

Policy Note



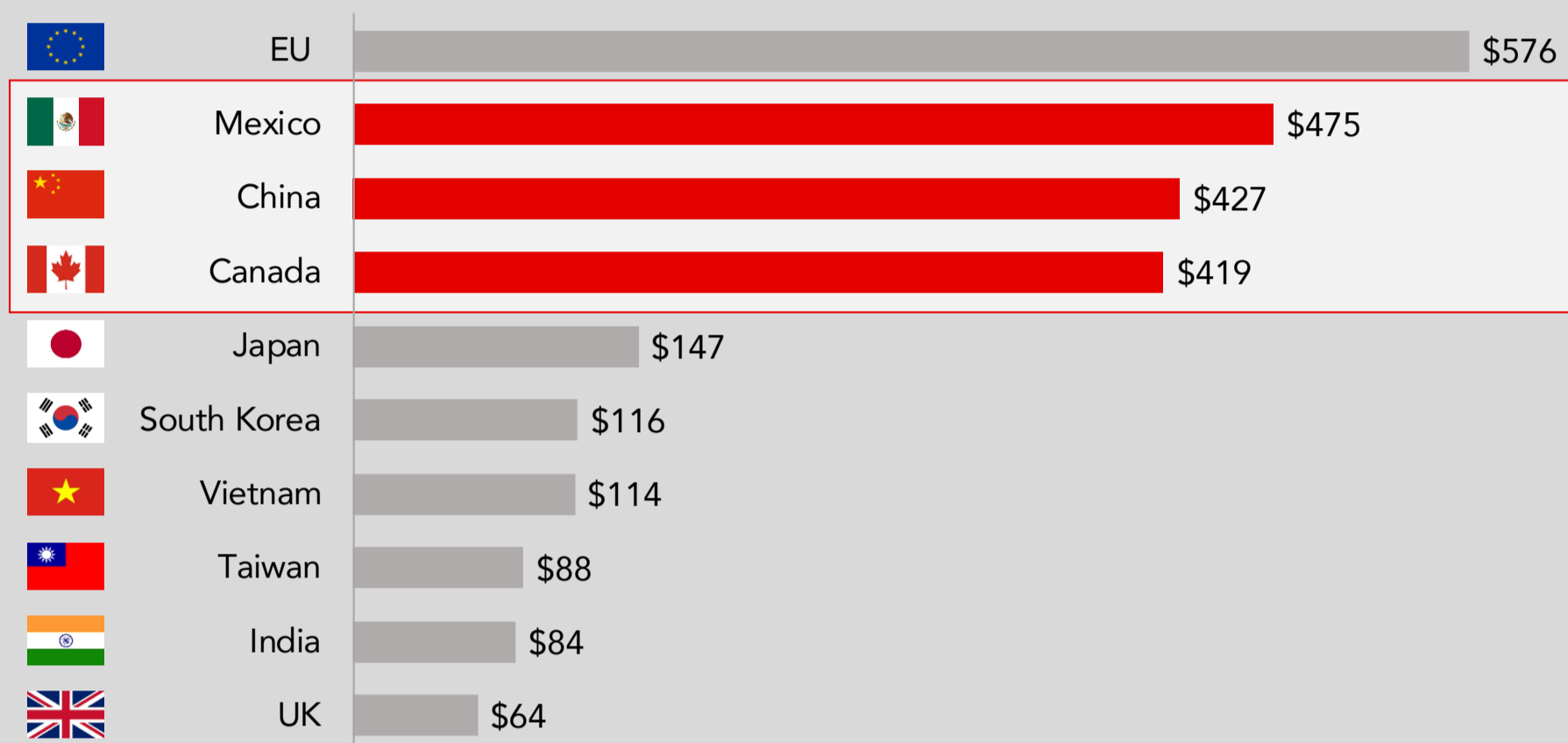
Click or scan to view our website and access past reports, policy notes and more.



Largest US Trading Partners at Epicenter of Round One

On Jan 31, President Trump announced tariffs on three of the US largest trading partners - Canada, Mexico and China - while indicating that additional tariffs on specific sectors and Europe will be forthcoming. Trade from the EU, Canada, Mexico and China account for approximately 60% (~ \$2 trillion) of total US imports.

Top 10 sources of US goods imports, USD bn



Larger, Sooner, More Pervasive This Time

The US has had trade deficits with 106 countries in 2022, up from approximately 80 countries in 1990. Trade war 2.0 will be greater in scale and scope, and markets should not dismiss the possibility of universal tariffs in early 2025 across all products, all countries. At a minimum, we expect more broad-based announcements involving many product categories and many countries (as happened on Jan 31) on a scale much larger than the 2018-19 trade wars.

■ US trade deficits



President Trump Tariff Proposals

25% tariffs on Mexico and Canada



10%+ additional tariffs on China, bringing total to **30-60%** (further escalation likely)



10%+ sector specific tariffs (pharma, semiconductors, metals)



10%+ tariffs on the EU, forthcoming



5-10% universal tariffs, possible



100% tariffs on companies moving production abroad, on countries circumventing US dollar trade



Source: (1) US Census Bureau. Data as of 2023. (2) SidleyAustin LLP. World Integrate Trade Solution. Full year data as of 2022.

Global Corporate & Investment Banking Capital Markets Strategy Team



Tom Joyce
Managing Director

Tom.Joyce@mufgsecurities.com
(212) 405-7472



Stephanie Kendal
Vice President

Stephanie.Kendal@mufgsecurities.com
(212) 405-7443



Angela Sun
Analyst

Angela.Sun@mufgsecurities.com
(212) 405-6952

“Macro stability isn’t everything, but without it, you have nothing.”