motorcycles, and bourbon whisky as an overture for these negotiations. In other cases, India is also repositioning trade by negotiating new Free Trade Agreements (FTAs) with the UK and EU. India is seeking to buy more oil and gas from the US, over alternatives from the Middle East or Russia, despite the less favourable price of US oil and gas. Other challenges in the negotiations include complaints from the US over access to India's large and growing agricultural market which currently is protected by 30-60% rates of tariffs.¹⁵

¹² Kyodo News (2025). "US makes no promises on tariff exemptions for Japan in trade talks", March 11, 2025 <https://english.kyodonews.net/news/2025/03/9b23c7b2e777-update1-us-makes-no-promises-on-tariff-exemptions-for-japan-in-trade-talks.html>

¹³ USTR (2025). [India](#).

¹⁴ The Hindu (2025). "[Agricultural protectionism pushes up India's import tariff: Data](#)". 20 February

¹⁵ Financial Times (2025). "Whatever you charge, I'm charging: Donald Trump forces India's hand on tariffs", March 11, 2025. <https://www.ft.com/content/32bdf017-5320-4c9d-93b5-e65101d95335>



Source: [Motosha](#)

United Kingdom

The US trade in goods surplus with the UK reached around \$12 billion in 2024¹⁶. In 2023, the UK held a trade surplus in services trade around \$83 billion¹⁷. The US and the UK launched trade negotiations on May 5, 2020, and the negotiations are anticipated to proceed more quickly. In March, UK Business Secretary Jonathan Reynolds flew to Washington to try and make progress on these

negotiations. While the UK is looking into possible ways to work together in the areas of technology and artificial intelligence, particularly through venture capital alliances with the US, the ongoing debate over the UK's tax on digital services for American tech giants remains a sensitive subject throughout these negotiations.¹⁸

Conclusion

In the first quarter of 2025, geopolitical conflicts are drastically changing global trade. Tariff increases and the development of protectionist policies are disrupting supply chains, raising fears about a possible recession. Meanwhile the turmoil in trade policies is affecting investor confidence and significantly reducing the gains from international trade. This edition of CEO Insights was written on 15 March. Due to the rapidly changing nature of the tensions, it is important to stay updated on the latest changes in trade policies.

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](#).

¹⁶ USTR (2025). “[United Kingdom](#)”.

¹⁷ ONS (2025). “[UK trade with the United States: 2023](#)”. 17 January

¹⁸ The Guardian (2025). “Business secretary says he did not misrepresent legal career amid calls for investigation”, February 24, 2025.

<https://www.theguardian.com/politics/2025/feb/24/business-secretary-jonathan-reynolds-says-he-did-not-misrepresent-legal-career-amid-calls-for-investigation>



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