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INCREASED GLOBAL MARKET UNCERTAINTY IN THE CONTEXT OF US TARIFF POLICY

In the light of the general trend towards geo-economic fragmentation and regionalization of trade relations, new US protectionist measures may contribute to increased systemic turbulence in global markets, which poses risks to the stability of the global economy in the medium and long term. The lack of balanced coordination between the main centers of economic power can deepen structural imbalances and negatively affect the economic development of both developed and developing countries. It is hypothesized that the introduction of US tariff restrictions on China, the European Union and other trading partners is one of the key factors in increasing turbulence in the global market, which leads to disruption of global supply chains, increased price instability and transformation of trade flows. The research was carried out using the methods of systemic, comparative, index analysis, as well as SWOT analysis and

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ЗРОСТАННЯ НЕВИЗНАЧЕНОСТІ НА СВІТОВОМУ РИНКУ В УМОВАХ ТАРИФНОЇ ПОЛІТИКИ США

У світлі загальної тенденції до гео економічної фрагментації та регіоналізації торговельних відносин нові протекціоністські заходи США можуть сприяти посиленню системної турбулентності на глобальних ринках, що створює ризики для стабільності світової економіки у середньо- та довгостроковій перспективі. Відсутність зваженої координації між основними центрами економічної сили здатна поглибити структурні дисбаланси та негативно позначитися на економічному розвитку як розвинених, так і країн, що розвиваються. Висунуто гіпотезу, що запровадження США тарифних обмежень щодо Китаю, Європейського Союзу та інших торговельних партнерів є одним з ключових чинників посилення турбулентності на світовому ринку, що призводить до порушення глобальних ланцюгів постачання, зростання цінової нестабільності та трансформації торговельних потоків. Дослідження проведено



case study methods. The research considers the consequences of the tariff policy of the United States of America towards China, the European Union and other trading partners, as well as its impact on the formation of instability (turbulence) in the world market. The authors analyze the main mechanisms of spreading the negative effects of trade conflicts, in particular, through disruption of global supply chains, redistribution of trade flows, price instability and increased uncertainty for international economic operators. The research results suggest a significant role of the US tariff policy as a factor of global economic turbulence and emphasize the need to find effective mechanisms to stabilise trade relations in order to reduce systemic risks in the global economy.

Keywords: world market, tariff policy, trade war, USA, China, European Union, turbulence, trade conflicts, global supply chains, trade flows.

JEL Classification: F01, F13, F20, F40.

з використанням методів системного, порівняльного, індексного аналізу, методи SWOT-аналізу та case study. Розглянуто наслідки тарифної політики Сполучених Штатів Америки щодо Китаю, Європейського Союзу та інших торговельних партнерів, а також її вплив на формування нестабільності (турбулентності) на світовому ринку. Проаналізовано основні механізми поширення негативних ефектів від торговельних конфліктів, зокрема через порушення глобальних ланцюгів постачання, перерозподіл торговельних потоків, цінову нестабільність та зростання невизначеності для суб'єктів міжнародної економічної діяльності. Результати дослідження дозволяють зробити висновок про значну роль тарифної політики США як чинника глобальної економічної турбулентності та підкреслюють необхідність пошуку ефективних механізмів стабілізації торговельних відносин для зменшення системних ризиків у світовій економіці.

Ключові слова: світовий ринок, тарифна політика, торговельна війна, США, Китай, Європейський Союз, турбулентність, торговельні конфлікти, глобальні ланцюги постачання, торговельні потоки.

Introduction

In the modern system of international trade, protectionist policies and tariff restrictions are increasingly becoming instruments of global economic influence that can transform global market processes. One of the most striking examples of such policies is the tariff measures introduced by the United States of America against China, the European Union and a number of other key trading partners starting in 2018. These actions have led to a significant increase in the level of turbulence in global markets, which has manifested itself in the destabilization of trade flows, disruption of supply chains, changes in the structure of world trade and increased price instability.

The escalation of the trade war between the United States and China in April 2025 reached a critical level, threatening to seriously disrupt global trade. Reciprocal tariffs of more than 100% make trade between the two economic giants prohibitively expensive. As a result, the risk of recession for both the US economy and the global economy has increased significantly.

Donald Trump, US President, announced the introduction of broad tariffs on April 2, 2025, claiming that they would eliminate trade imbalances, protect American jobs and manufacturing, and promote economic prosperity in the United States. These new import taxes, which the US President imposed by decree, have shaken global markets since they came into effect and raised expectations of rising prices and a global recession and a collapse in global trade.

In an escalating trade war, the US has imposed tariffs of up to 145% on Chinese goods, with China responding with a 125% tariff on American products. The US has also imposed a 10% tax on goods from the vast majority of other countries, suspending significantly higher rates for dozens of countries for 90 days.

The relevance of the research is due to the need for a comprehensive analysis of the consequences of the US tariff policy for the global economy, in particular its impact on the main macroeconomic indicators, the behavior of business entities and adaptation strategies of third countries in the face of growing trade uncertainty.

The current scientific debate focuses on systemic risks arising from destructive trade conflicts but needs to be further deepened to study the indirect effects of tariff escalation and the long-term consequences for the sustainability of the global economic system. The consequences of the US–China trade war have been analyzed by many foreign economists, researchers, and think tanks. In particular, analytical reports of international organizations such as: IMF, World Bank, OECD, can be distinguished, which assess the global consequences of the trade war, in particular its impact on supply chains and economic growth. One of the most prominent experts on US–China trade policy, Brown (Peterson Institute for International Economics), regularly analyzes the impacts of tariffs, sanctions, and negotiations between the US and China (Bhatt, 2025, April 17).

Amiti et al. assess the direct impact of the 2018 tariffs on US companies, prices, and consumer welfare in the US. The authors find that the tariffs have led to higher prices for consumers and lower real incomes, with consumer spending rising by billions of dollars each month (Amiti et al., 2019). Work by Faygelbaum et al. empirically shows that the trade war with China has led to higher prices for US consumers and significant economic losses (Fajgelbaum et al., 2024). In another paper, these authors show that while the US and China have heavily taxed each other and suppressed their bilateral trade flows, some countries have increased their exports to the US and the rest of the world, and global trade has increased overall (Fajgelbaum et al., 2023). The researchers found that winning or losing a trade war is largely explained by heterogeneity in exporters' responses to price changes caused by the trade war, rather than by patterns of specialization. Many countries with high export growth have operated along downward-sloping supply curves and have sold products that replaced those previously supplied by the United States or China. Countries with a high degree of international integration have benefited the most, as evidenced by their participation in trade agreements and foreign direct investment. France, for example, has increased its exports to both the United States and the rest of the world in response to the tariffs. Spain has increased its exports to the United States, but its exports to the rest of the world have declined.

Ottor and co-authors focus on the broader impact of Chinese imports on the U.S. labor market and is the basis for further research related to trade policy toward China (Ottor et al., 2016).

The analytical report by Demertzis and co-authors outlines EU policy instruments to offset the consequences of tariff increases: strengthening domestic demand through fiscal policy, signing free trade agreements with third countries, and implementing single market reforms (Demertzis et al., 2024).

The mechanisms of turbulence formation in the global market under the conditions of the active US tariff policy are important both for the theoretical substantiation of the current processes of global trade transformation and for the development of practical recommendations to mitigate the negative effects of trade confrontation.

The aim of the research is to identify the main factors of increased turbulence on the world market as a result of the implementation of US tariff policy towards China, the European Union and other trading partners, as well as to determine its economic consequences for the global international trade system.

It is hypothesized that the introduction of US tariff restrictions on China, the European Union and other trading partners is one of the key factors in increasing turbulence in the global market, which leads to disruption of global supply chains, increased price instability and transformation of trade flows. At the same time, the presence of adaptation strategies on the part of individual countries and transnational companies partially mitigates the negative impact of tariff escalation but does not eliminate systemic risks to the stability of the international trading system.

To achieve the aim, a set of general scientific and special methods of economic analysis has been used, which provide a comprehensive study of the impact of US tariff policy on the dynamics of world market processes. In particular, a systematic approach has been used to comprehensively study the complex interaction of political decisions, economic mechanisms and global trade flows, as well as to integrate the results obtained into the general concept of economic turbulence. When identifying the features of the implementation of US tariff policy in relation to different countries (China, the European Union, other trading partners), the comparative analysis method has been applied. To study changes in the structure of world trade flows, export and import volumes in the context of escalating trade conflicts, the analysis of statistical data and indices has been used. The SWOT analysis method has been applied to identify potential opportunities and threats associated with the transformation of world trade relations under the influence of tariff escalation. The case study method has been used to consider specific examples of the impact of US tariff policy on individual industries, countries and regions.

The article is structurally organized into five sections. The first section highlights the key characteristics of the US tariff policy. The second section

is devoted to the analysis of US–China trade relations and the consequences of increasing tariff tension for their economies. The third section analyzes the impact of changes in the US tariff policy on the global market, including an assessment of the impact on supply chains, the structure of imports and exports, and price dynamics. The fourth section contains an analysis of the impact of the imposition of tariffs by the US on economic development and foreign trade of the EU. The fifth section describes changes in stock markets under the influence of increasing global economic uncertainty.

1. The content of the current US tariff policy

Tariffs are taxes levied on goods purchased in other countries. They are usually a percentage of the value of the goods. A 10% tariff on goods from most countries means that a USD 10 product will have a USD 1 tax, making the total cost USD 11. A 145% levy on some Chinese goods will increase the price of a USD 10 product to USD 24.50. Companies that import foreign goods into the United States must pay the tax and can pass on some or all of the increased cost to customers.

Here are the main elements of the US government's tariff plan.

The base tariff of 10% on almost all foreign imports to the United States went into effect on April 5, 2025, but some countries and goods are exempt. Countries where only the base rate will apply include United Kingdom, Singapore, Brazil, Australia, New Zealand, Turkey, Colombia, Argentina, El Salvador, United Arab Emirates, Saudi Arabia.

Special tariffs are for the "worst offenders". White House officials announced that they would impose specific reciprocal tariffs on about 60 "worst offenders". They went into effect on April 9. These countries have been charging higher tariffs on American goods, have been imposing "non-tariff" barriers to US trade, or otherwise acting in ways they believe undermine American economic goals. Key trading partners that will be subject to these individual tariff rates include:

- European Union – 20%;
- Vietnam – 46%;
- Thailand – 36%;
- Japan – 24%;
- Cambodia – 49%;
- South Africa – 30%;
- Taiwan – 32%.

These figures include a base level of 10% import tariffs and a "reciprocal" tariff. Thus, the duties for Europe will be 10% basic and 10% reciprocal, and China will face a 24% reciprocal tariff in addition to the 10% basic level. Also, according to Bloomberg, the new tariff for China

is in addition to the existing 20% tariff. The total fee will be 54% (Bloomberg, 2025, April 4). *Table 1* shows the countries and territories subject to the so-called reciprocal tariffs, which do not include Canada and Mexico.

Table 1

The implementation of the US tariff policy to some countries

Country	Share in US imports, %	Tariff rate	
		Previous	Updated total
EU	18.5	20	10
China	13.4	34	145
Japan	4.5	24	10
Vietnam	4.2	46	10
South Korea	4	25	10
Taiwan	3.6	32	10
India	2.7	26	10
United Kingdom	2.1	10	10
Switzerland	1.9	31	10
Ukraine	<1	10	10

Source: (BBC, 2025, April 10).

There are no additional tariffs for Canada and Mexico. Canada and Mexico, which were targeted in the previous round of Trump's tariffs, do not face additional charges. They are not subject to the 10% base rate. The White House has said it will build relationships with both countries using the framework set out in previous Trump executive orders that imposed tariffs on both countries in the context of the administration's efforts to address the flow of fentanyl into the United States and its borders. Trump previously set these tariffs at 25% on all goods coming from both countries before announcing some exemptions and delays.

Thus, along with the weak position of East Asia, led by China, North America will obviously become stronger.

Exemptions and tariffs by sector. Although the new series of tariffs applied globally extends to most foreign goods entering the US, there are some exemptions. According to a White House fact sheet, these include copper, pharmaceuticals, semiconductors, lumber, bullion, energy, and "other specified materials not available in the United States". Articles covered by the US Code provision broadly interpreted as "informational materials", communications, and donations are also exempt. The tariff rates also do not apply to steel, aluminum, vehicles and their parts, but this is because they are subject to separate 25% tariffs for certain sectors.

As the US government hopes, the tariffs will encourage US consumers to buy more American-made goods, increase tax revenue, and lead to huge investments in the country (Clarke, 2025, April 23) by narrowing the gap between the cost of goods the US buys from other countries and those it exports.

2. US–China trade relations and their implications

The US currently has a trade deficit with China of USD 295 billion. This is a significant trade deficit, equivalent to about 1% of the US economy. In 2024, the volume of trade in goods between the two economies was about USD 585 billion, with the US importing far more from China (USD 440 billion) than China imported from America (USD 145 billion). In terms of imports, Chinese goods account for about 13.5% of the market, second only to Mexico. Many of these imported goods are technology products such as computers, batteries, and video displays. China also holds a significant share of US Treasury bonds – about USD 760 billion – making it the second-largest foreign creditor of the United States after Japan.

The US now has a USD 295 billion trade deficit with China. During his first presidential term, D. Trump imposed significant tariffs on Chinese imports, which were maintained and expanded by his successor, Joseph Biden. Thus, during his presidency, duties on electric vehicles made in China were increased 4 times, duties on steel and aluminum were tripled, and duties on semiconductors were doubled; unprecedented export controls were introduced, limiting Beijing's ability to obtain advanced technologies; and some US investments in sensitive technologies, which lawmakers fear could be used to help China's growing military, were banned (CFR, 2025, April 14).

In total, these trade barriers helped reduce US purchases from China from 21% of total US imports in 2016 to 13% in 2024. Thus, over the past decade, the US dependence on China in trade has decreased (*Figure 1*).

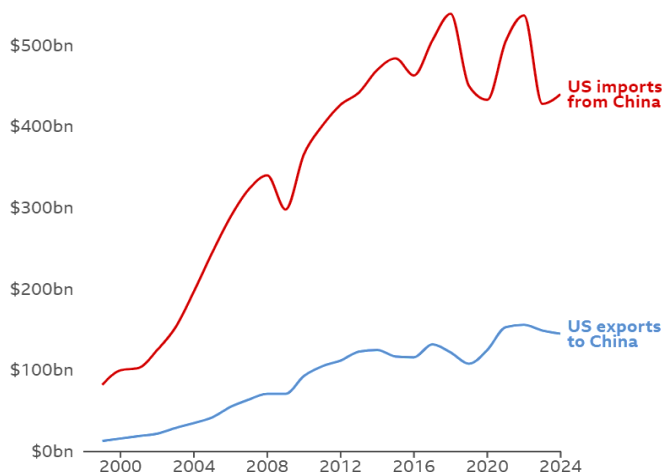


Figure 1. Annual exports and imports of goods in USD, seasonally adjusted

Source: Bureau of Economic Analysis, U.S. Department of Commerce (BEA, 2025, March 6).

In 2024, the largest category of goods exported from the United States to China was soybeans, which were used primarily to feed approximately 440 million pigs in China. Pharmaceuticals and oil were also shipped to China (*Table 2*). On the other hand, large volumes of electronics, computers,

and toys were shipped from China to the United States. A large number of batteries, which are vital for electric vehicles, were also exported.

Table 2

Mutual trade in goods between the United States and China
(largest commodity groups)

US exports to China		China export to US	
Commodity groups	Share, %	Commodity groups	Share, %
Soybeans	9	Smartphones	9
Aircraft and engines	8	Laptops	7
Microcircuits	4	Batteries	3
Pharmaceuticals	4	Toys	2
Oil	3	Telecommunication equipment	2

Source: Bureau of Economic Analysis of the U.S. Department of Commerce (BEA, 2025, March 20).

The largest category of US imports from China is smartphones, accounting for 9% of the total. Most of these smartphones are manufactured in China for Apple, a multinational company headquartered in the United States. The increase in US tariffs on China has been one of the main factors behind the drop in Apple's market value in recent weeks, with its share price falling by 20% over the past month.

All of these goods imported to the US from China were already expected to become much more expensive for Americans due to the 20% duty that the Trump administration has already imposed on Beijing. According to experts from the Peterson Institute for International Economics, US economic growth is likely to stop this year, and inflation in the US will rise sharply (*Table 3*).

Table 3

Expected changes in US macroeconomic indicators

Indicators	2024	2025 (expected)	2026 (forecast)
GDP, actual change (Q4/Q4)	2.5	0.1	1.2
GDP, actual change (Y/Y)	2.8	1.1	0.6
Unemployment rate (Q4)	4.1	5.0	4.7
Personal Consumption Expenditures (PCE) price index (Q4/Q4)	2.5	4.0	3.2
PCE core inflation (Q4/Q4)	2.7	4.1	3.3

Source: (Dyran, 2025, April 15).

With the duty now up to 125% (and even 145% for some products), the impact could be 6 times greater. At the same time, due to China's retaliatory tariffs, American imports to this country will also increase in price, which will ultimately hurt Chinese consumers as well. But beyond tariffs, the two countries may try to harm each other through trade.

According to *Table 2*, the leading commodity groups of Chinese exports are not raw materials, but rather specific manufactured products,

which can be consumed by developed economies and, given the volume of production in China, by large and developed economies. Therefore, it will be challenging for China to quickly and easily reorient itself away from the American market. Especially if the Chinese domestic market is currently showing signs of declining demand and deflation.

According to Chinese economists (Wang, 2025, April 3), there will be no catastrophe, while Goldman Sachs has already predicted a 1.7% decline in China's GDP, a 4.5% decline in total exports, and a 30% decline in exports to the United States (Goldman Sachs Group, 2025, April 17). The situation is complicated by the fact that many Chinese manufacturers began to move production to Vietnam and Thailand on the eve of the US election, but after Vietnam received a 46% duty and Thailand a 36% duty, these investments turned out to be in vain.

China also plays a central role in refining many vital metals for industry, from copper and lithium to rare earth metals. Therefore, Beijing could put obstacles in the way of these metals reaching the United States. This is what has already been done in the case of two materials called germanium and gallium, which are used by the military in thermal imagers and radars.

As for the United States, it could try to strengthen the technology embargo on China launched by Joe Biden by making it harder for China to import advanced microchips that are vital for applications such as artificial intelligence that it cannot yet produce itself.

And yet, while the US has undoubtedly caused China some damage, it has not significantly changed its economic model. China now produces 60% of the world's electric vehicles – much of it made by its own brands – and 80% of the batteries that power them. However, China still supplies the United States with everything from iPhones to children's toys. Its ambitious policy blueprint, published in 2015 under the title "Made in China 2025", lays out a grand national vision to become a world leader in a number of key manufacturing sectors, from aerospace to shipbuilding to electric vehicles. According to analysts, some Chinese goods enter the United States through neighboring Southeast Asian countries, which could mean they can avoid tariffs of up to 145%.

3. Impact of the US–China trade war on the global market

According to the International Monetary Fund, the United States and China together account for a large share of the global economy at about 43%. Therefore, if they were to engage in an all-out trade war that slowed their growth or even pushed them into recession, it would likely harm the economies of other countries in the form of slower global growth. Global investment would also likely suffer.

There are other possible consequences. China is the world's largest manufacturing country and produces far more than its population consumes. The country already has a surplus of goods worth almost USD 1 trillion. This means that it exports more goods to the rest of the world than it imports.

It also often produces these goods at a price lower than the true cost of production due to domestic subsidies and government financial support, such as cheap loans for favored firms.

Steel is an example. There is a risk that if such products do not make it to the United States, Chinese firms will try to "dump" them abroad. And while this may be beneficial for some consumers, it could also undermine producers in the countries concerned, threatening jobs and wages. For example, the lobby group UK Steel warns of the danger of redirecting excess steel to the British market.

The spillover effect of an all-out US–China trade war will be felt around the world, and economists mostly believe that it will be extremely negative.

There would be a lot of people willing to replace China in the United States, but not all of them are now on an equal footing. Of the countries that could quickly enter the US market with similar products (*Table 4*), only Mexico and Canada remained, after the USMCA¹ was granted back.

Table 4

Expected increase in exports to the United States by China's competitors (10%),
USD billion

Country	Export, 2023	Export, 2026 (without changes)	Estimated simulated trade tariff, 2026	Expected changes
Mexico	457	351	352	7.8
Canada	410	346	346	3.77
Vietnam	118	51.9	52	5.11
Japan	141	119	119	1.49
India	85.5	61.1	61.2	2.1
Germany	157	135	135	1.94
South Korea	118	72.2	72.3	1.68
Italy	70.9	53.3	53.4	1.62
Thailand	58.2	35.5	35.5	1.37
Reference: China	437	510	467	–42.8

Source: Authors' analysis based on data from the Observatory of Economic Complexity (OEC, n. d. a).

The future of bilateral trade relations depends on two key issues. First, whether China will accept this offer to negotiate. And second, assuming that it eventually does, whether China is willing to make the major concessions that America is seeking, including a complete overhaul of its export-led economic model.

Answering these questions, we must first consider that the world is now in a state of large-scale uncertainty, and, according to Nobel laureate P. Krugman, the scale and speed of tariff increases make this "the largest trade shock in history" (Nathan et al., 2025, April 17).

¹ USMCA is a trilateral free trade agreement between Mexico, the United States and Canada.

Instead of upholding the idea of economic cooperation, the world's two largest superpowers may find themselves embroiled in a winner-take-all struggle for economic superiority. Experts from the Carnegie Endowment for International Peace write that any separation of the United States from China may reach a limit in the next decade, as the economies of the two countries are still highly interdependent. "China and the United States have an interest in maintaining much of their economic relationship", their report states (Chivvis, 2024). If so, this would indeed mean the destruction of the old consensus and a very different, perhaps very dangerous future.

As a research fellow at the Belgian Bruegel Institute Bercero notes, the concern is that some countries may try to secure better treatment for themselves by offering the US preferential access to their markets in a way that contradicts World Trade Organization (WTO) rules. And other countries may conclude that the world is now a rule-free zone, and that any decisions that do not comply with WTO rules can be implemented. This could lead to a spiral of protectionism similar to that of the 1930s (Bercero, 2025, April 11).

Many economists expect tariffs to raise the prices of a range of imported goods as firms pass on some or all of their increased costs to consumers. Products that would be affected could include everything from clothing to coffee, alcohol, and electronics. Some firms may also decide to import fewer foreign goods, which could make those that are imported more expensive.

The prices of goods made in the United States using imported components could also rise. For example, car parts typically cross the US, Mexico, and Canada borders several times before a car is fully assembled (Figure 2). Car prices were expected to rise as a result of previous tariffs, which remain in effect.

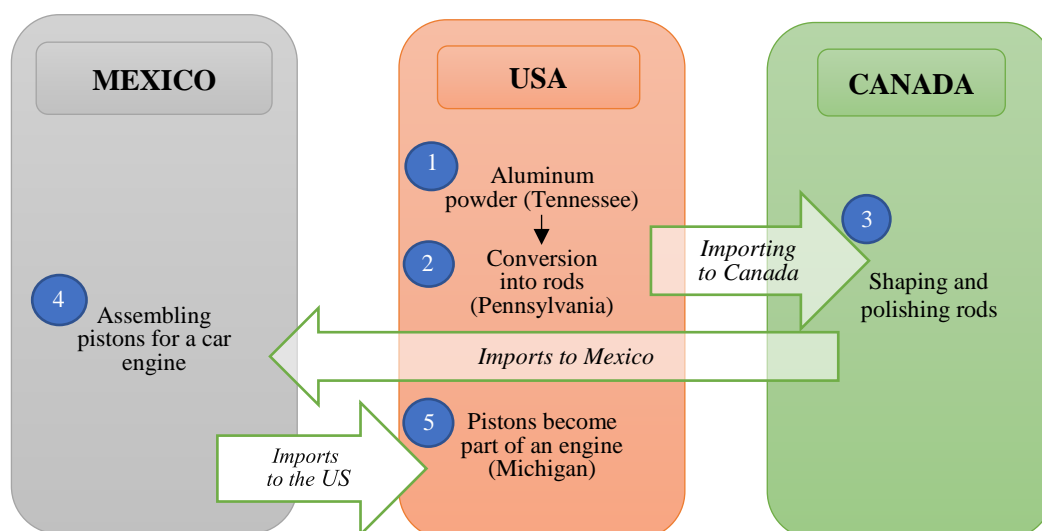


Figure 2. Example of a US automotive supply chain

Source: compiled by the authors based on data from the BBC (Clarke, 2025, April 23).

According to analysts at Anderson Economic Group, the cost of a car made only with parts from Mexico and Canada could increase by USD 4.000 – USD 10.000, depending on the type of car (Clarke, 2025, April 23).

4. US trade with the EU

The EU and the US do not have a free trade agreement (FTA) and have so far traded under the most-favored-nation (MFN) tariffs they offer to all members of the World Trade Organization. Before the trade war, the average US tariff rate on EU imports was 1.47%, while on EU imports from the US it was 1.35%. Based on trade volumes for 2023, the full implementation of Trump's tariffs would raise the average tariff rate on EU imports to 15.2%. Most of this comes from the 20% "reciprocal" tariff on most products (9.7%, up from 13.7 pp), while tariffs on steel and aluminium (1.4 pp) and vehicles (2.6 pp) make relatively small contributions (Barata da Rocha et al., 2025, April 17). Tariff exemptions at the time of writing for some goods (mostly pharmaceuticals and electronics such as smartphones) are slightly reducing the average tariff rate.

President Trump's announcement on April 9 of a 90-day pause on the full implementation of some of these tariffs has reduced the rate on most EU goods to 10% (Barata da Rocha et al., 2025, April 17). Tariffs on steel, aluminum, and vehicles remain in place. While the pause continues, the average bilateral tariff is estimated at 9.9%, or 8.4 percentage points higher than in 2023.

The blow to the European economy will depend on the actual tariff rate imposed by the US and the EU's response. The EU may impose restrictions on some of its exports to the US as a potential response to US President Trump's tariff war, Bloomberg reports (Nardelli, 2025, April 17). The European Commission has formulated a response to the steel and aluminium tariffs but suspended these measures in retaliation on 14 April (Barata da Rocha et al., 2025, April 17). Such measures would be used as a deterrent and only if negotiations with Washington, which has imposed new tariffs on around EUR 380 billion (USD 432 billion) of EU goods, fail to produce a satisfactory result. The introduction of export restrictions by the EU would escalate the trade dispute, as such measures could trigger a forceful response from the US. Export restrictions are one of a number of options being considered by the EU. Other potential measures include additional tariffs and government procurement restrictions for US companies.

Figure 3 summarizes the results of five studies that estimate the long-term impact on the US and Europe of different tariff scenarios – a trade deal, unilateral US tariffs, and US tariffs plus retaliatory measures. The tariffs modeled by these studies range from 10 to 25 percent for all US trading partners, sometimes excluding Mexico and Canada. Most studies assumed a 60 percent tariff for China. The retaliation from trading partners was assumed to be equal to the US tariffs.

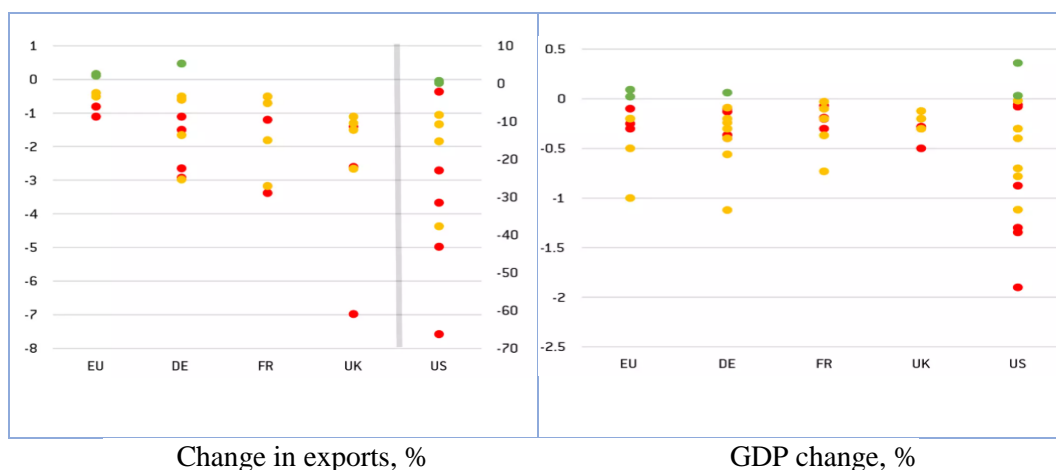


Figure 3. Estimates of long-term impacts of tariff scenarios*

* colors represent scenarios: green – US–EU agreement on manufacturing or agriculture; orange – unilateral US tariffs; red – US partners’ retaliation.

Source: authors’ own research based on: (Felbermayr et al., 2024, October; Bouët et al., 2024; Goldman Sachs Group, 2024, November 25; Du & Shepotylo, 2025, March; McKibbin & Noland, 2025, March 24).

Although the scenarios in *Figure 3* may differ from the tariffs that the US will ultimately impose, the estimates of the impact for the EU do not differ significantly between models and scenarios. These estimates therefore support several conclusions.

First, the trade impact for the EU will be much smaller than for the US. US exports to the EU could fall by 8–66% if no deal is reached, compared to a 0.6–1.1% decline in EU exports to the US. The larger impact on the US is partly explained by the scenarios in which all US trading partners retaliate. For the US, this would lead to a reduction in trade with all countries, but for all other countries, it would lead to a reduction in trade with only one partner, the US.

Second, the impact on GDP is likely to be small and the impact on the US will be stronger than on the EU, mainly due to the US’s dependence on imports of final consumer goods and inputs for production in the US. In a no-deal scenario, US GDP could fall by 0.7%, while EU GDP could contract by 0.3%, with all but one scenario projecting a drop of between zero and 0.5% of EU GDP. The range of estimates is much wider for the US, especially in scenarios with countermeasures. Among the large European countries covered by most studies, Germany’s economy could be hit particularly hard, with an average projected GDP contraction of 0.4%.

The short-term impact may be larger, but models that include both short- and long-term estimates predict larger long-term effects (Felbermayr et al., 2024; McKibbin & Noland, 2025). An overall GDP decline of around 0.3 pp is significant but unlikely to push the EU economy into recession, as the EU was expected to grow by 1.5% in 2025 before the tariffs were

imposed. It should be noted that these models do not take into account all effects, such as risks related to the US financial crisis. This effect is small compared to other shocks (e.g. COVID-19: –5.6%; energy crisis caused by Russia's invasion of Ukraine: –2.4%) due to the relatively limited impact of the EU economy on trade with the US. While 21% of extra-EU exports go to the US, the EU's value added in them was only around 2.9% of EU GDP in 2021. As Trump's tariffs will also affect most other economies (China much more so), the main effect will be a suppression of US demand, rather than a negative competitiveness shock to other economies. *Table 5* lists the products for which Chinese exports to the US account for more than 10% of EU global exports. As the EU and China have quite distinct comparative advantages, there is little overlap in exports, with only 21 out of 94 product categories exceeding this 10% threshold. Most of these represent very small trade flows, with the three most vulnerable categories (umbrellas, wicker-work and toys) accounting for less than 0.05% of EU exports.

Table 5

Categories of products exposed to Chinese trade, 2023*

Categories	China exports to US / EU exports to world	China's exports to the US (USD million)	Percentage of total EU exports, %
Electrical machinery and equipment and parts thereof	0.18	124779	9.7
Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated nameplates, etc.; prefabricated buildings	0.29	30655	1.5
Toys, games and sports equipment; parts and accessories thereof	0.84	29355	0.5
Articles of clothing and clothing accessories, knitted	0.27	18904	1
Articles of clothing and clothing accessories, except knitted	0.17	12911	1.1
Other made-up textile articles; sets; worn clothing and worn textile articles; rags	0.64	10139	0.2
Footwear, gaiters, etc.; parts of such articles	0.17	9465	0.8
Leather goods; Saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)	0.16	6614	0.6
Miscellaneous manufactured articles	0.26	5384	0.3
Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	0.18	4623	0.4
Miscellaneous articles of base metal	0.14	4597	0.5
Glass and glassware	0.11	4072	0.5
Ceramics	0.13	2956	0.3
Headgear and parts thereof	0.33	1424	0.1
Carpets and other textile floor coverings	0.15	810	0.1
Musical instruments; parts and accessories of such articles	0.22	575	0

Categories	China exports to US / EU exports to world	China's exports to the US (USD million)	Percentage of total EU exports, %
Umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding-crops and parts thereof	0.88	572	0
Lacquer; gums, resins and other vegetable saps and extracts	0.11	387	0
Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	0.73	385	0
Explosives; pyrotechnic articles; matches; pyrophoric alloys; certain combustible preparations	0.19	377	0
Special fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	0.12	323	0

* the product categories included represent the ratio of China's global exports to the US/EU over 10%.

Source: compiled by the authors based on WITS (n. d.) and UN COMTRADE (n. d.).

The most problematic category for the EU is "electrical machinery and equipment, and parts thereof", of which Chinese exports to the US in 2023 were estimated at USD 124.8 billion. Smartphones and lithium-ion batteries account for 31% and 10% of this category, respectively. The EU produces virtually no smartphones but wants to increase its share of global battery production. There will undoubtedly be other products for which EU producers will face greater competition, but overall, the risk seems limited, and the deflationary forces from trade diversion to the EU may ultimately prove beneficial.

So, the impact on the EU will not be as dramatic as on China, but it will not go unnoticed. Among the EU countries, the US's main trading partner is Germany, with Ireland, Italy, France and the Netherlands also in the top five. Accordingly, it is these EU economies that will suffer the most from the introduction of a 20% tariff by the US. Germany and Italy mainly due to the supply of cars, Ireland – medicines, vaccines and chemicals, France and the Netherlands – petroleum products. The volumes of supplies are relatively small, it will not be difficult to redirect them to other markets, but the countries will feel the temporary shock equally: Germany in the amount of USD1 56 billion, Ireland – USD 71.6 billion, Italy – USD7 0.5 billion, France – USD 51 billion, the Netherlands – USD 32.9 billion (OEC, n. d. b).

5. Stock market reaction

Trump's tariff announcements have caused significant volatility in global stock markets. Stock markets are where companies sell shares in their businesses. They reflect the best guess about the value of every company in the world and what their future earnings will be.

Many people are hurt by the stock market decline, even if they don't invest in stocks directly, because it affects pensions, jobs, and interest rates. Markets are seeing changes in US policy as a major negative for the US and global economies.

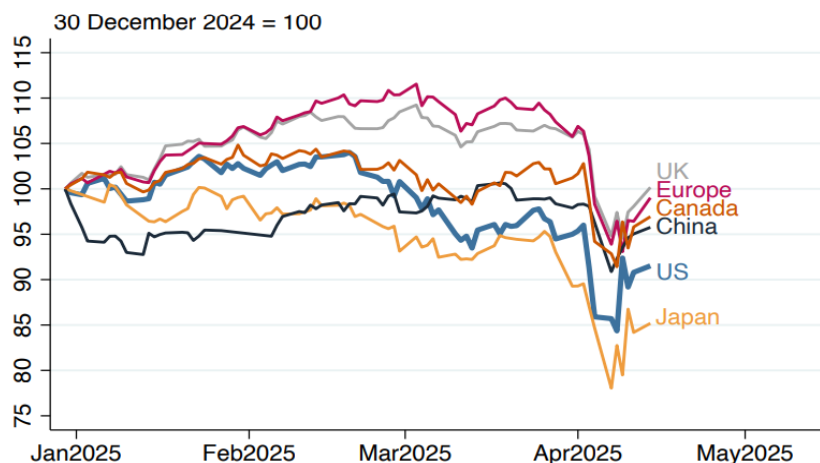


Figure 4. Major stock price indices*

* indices used: S&P/TSX for Canada, Shanghai Composite for China, STOXX 600 for Europe, Nikkei 225 for Japan, FTSE100 for the UK and S&P 500 for the US. Last data point: April 14, 2025.

Source: (FRED, n. d.; Saeedy & Andriotis, 2025, April 28).

According to a survey by the National Association of Active Investment Managers, financial managers reduced their exposure to US stocks to levels not seen since November 2023. According to Goldman Sachs Group Inc., hedge funds drove down global stocks at the fastest pace in 12 years in March (Bloomberg, 2025, April 4).

Amid growing concerns that the US president's trade policies will lead to a global recession, stock market experts, who for the past two years viewed any pullback as a buying opportunity, now believe the risks are too great. As a result, investors are pulling money out of the market, taking what is in some measures the most cautious action in a year.

So here are the factors that could potentially shake the global economy: the unprecedented scale and size of the tariffs themselves; the likelihood of stagnation in the world's largest economy, which would affect all its partners; its indirect impact on the stock market and the profits of global companies; the expected slowdown in the world's second largest economy and the impact on its major partners; and the possibility of mirror tariffs in response from the rest of the world.

Conclusions

The trade war initiated by the US will cause serious damage to the global economy through the escalation of protectionist actions. Countries that introduce tariffs and those to which tariffs are applied will suffer losses in

economic welfare, while countries that are on the sidelines will suffer collateral damage. If tariffs remain in force, the losses in economic output will be permanent, as distorted price signals will prevent specialization that maximizes global productivity.

In the near term, the introduction of new tariffs may lead to a crisis of overproduction in China, overstocking of warehouses and deflation. In the US, there will be a shortage of a number of goods and inflation. A sharp slowdown in GDP growth rates is possible in both China and the US.

In world trade, there are risks of a sharp drop in prices for raw materials (oil, metals, agricultural products), the destruction of global value chains, and the dismantling of cooperative technological chains between countries. There is a high probability of a slowdown in world trade, global GDP growth, and a crisis in financial markets.

Given the relatively small share of the US in Ukrainian exports, the announced 10% tariff will not directly affect Ukraine's foreign trade and economy. For food products (such as vegetable oil, fruit juices, or chocolate), supplies to the US are so insignificant that finding other buyers for them will not be a problem, and manufacturers of metal products, the leading Ukrainian export, are currently in a permanent crisis. However, our country will still feel the indirect impact. First, Ukraine, although not a direct participant in this conflict, is integrated into international production chains, especially in the agricultural and engineering sectors. The shift in investment and trade flows caused by tariff restrictions may create risks of reduced demand for raw materials. Second, due to the weakening of Ukraine's main trading partners, there is a risk of reduced demand for Ukrainian exports. Third, price fluctuations in the world markets for metals and agricultural raw materials due to tariff increases will directly affect Ukrainian exports, since metallurgy and the agricultural sector are key sectors of the country's economy. Any drop in prices due to reduced demand or market oversaturation will negatively affect Ukraine's foreign exchange earnings and balance of payments. Finally, global shocks associated with trade conflicts reduce investors' willingness to invest in countries with a high level of risk. This will increase the riskiness of the Ukrainian investment climate and reduce the flow of foreign investment, which is urgently needed by Ukraine for post-war recovery.

Further research is planned to be devoted to determining the tariff policy for export-import operations in the energy sector.

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