THE APRIL TARIFF SHOCKWAVE

Navigating the New Trade Landscape

The tariff shockwave is reshaping the global economic order. Nations and industries unprepared for these disruptions face economic fragmentation, rising costs, and shifting trade alliances. Strategic recalibration is essential to navigate this new geopolitical and economic landscape.

Please join our brief survey – click HERE

Beyond the Shockwave: Rewiring Global Trade

International firms will need to now reassess supply chains, diversify markets and adapting to new trade policies. Resilience, regionalization and agility are essential for navigating disruptions and maintaining competitiveness in a shifting economic landscape.

April 2025 *(Update as of 11th April 2025)*

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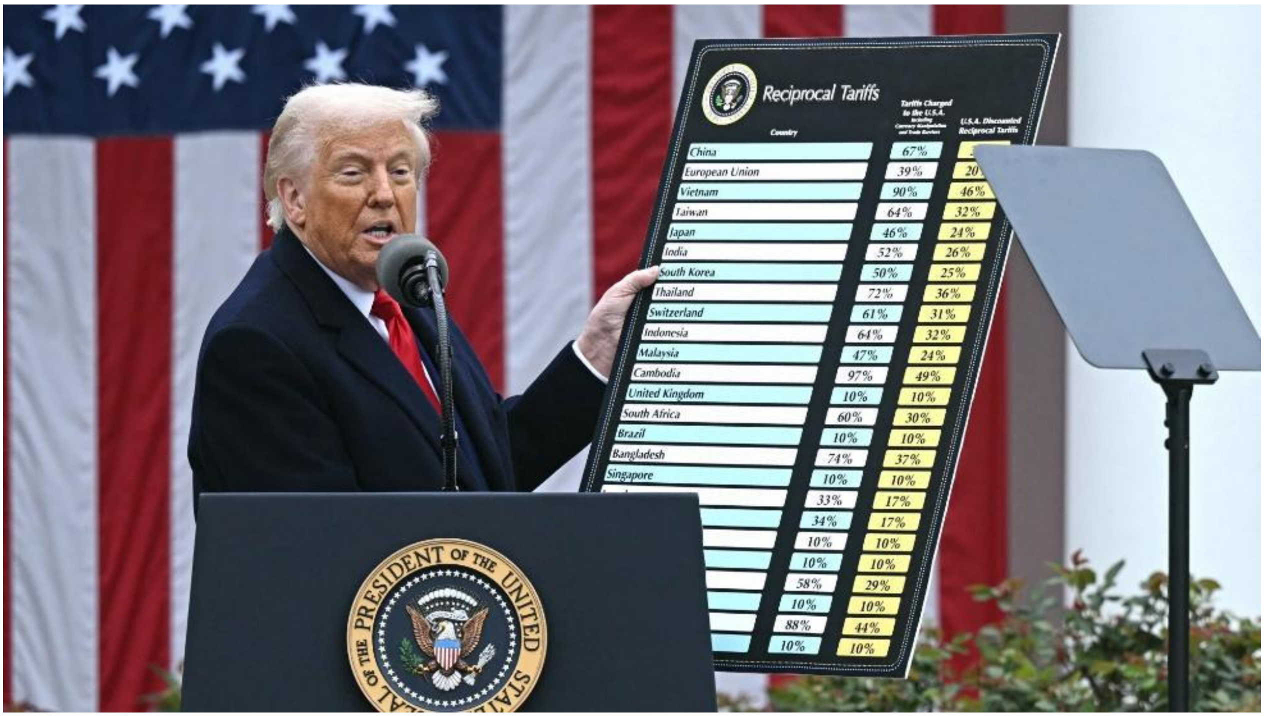
Liberation Day: The tipping point for global trade

On April 2, Trump shocked global markets by unveiling sweeping tariffs on all imports. A **flat 10% applies universally, while higher "reciprocal" rates** hit major trading partners like China and the European Union.

Framing it as "Liberation Day," Trump justified the tariffs as a push for economic independence, **addressing trade imbalances and protecting American industry**. The announcement triggered global criticism, raising concerns about inflation and retaliatory measures.



Trump justified the tariffs by pointing to significant U.S. trade deficits with various nations, applying a formula based on each country's export surplus. He argues his approach is fair, noting that he is only imposing half of the calculated tariff rate.

$$\text{Tariff Rate} = \frac{\text{U.S. Trade Deficit with Country}}{\text{Country's Exports to the U.S.}} \qquad 🇨🇳 \quad = \frac{295\ \text{billion USD}}{439\ \text{billion USD}} \times 100 = 67\% \,/\, 2 = 34\%$$

While the long-term consequences are yet to be fully determined, Trump's **tariff announcements are most likely to have catastrophic effects**, disrupting globalization, provoking widespread retaliation, and severely destabilizing global trade, ultimately harming economic growth and international cooperation.

Global backlash erupted swiftly following Trump's tariff announcement. While the European Union and other nations remain in a 90-day holding pattern, weighing concrete countermeasures, **China responded decisively, signaling strong opposition to U.S. trade aggression.** After Beijing imposed retaliatory tariffs, tensions escalated rapidly and on daily basis, with China now levying a total 125% on all U.S. imports, the U.S. has steadily raised its own tariffs to a sweeping 145% on all Chinese goods (*as of 11 April*).

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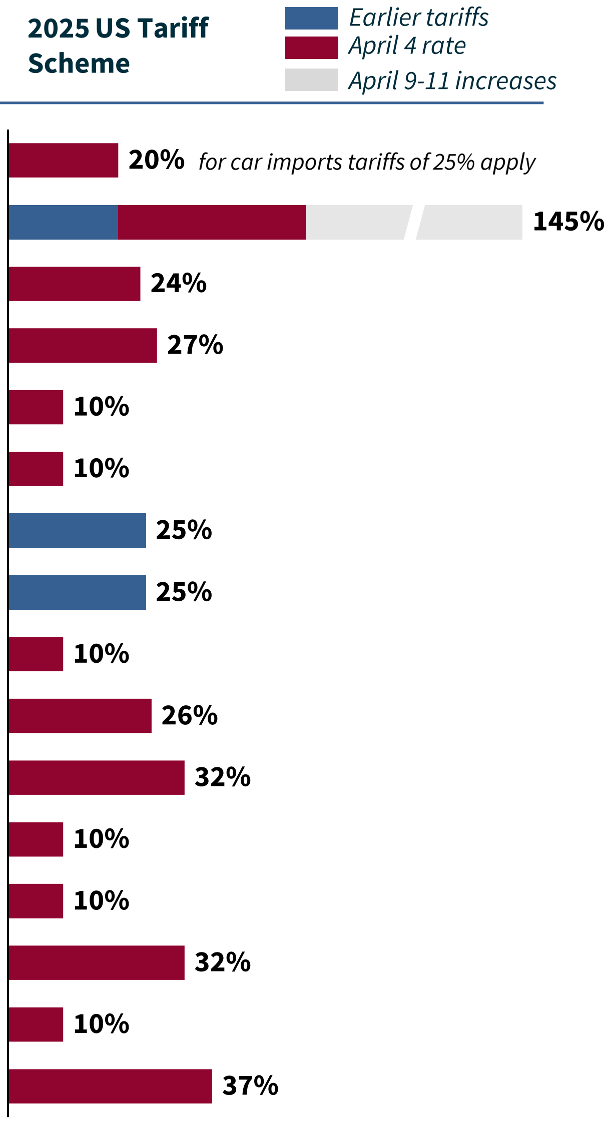
Selected Countries: Reciprocal Tariff List

At first glance, Trump's tariffs may seem obscure and random, but the underlying target becomes clear: a tough stance **towards the EU as the largest importer, while targeting China as a rival.** Southeast Asian countries like Vietnam (46%) and Cambodia (49%) face the highest tariffs, likely targeted indirectly at China, as Vietnam and other **Southeast Asian nations are considered part of China's broader supply chain or "backdoor" routes** for Chinese-made goods.

Selected countries *(ranked by GDP)*	**GDP '24** *(bln USD)*	**Exports to US '24** *(bln USD)*	**Share of US Imports**	**2025 US Tariff Scheme**
European Union	19,403	606	18.5%	**20%** *for car imports tariffs of 25% apply*
China	18,273	439	13.4%	**145%**
Japan	4,070	148	4.5%	**24%**
India	3,889	87	2.7%	**27%**
UK	3,588	68	2.1%	**10%**
Brazil	2,188	42	1.3%	**10%**
*Canada**	2,215	413	14.0%	**25%**
*Mexico**	1,848	506	14.7%	**25%**
Australia	1,802	17	0.5%	**10%**
Korea	1,870	132	4.0%	**26%**
Indonesia	1,403	28	0.9%	**32%**
Turkiye	1,344	17	0.5%	**10%**
Saudi Arabia	1,101	13	0.4%	**10%**
Switzerland	942	63	1.9%	**32%**
Argentina	604	7	0.2%	**10%**
Thailand	529	63	1.9%	**37%**



Source: IMF, U.S. Census Bureau, EAC research and analysis

**Baseline and reciprocal tariffs announced April 2nd do not apply to Russia, Canada, or Mexico. Russia is excluded due to existing economic sanctions and minimal trade with the U.S. Tariffs on Canada and Mexico were announced in February 2025 (25%) with a reduction to 10% for Canadian potash and energy (not compliant with CUSMA).*

Product specific tariffs on automobiles and automotive components (25% from May 2025 onwards), steel and aluminum (25%), part of Trump's plan for 100% US-made automobiles, are thought to be separate from reciprocal tariffs.

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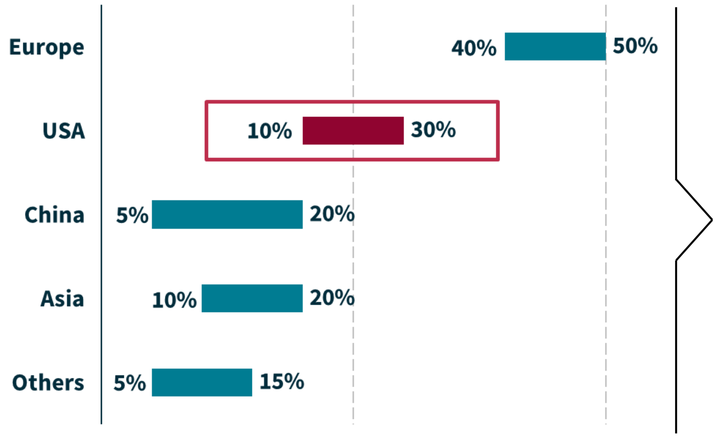
Impact on Global Businesses of EAC Clients

While Trump has excluded tariffs on semiconductors, pharmaceuticals, lumber, bullion and some energy and minerals for now, there remain widespread impacts to global supply chains with added uncertainty over the longevity of tariff exemptions.

International firms with significant sales exposure to the US. will **encounter multiple challenges, including higher costs and reduced competitiveness**, necessitating adjustments in pricing strategies, supply chain management, and market positioning.

Typical sales split European companies by regions (illustrative)



- ⚠ Cost increase and margin pressure
- ⚠ Decreased competitiveness
- ⚠ Supply Chain restructuring
- ⚠ Delays in product delivery
- ⚠ Administrative burden
- ⚠ Inventory management challenges
- ⚠ Legal and contractual complications
- ⚠ Customer relationship strain

The new tariffs will have **widespread impacts, disrupting global supply chains**, increasing costs, and affecting key trading partners, creating uncertainty and reshaping trade dynamics across multiple sectors and international markets.

Japan, Korea, Germany *facing higher costs and margin erosion (German OEMs with 11 bln EUR margin impact1))*

Increased tariffs on textiles and clothing from ***Asia*** *and cost increase for* ***European*** *fashion and apparel brands*

Major tech suppliers ***Taiwan, South Korea, and China*** *to encounter supply chain disruptions and price hikes*

Saudi Arabia, Canada, Mexico *as major oil exporters to the U.S., face price volatility and export challenges*

India, China, and Europe *as key suppliers for pharmaceuticals face cost increases and potential supply chain disruptions*

New tariffs will majorly impact U.S. steel imports from ***Canada, Brazil, South Korea, and Mexico***

Brazil, Mexico, and Canada *as major agricultural exporters will face reduced access to U.S. markets*

New tariff announcements will impact U.S. imports of machinery and industrial equipment from ***Germany, Japan, China***

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1) according to Bernstein Research, German OEMs BMW, Mercedes Benz and Volkswagen will see 11 bln EUR of additional tariff cost burden, equal to 2% (BMW) and 2.2% (Mercedes-Benz) of margin loss

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Plan Your Next Moves Strategically

EAC – International Consulting offers strategic support to international companies, helping them **reassess their globalization playbook, optimize supply chains, navigate tariff challenges**, and adapt to evolving trade dynamics, ensuring long-term success in global markets.

The past days have been marked by significant turbulence, and **the feedback from our clients reflects a wide range of responses**. While some companies remain in a state of paralysis or are adopting a ‘*wait-and-see*’ approach until the dust settles, others have **swiftly shifted into crisis mode, initiating short-term tactical measures** such as:

- **Reallocating inventory to U.S. warehouses**
- **Renegotiating prices with suppliers**
- **Evaluating the feasibility of price adjustments for U.S. customers**
- **Critically reviewing margin buffers across distribution channels**

Given the unpredictable and rapidly changing tariff situation, many companies are opting for close monitoring as the situation unfolds. It’s essential to stay informed, as there may even be a reversal of tariffs due to global and domestic pressures. But it is critical to start reassessing your global supply chain and strategic options in the coming weeks:

SUPPLY CHAIN ASSESSMENT	Evaluate current suppliers and assess sourcing impact across jurisdictions. Are your materials or components cost-effective and "structurally sticky," or can alternatives be sourced with manageable switching costs and complexity?
PASSING COSTS TO CUSTOMERS	Consider whether you can pass additional costs onto your customers. What is their willingness or ability to absorb these increases, and how might this affect your competitive position in the market?
COMPETITIVE POSITIONING	Evaluate how your tariff-adjusted pricing compares to your competitors. Are you facing a greater impact than your competition, and how does your value proposition stand up against theirs in this evolving environment?
SHORT-TERM DIVERSIFICATION	Look beyond the U.S. to other markets that could help absorb the impact. Identify quick-win opportunities in the short term, particularly as tariff negotiations evolve or potentially escalate.

As a strategic advisor with a presence in all major markets, **EAC – International Consulting is closely monitoring the evolving tariff landscape** and its implications for global businesses. We are committed to keeping our business community informed and prepared by sharing timely updates and actionable insights.

As part of this initiative, we **invite you to participate in a brief anonymous survey** (***start the survey here***) designed to understand how companies are responding to recent and potential tariff developments between the US and key trade partners. Your input will help shape a collective perspective which we will share in our upcoming coverage.

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Contact us to discuss potential support options

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