



US tariffs – we are taking stock

Trump's economic policy relies heavily on tariffs. A little over a year after "Liberation Day," we're taking stock. It turns out that the worst of the fears harbored last spring have not materialized, partly because U.S. courts have set limits on Trump. However, Trump still has a few tricks up his sleeve.

Bernd Weidensteiner ^{AC}
Dr. Christoph Balz ^{AC}

The peak seems to have passed...

The self-proclaimed "Tariff Man," Donald Trump, has reached his limits. In February, the Supreme Court ruled that tariffs imposed under emergency laws are unlawful, as such laws do not authorize the president to impose tariffs. The tariffs Trump subsequently imposed for 150 days on a different legal basis to combat balance of payments imbalances were recently rejected by a trade court, though this legal dispute will continue at a higher level and they are allowed to remain in effect until a decision is made on the government's appeal.

Furthermore, Trump's tariffs have proven to be riddled with loopholes. The Trump administration has repeatedly granted exemptions to companies, industries, and products. Even before Trump, the regulatory framework allowed for numerous exemptions, which went unnoticed at the time due to the minimal tariff rates in effect.

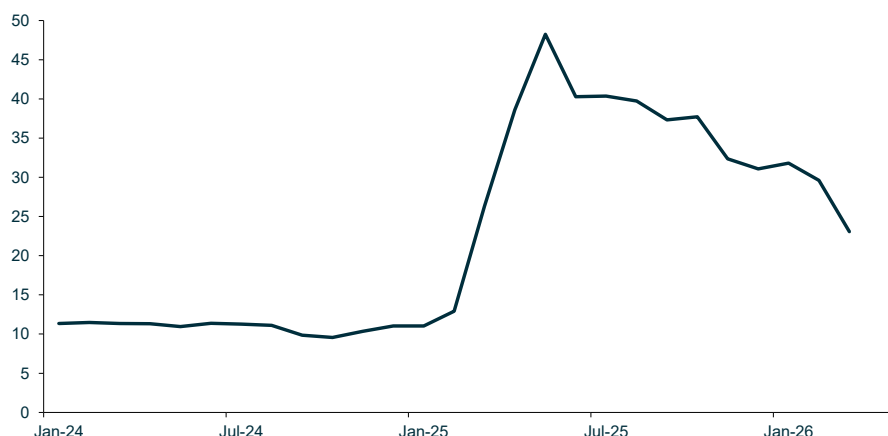
As a result, tariffs are currently significantly lower than had been feared last April—on "Liberation Day," Trump launched a sweeping offensive with numerous tariff hikes. While an average tariff rate of 20 to 25% was anticipated at the time, the effective tariff rate [1] in the U.S. currently averages just under 7%. Although this is significantly higher than the 2–3% that was typical before 2025, it is already noticeably lower than the roughly 11% reached last October (title chart).

... even in the trade conflict with China

The trade conflict with China was the starting point and, for a long time, the main arena for the attempt to use tariffs as a key economic policy tool. This began as early as Donald Trump's first term (2017–2021) and escalated at the start of his second term. Several rounds of tariffs drove U.S. tariffs on Chinese imports up to nearly 50% (Chart 1). Unlike most of the U.S.'s other trading partners, however, China fought back and imposed tariffs on U.S. goods. Above all, the country's dominance in key products such as rare earths gave it leverage to force the U.S. into certain compromises. Furthermore, U.S. tech companies rely on component supplies from China and were able to persuade the U.S. government to grant exemptions from tariffs on high-tech imports. As a result, the effective tariff rate on imports from China was halved again and most recently stood at around 23%.

Chart 1 - China - Enemy Mine

Effective tariff rate on US imports from China in %, monthly data



Source: US Census, Commerzbank Research

... but the picture is mixed when it comes to U.S. allies ...

Donald Trump was less accommodating toward many of the countries that are actually allies of the U.S. Canada, in particular, learned this the hard way; it is part of a free trade zone with the U.S. and Mexico—the USMCA—which Donald Trump had already renegotiated during his first term. Overall, effective tariffs here remain very low, most recently standing at 3.3% (the overall effective tariff rates for Mexico and Canada are similar). Before Trump's second term, however, they were nearly zero (Chart 2).

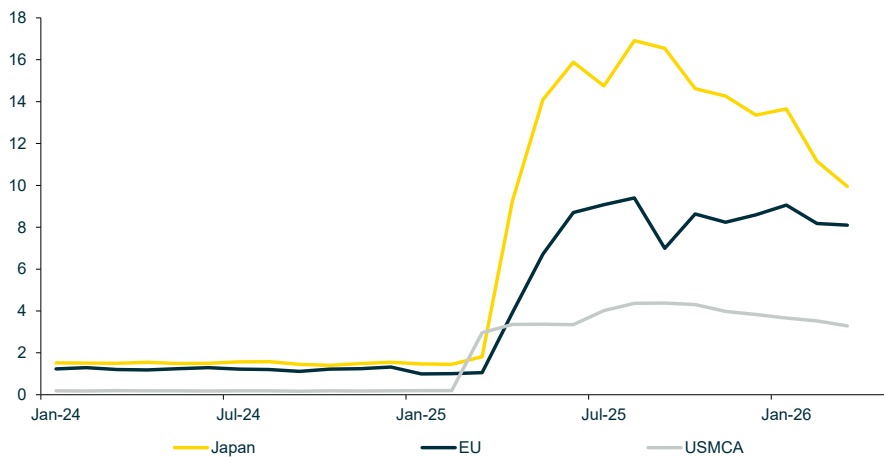


Japan had to endure a much steeper rise in tariffs. These rose from under 2% to a peak of nearly 17%. In the summer of 2025, the U.S. and Japan reached an agreement (the “Japan Strategic Trade and Investment Agreement”) that reduced tariffs again. In return, Japan pledged massive investments in the U.S. As a result, effective tariffs on imports from Japan fell again and now stand at just under 10%.

Trump has a particularly tense relationship with the EU, which he accuses of constant free-riding on security policy and unfair trade practices. At the end of July 2025, the U.S. and the EU also reached an agreement that prevented an escalation of the disputes for the time being. Effective tariffs for EU countries now stand at around 8%. The EU has not achieved a significant reduction in the tariff burden since mid-2025.

Chart 2 - US tariffs for the “allies”

Effective tariff rates, monthly data in %. USMCA: Canada and Mexico



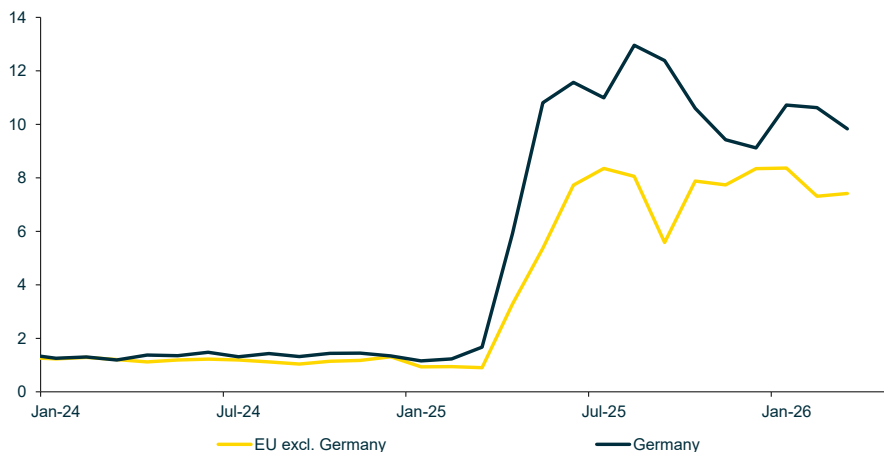
Source: US Census, Commerzbank Research

... and Germany is suffering

Although the same tariff rates apply to all EU countries, the effective tariff burden can vary from country to country depending on export structures. For example, the effective tariff on German goods is just under 10%, while that for the EU excluding Germany is significantly lower at 7.4% (Chart 3). Prior to 2025, these tariff rates were slightly above 1% in both cases.

Chart 3 - Has Trump set his sights on Germany?

Effective tariff rate on US imports from Germany and from the EU excl. Germany, monthly data in %

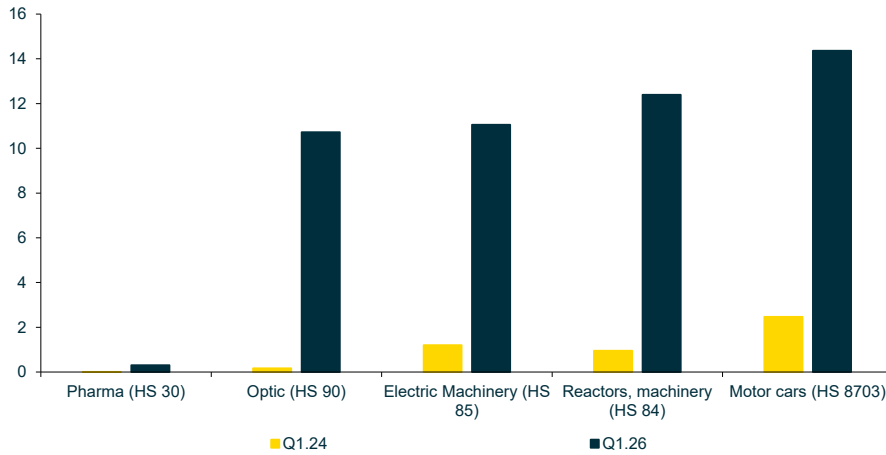


Source: US Census, Commerzbank Research

For Germany, we have also calculated the effective tariff burden for various product groups. We focus on five groups that account for roughly two-thirds of German exports to the United States. Only for pharmaceutical products, which Trump has exempted from the tariff rounds, does the tariff rate remain very low. In contrast, tariffs on optical products, machinery, and passenger cars (excluding SUVs, which fall under “light trucks” and have been subject to high tariffs for decades) have risen to 10% to 14% (Chart 4).



Chart 4 - Main German exports to the US are hard hit by tariffs
Effective tariff rates by product group, quarterly averages in %



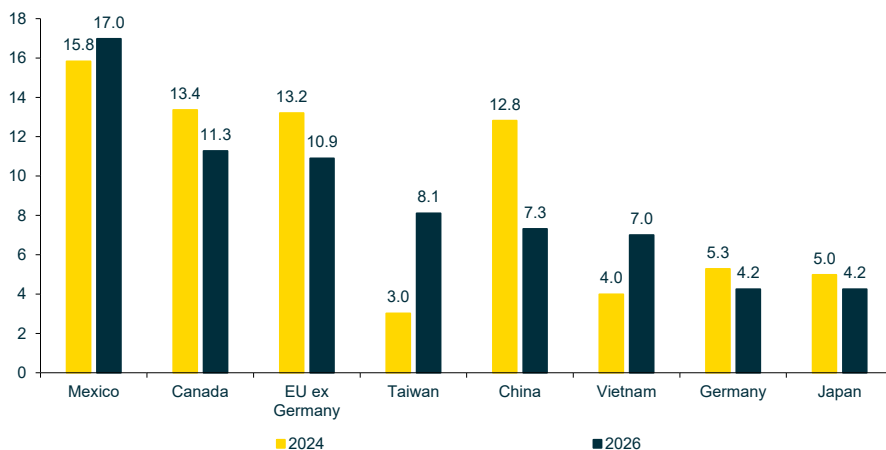
Source: US Census, Commerzbank Research

Significant Shifts in Trading Partners

While Donald Trump’s tariff policies have not reduced the trade deficit, there have been significant shifts in the relative importance of trading partners over a relatively short period of time:

- Most imports now come from Mexico, with the country’s share of imports rising to 17.0%. Although Canada is also part of the USMCA, it was at times in Trump’s crosshairs and has lost market share (Chart 5).
- The U.S. now imports significantly less from China; the country’s share of U.S. imports has fallen to 7.3%. However, there is suspicion that some Chinese goods are now entering the U.S. via indirect routes. Vietnam’s share, for instance, has risen significantly to 7%.
- The EU has also seen its importance decline significantly. Most recently, about 15% of U.S. imports came from the EU (of which 4.2% were from Germany); two years earlier, that figure was 18.5% (Germany: 5.3%).
- The sharp rise in imports from Taiwan (the country recently exported more goods to the U.S. than Germany) has little to do with tariffs, however. Rather—likely due to the AI boom—imports of semiconductors and electronic products have surged massively.

Chart 5 - US import structure is shifting: China and Europe lose market share
Share of imports from various regions of total US imports in %. Quarterly averages for Q1.24 and Q1.26



Source: US Census, Commerzbank Research

The U.S. government still has considerable leeway in its tariff policy, ...

If the recent decision by a U.S. trade court (the U.S. Court of International Trade) to overturn the new blanket 10% tariff rate is implemented, this would initially lower tariff rates. However, the government is likely to appeal to a federal appeals court, where some legal experts believe the Trump administration has a better chance of success. This is because, at this level, the executive branch was granted greater leeway regarding tariffs in the past. However, without an extension by Congress, this tariff will expire after 150 days anyway—possibly before a final ruling is issued.



From the Trump administration's perspective, it is merely a temporary solution until more permanent tariffs under Section 301 of the Trade Act can take effect. To do so, the U.S. government must first prove that other countries are engaging in unfair trade practices. The U.S. Trade Representative already commissioned 76 such investigations in March:

- Investigations are underway against 16 countries or groups of countries for “structural excess capacity” that is said to be harming the U.S. economy. These include the EU, Switzerland, and China.
- The U.S. Trade Representative is investigating approximately 60 countries for failing to sufficiently prevent the use of forced labor. In addition to numerous developing countries, the EU and Switzerland are also being targeted.

According to his statements, the U.S. Trade Representative intends to conduct these investigations swiftly in order to conclude the proceedings by July 24, 2026, at the latest (when the 150-day period for the 10% tariff expires), so that the new tariffs can then be imposed.

Section 301 authorizes the U.S. Trade Representative to

- impose tariffs or other import restrictions,
- withdraw or suspend concessions under trade agreements, and
- enter into binding agreements with the foreign government in question to either eliminate the alleged conduct (or the burden on U.S. trade) or compensate the United States through satisfactory trade benefits.

... no change in tariff policy is therefore to be expected, ...

In addition to the likely new tariffs under Section 301, the Trump administration will continue to rely on the sector-specific tariffs under Section 232, which already apply to steel, aluminum, and automobiles, among other things, and which are not affected by the court rulings. For instance, Trump recently threatened to raise tariffs on cars from the EU to 25% if the EU does not implement the provisions of the trade agreement from the summer of 2025. The EU promised to complete its homework by July 4.

However, the average tariff rate is likely to end up lower than it was at the peak of the tariffs last fall. The tariffs have proven unpopular, primarily because they drive up inflation. Against the backdrop of the additional inflationary pressure caused by the war with Iran, the public consistently gives the Trump administration very poor ratings on the issue of inflation in polls.

... not even if the Democrats win the midterm elections

Even a Democratic victory in the midterm elections would likely do little to change this prospect of further tariffs. For one thing, there are many supporters of a protectionist foreign trade policy even among the Democrats. For another, Congress would have to revoke the president's previous authorizations in this area. Even if a majority were found to do so, the president would veto it, which in turn could only be overridden with a completely unrealistic two-thirds majority in both houses of Congress.

[1] We calculate the effective tariff rates by dividing the tariff revenue reported by the Census Bureau by the value of goods imports. The data is available on a monthly basis; the most recent data is for March 2026. All tariff rates cited in this analysis are effective rates. ([back to text](#))



Analysts

^{AC}
Dr. Jörg Krämer
Chief Economist
+49 69 136 23650
joerg.kraemer@commerzbank.com

^{AC}
Bernd Weidensteiner
Senior Economist
+49 69 9353 45625
bernd.weidensteiner@commerzbank.com

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Frankfurt

Commerzbank AG
DLZ - Gebäude 2, Händlerhaus
Mainzer Landstraße 153
60327 Frankfurt
Tel: + 49 69 136 21200

London

Commerzbank AG
PO BOX 52715
30 Gresham Street
London, EC2P 2XY
Tel: + 44 207 623 8000

New York

Commerz Markets LLC
225 Liberty Street, 32nd floor,
New York,
NY 10281-1050
Tel: + 1 212 703 4000

Singapore

Commerzbank AG
128 Beach Road
#17-01 Guoco Midtown
Singapore 189773
Tel: +65 631 10000