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Potential Consequences of Changes in US Customs Policy for the Polish Economy

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0.38-0.43%

Potential decrease in Poland's GDP as a result of an additional 25% tariff on all imports from the EU to the US

0.11-0.15%

Estimated decrease in Poland's GDP due to the extension of existing steel and aluminum tariffs to the automotive sector

3-4%

Potential decline in exports from the Polish mining and extraction sector due to the currently imposed US tariffs

2.6%

Share of Poland's GDP generated by US demand for Polish added value

57%

Share of the USD 23 billion worth of Polish added value consumed in the US that reaches the US indirectly through other countries

2nd

The US is Poland's second-largest partner for value-added exports, after Germany

11%

Proportion of Polish value-added consumed in the US that is routed through Mexico and Canada

40%

Share of Polish companies that recognise the potential negative impact of tariffs on their operation

USD 1.2 billion

Total US trade deficit in 2024

USD 236 billion

Negative trade balance between the US and the EU

Key Findings

- **The tariffs imposed by the United States on the European Union will have an impact on the Polish economy**. This is due to the fact that the US is the second-largest recipient of Polish added value globally, after Germany. In 2023, final demand from the US accounted for 2.6% of Poland's GDP and approximately 3% of its employment. The majority of this demand (57%) is met by indirect exports via other countries, including Germany, Mexico, and Canada. In terms of direct exports from Poland, the US ranks only as the eighth-largest trading partner.
- **The extent of the impact will depend on the final scope of the tariffs. According to estimates by the Polish Economic Institute (PEI), the current tariffs on steel and aluminium, along with those on all products from China, as well as retaliatory measures announced by China and the European Union, are expected to reduce Poland's GDP by 0.11% in the short term**. The consequences of the imposed tariffs may be most severe for the mining and quarrying sector, where exports could decline by 4 to 5%. Extending tariffs to the global automotive sector at a rate of 25%, the Polish economy would experience only a slightly greater decline, with GDP falling by 0.12% without tariffs and by 0.15% if additional EU retaliatory measures were applied. An earlier EY study, based on similar assumptions, presented a slightly lower cost estimate for the Polish economy.
- **According to estimates by the Polish Economic Institute (PEI), Poland's GDP could be reduced by less than 0.5% in the event of a trade war between the European Union and the US**. Such negative consequences would affect the Polish economy if the US were to impose an additional 25% tariff solely on products from the European Union. Concerns about the potential impact of tariffs are expressed by 40% of entrepreneurs in Poland surveyed by PEI.
- **The US administration appears to be pursuing multiple objectives simultaneously, which may reduce the effectiveness of its actions and worsen the economic situation both in the US and worldwide**. Three main goals are most frequently cited: reducing the trade deficit, shifting revenue generation from traditional taxation to tariffs, and strengthening the US's negotiating position with its trade partners. Improving the competitiveness of the US industrial sector is also a recurring theme. In light of economic literature, tariffs do not appear to be the most effective tool for achieving even one of these objectives, let alone all of them simultaneously.
- **Countries with particularly unbalanced relations with the US may feel particularly threatened by a potential trade war — both in economic terms (such as Mexico or Canada) and in the area of security (such as Poland and other EU member states)**. In the case of the latter, the US administration does not rule out the possibility of threats involving the partial withdrawal of support in areas related to security policy. The current US administration's trade policy is primarily a tool of domestic politics, not limited solely to economic matters.

Announced Reciprocal Tariffs

According to the decision of the US administration of 2 April:

- **As of 5 April, a basic tariff rate of 10% was imposed on all goods imported into the US**.
- **As of 9 April, certain countries listed in the annex to the Executive Order of the President of the US will be subject to higher tariff rates**. Additional tariffs (including the universal 10% duty) will range from 10% to 50%. These include the European Union, with a 20% tariff; China, with a 34% tariff in addition to the existing 20%, resulting in a total additional tariff of 54%; and Southeast Asian countries, with rates of up to 50% (e.g. Cambodia – 49%, Laos – 48%, Vietnam – 46%)
- Tariffs were determined by dividing the size of the US trade deficit by the value of imports from a given country, then halving the result. However, if this calculation yields a rate below the universal 10%, the tariff is set at 10%.
- **The newly imposed tariffs are applied independently of any previously established tariffs, except in the case of China**. Canada and Mexico were not included in the list, but remain subject to a 25% tariff unless their goods meet the trade conditions of the USMCA. As of 3 April, cars became subject to an additional 25% tariff, while tariffs on car parts will take effect by 3 May. Tariffs on steel and aluminium, in place since 12 March, remain unchanged.
- **Annex II lists in detail the products exempt from tariffs**, primarily raw materials and semi-finished goods such as: mineral fuels, strategic raw materials (rare earth metals, copper, timber), selected organic and inorganic chemical products, fertilisers, rubber, certain precious and base metals, ferroalloys, pharmaceutical products, as well as microprocessors and semiconductors. President Trump has announced the introduction of further tariffs on specific goods, including semiconductors. It is important to note that the tariff calculations also accounted for imports of products that are otherwise exempted.

The implementation of the announced tariffs is expected to reduce Poland's GDP by 0.4% within approximately one year of their introduction, compared to the baseline scenario. The new tariffs may lead to significant declines in Polish exports, particularly in the food and tobacco manufacturing sector (a decrease of around 5%) and in wholesale trade (a decrease of 3%). The automotive sector is likely to experience a much smaller decline in exports, estimated at 1%. Domestic production is also expected to fall, with the most severe impact on agriculture, food production, clothing manufacturing, and transport services. Output in the automotive sector is projected to decline by approximately 0.9%.

The Executive Order appears to invite trade partners to enter into dialogue with the US administration. The additional tariffs may be subject to revision (they will remain in place for as long as the President of the US deems appropriate). This creates a sense of uncertainty among businesses, both in terms of product orders and potential investment decisions.

Updated April 8, 2025

Poland–US Trade Relations

Direct Trade Exchange

The United States is Poland's eighth-largest export partner in goods trade. The value of Poland's direct exports to the US increased to USD 12.6 billion in 2024, a rise of 6.3% year on year. Direct exports to the US accounted for 3.3% of Poland's total goods exports. Particularly important in exports to the US are products from the machinery sector, such as turbojet and turboprop engines. In addition, service exports form a significant component of the bilateral trade. In 2023, Poland exported services valued at USD 10.4 billion to the US, nearly matching its goods exports, which totaled USD 11.8 billion.

Poland records a negative trade balance in goods with the US. The gap between imports and exports widened in 2022, largely because Poland increased its imports of liquefied natural gas from the US following Russia's invasion of Ukraine. Imports from the US rose from USD 10.6 billion in 2022 to USD 16.5 billion in 2024.

Chart 1. Trade in Goods between Poland and the United States (in USD billion)

Source: Prepared by PEI based on data from the Central Statistical Office (GUS).

In 2024, goods originating from the USA accounted for 5% of Poland's imports (USD 19 billion, an increase of 17% y/y), making the USA the third-largest import partner for Poland. Direct imports from the USA to Poland are concentrated primarily in mechanical equipment and fuels. In 2024, imports of fuels and mineral oils from the US increased by 83%, and direct imports from the US accounted for 12% of Poland's total fuel imports.

Chart 2.1 Export of Goods from Poland to the US (in USD billion) – Largest Categories

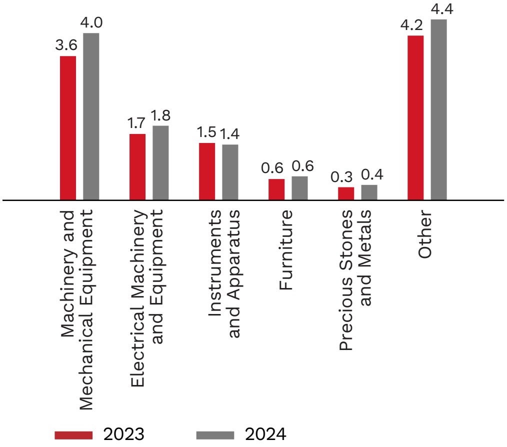
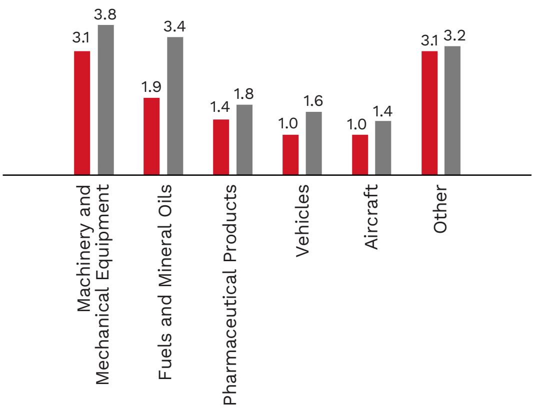


Chart 2.2 Import of Goods from the US to Poland (in USD billion) – Largest Categories



Source: Prepared by PEI based on data from the Central Statistical Office (GUS).

Export of Polish Value Added

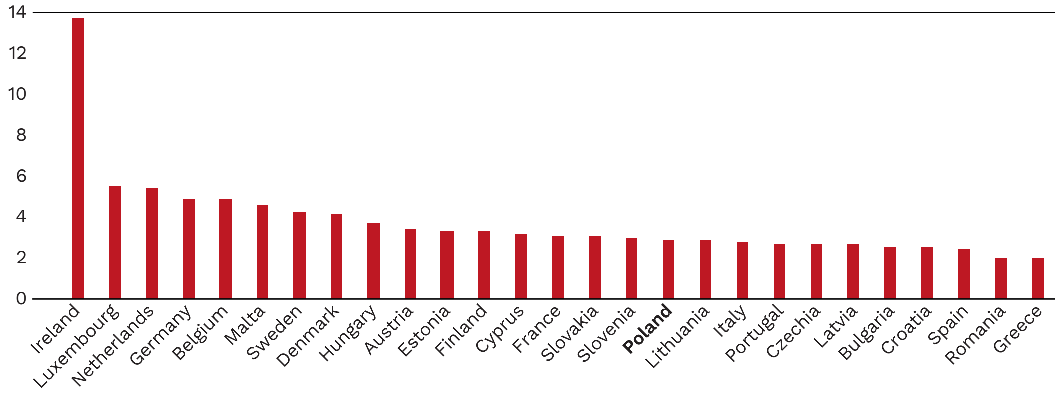
Through its membership in the European Union, Poland has become a permanent part of the supply chains of European enterprises. This means that a significant share of its exports consists not only of deliveries of final products, but also of an extensive production cycle in which goods or services are created across multiple countries before reaching the target market. As a result, Polish value added reaches the US not only through direct exports, but also indirectly, embedded in the products and services of other countries.

The United States accounts for approximately 2.9% of the final consumption of value added generated in Poland.[1] In 2023, Poland exported USD 21.8 billion in Polish value added in goods and services to the US, equivalent to around 2.6% of GDP. For comparison, Germany consumed USD 64.7 billion in Polish value added. Poland's dependence on US demand is lower than that of its main economic partners. In 2023, Germany exported USD 203 billion

[1] Trade data describe only direct trade relations between countries. However, economic interconnections also occur through global supply chains. Based on the Multiregional Input–Output Tables (MRIOT) of the Asian Development Bank (ADB), we identified economic linkages that take into account the export of goods and services, including flows through intermediary economies. The calculations were performed using scripts developed by K.S. Reyesa (2023).

in value added to the US, accounting for 4.9% of the value added it generated. For France, this figure was USD 88 billion, representing 3.1% of its value added.

Chart 3. Share of Final Demand in the Consumption of Value Added in EU Member States in 2023 (%)



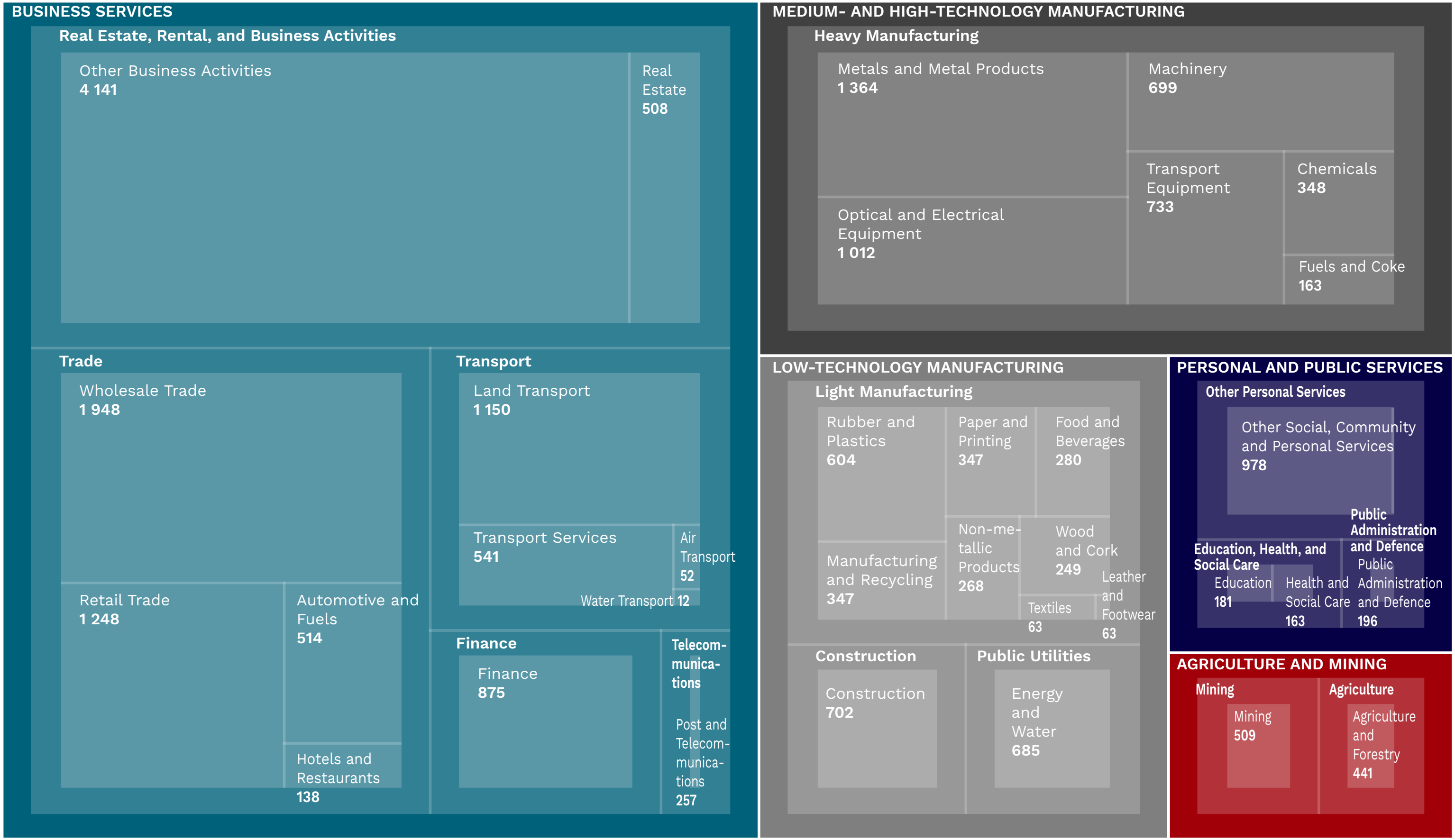
Source: Prepared by PEI based on data from ADB MRIO.

Chart 4. Comparison of the Share of Poland's Exports to the US in Total Polish Exports of Goods and Services, and the Share of US Final Demand in Global Final Demand for Polish Value Added (%)

Source: Prepared by PEI based on data from GUS, ADB MRIO.

In 2023, services emerged as the most critical component of value added flows, both when supplied directly to the US and indirectly through their contribution to the value added generated in other countries. While in direct

Chart 5. Final Demand from the US for Polish Value Added in 2023 by Sector (in USD million, current prices)



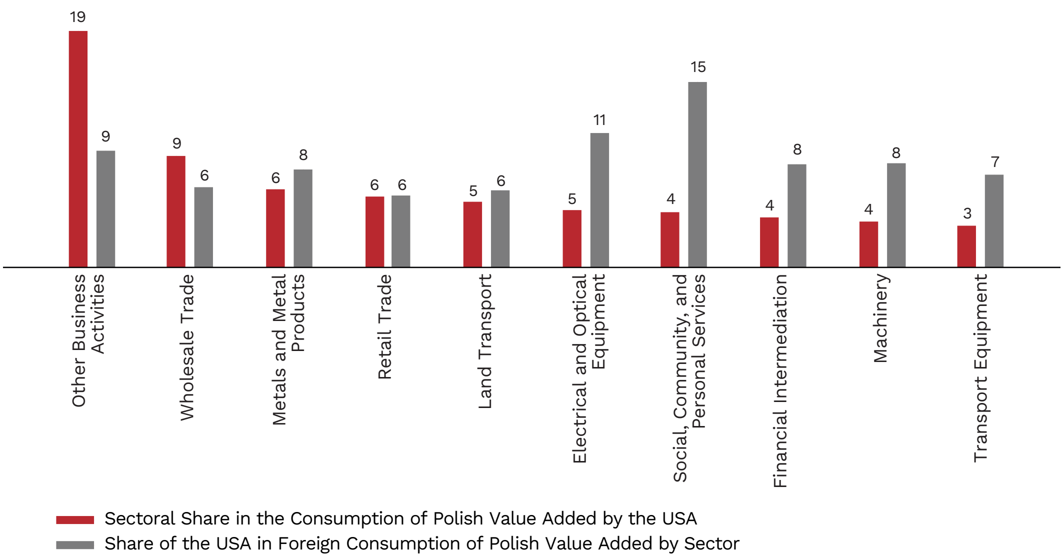
Source: Prepared by PEI based on data from [ADB MRIO](#).

exports to the US services accounted for 47% of the value of deliveries, final demand for Polish value added generated in services represented 59% of the Polish value added reaching the US. Within the services category, other business activities – encompassing sectors such as IT and consultancy – were the most significant, contributing USD 4.1 billion. In the industrial sector, heavy industry led exports of value added with USD 4.4 billion, driven primarily by metal products (USD 1.4 billion), electrical and optical equipment (USD 1.0 billion), and machinery (USD 0.8 billion). Additionally, Poland's light industry contributed USD 2.2 billion in value added to the US market.

Among the leading sectors exporting value added to the US, demand from the American market does not exceed 10% of the foreign consumption of value added in those sectors. Among the major exporters of industrial goods, producers of electrical and optical equipment face greater exposure, where demand from the US accounts for 11% of value added.

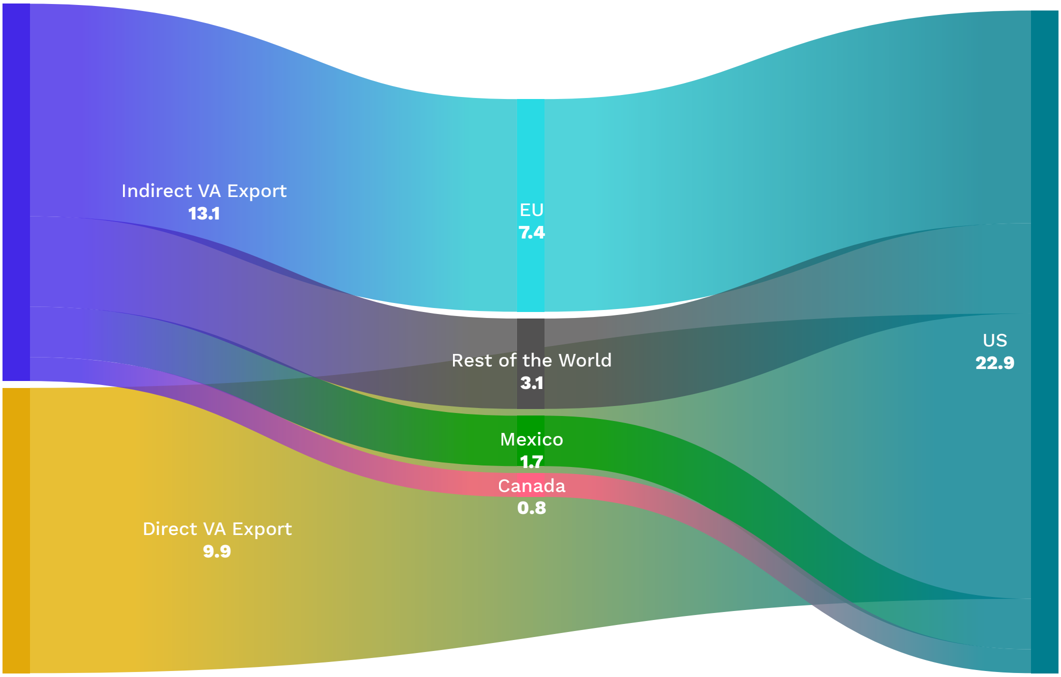
Most of the Polish value added consumed in the US reaches it indirectly. Estimates based on ADB MRIO tables indicate that approximately 57% (around USD 13.1 billion) of Polish value added is transferred to the US indirectly through other countries. Among these, the largest direct exporters of Polish value added EU member states (USD 7.4 billion), with Germany alone accounting for USD 2.9 billion.

Chart 6. Structure of US Consumption of Polish Value Added in 2023 (%)



Source: Prepared by PEI based on data from ADB MRIO.

Chart 7. Decomposition of Indirect and Direct Exports of Polish Value Added Consumed in the US in 2023 by Final Exporting Country (in USD billion)



Note: Estimates based on the methodology of Ł. Ambroziak (2018).[2,3]

Source: Prepared by PEI based on data ADB MRIO.

The imposition of tariffs on Canada and Mexico by the US also affects Polish supply chains. In 2023, Mexico was the second-largest direct exporter of Polish value added to the US with exports totaling USD 1.7 billion – second only to Germany. Canada followed as the third-largest, contributing USD 0.8 billion. **The impact of retaliatory tariffs imposed by Canada and Mexico on the US is expected to be smaller than that of tariffs imposed by the US**. In 2023, the United States accounted for USD 0.4 billion of Polish value added ultimately consumed in Canada, and USD 0.3 billion in the case of Mexico.

[2] Ł. Ambroziak (2018), *Value Added in Foreign Trade of the New Member States of the European Union*, SGH Publishing House, Warsaw.

[3] Note: The decomposition presented in Chart 7 reflects only the direct exporter of Polish value added to the US that is ultimately consumed in the US. The total value of Polish exported value added differs slightly from the figure presented above due to a different calculation method.

Polish Exporters Fear the Consequences of Imposed Tariffs

The trade war between the US and the European Union may affect the operations of Polish companies primarily through indirect channels. According to a PIE survey conducted in March 2025, approximately 40% of Polish firms see a potential impact of US tariffs on their business. Among these, 15% cited negative effects stemming from cooperation with US-based companies, 46% anticipated a weakening of EU economic conditions triggered by the tariffs, and 43% expected an increase in US import costs in the event of a trade war.

According to the results of PIE's exporter survey conducted in January 2025, **among Polish companies exporting in 2024, 20% supplied their products to the United States** — of which 3% identified the US as their primary sales market. These exporters represented a variety of manufacturing sectors, with the highest concentration in the food products sector (15%) and rubber and plastic products (11%). **A clear majority (64%) were large enterprises employing over 250 people**. A typical US exporter from Poland tends to be a large firm characterized by high adoption of modern technologies and greater innovativeness, with 83% of firms reporting these traits. These companies are more strongly integrated into the global market, with over half (51%) recording export values that exceeded EUR 10.1 million. As a result, they felt the impact of the global economic and trade slowdown in 2024 more strongly, with 74% experiencing significant effects compared to 68% among all surveyed exporters.

Imposed and Announced Tariffs

Imposed Tariffs:

4 February – Additional 10% tariff imposed on imports from China (Chinese retaliatory measures took effect on 10 February).

4 March – End of the delay in the introduction of 25% tariffs on goods from Canada and Mexico.

4 March – Another additional 10% tariff imposed on imports from China.

6 March – Exemption of goods meeting USMCA requirements from tariffs on Canada and Mexico.

12 March – 25% tariffs on steel and aluminium, announced on 10 February, came into force.

26 March – Announcement of 25% tariffs on cars imported from around the world, effective from 3 April, and on car parts (to take effect no later than 3 May).

Announced Tariffs:

2 April – Reciprocal tariffs: The administration announced an increase in US import tariffs to match the tariff rates applied by US trade partners. On 21 March, it was indicated that this measure would apply only to a few countries with trade deficits. **The 25% tariff on cars imported from the EU, along with "all other goods" mentioned by Donald Trump on 26 February, also falls within this category**. It remains unclear how these measures relate to the previously announced tariffs on cars set to take effect on 3 April.

Early April – Retaliatory tariffs announced: The US administration announced plans for retaliatory tariffs in response to digital taxes and regulations aimed at moderating online content (as outlined in a memorandum issued on 25 February). Digital taxes have been introduced by France, Austria, Italy, Spain, the United Kingdom, Turkey, and Canada. On 21 March, it was suggested that this issue would be taken into account in future tariff measures.

Announcement of tariffs of 25% or higher on semiconductors and pharmaceutical products, planned for later in the year (announced on 19 February).

Reciprocal Tariffs – Differences in Average Tariff Rates

The largest differences between tariffs imposed on the United States by the European Union and those imposed by the US on the EU occur in food products (WTO WITS data). In these categories, however, trade between the EU and the US is limited — in none of the main product categories does it exceed 1%.

The introduction of reciprocal tariffs would not significantly increase tariff rates for the key products exported from Poland to the US. The product groups with the highest direct export value to the US are machinery and electrical equipment. Turbines used, among other applications, in aircraft engines account for 8.0% of export value, while lithium-ion batteries represent 5.7%.

Consequences of Customs Policy – Estimates

Previous Research

Previous studies indicate the negative economic impact of US tariffs on the economies of both the US and other countries worldwide. According to an EY report, the introduction of universal 10% tariffs on the EU-27 and the rest of the world, 60% on China, and 25% on Canada and Mexico would result in a cumulative GDP decline of 2.0% to 2.2% in the EU and the US by 2027. Canada and Mexico would be more severely affected due to disproportionately higher tariffs. **In Europe, Ireland and Hungary would be hit hardest, with GDP losses of 3.0% to 3.3%. In this scenario, the impact on Poland would amount to 1.3% of GDP**.

Other estimates suggest a lower impact on the EU. According to a study by the LSE, a similar scenario (excluding tariffs on Mexico and Canada) would have a more moderate impact, reducing EU GDP by just 0.11%. Citibank forecasts a 0.3% GDP loss over two years, while Goldman Sachs estimates that retaliatory measures would reduce US GDP growth in 2025 by 1 percentage point. An OECD simulation of US tariffs of 10% on all goods except raw materials, with symmetrical 10% responses from all trading partners, indicates the greatest losses in the third year for Mexico (1.3% of GDP), the US (0.7%), and Canada (0.6%), with only a minor loss for the eurozone (0.17%).

According to a study by IfW Kiel, if the US were to impose 25% tariffs only on the EU, the EU would suffer more significant consequences — both if it retaliated and if it did not. In the first case, EU GDP would decrease by 0.4%, and US GDP by 0.2%. In the absence of retaliation, the losses would be even higher: over 0.5% for the EU and nearly 0.3% for the US.

Sector-specific tariffs would cause smaller losses for the EU. According to IfW Kiel, 25% tariffs on steel and aluminium would reduce EU GDP by only 0.02% in the first year, as steel and aluminium account for 5% of EU exports, but less than 30% of those exports are destined for the US. The US, Mexico, and Canada would bear significantly higher costs, with the US losing 0.41% of GDP. **According to an EY general equilibrium model, the impact of tariffs on the EU automotive, steel, and aluminium sectors would be limited to around 0.2% of GDP by 2027. In this scenario, the impact on Poland would be below 0.1% of GDP**. Slovakia, Sweden, and Hungary would be the most affected countries (0.3% to 0.4%), while most Southern and Nordic European countries would experience only marginal effects. In the long term (beyond two years), sectors subject to tariffs would likely see a decline in value added of 2% to 4%. There may also be attempts to shift production to countries not affected by tariffs — for example, part of the EU's car production could be relocated to Canada, provided tariffs are not imposed on Canadian goods.

US tariffs may further exacerbate challenges in the EU automotive sector. Since 2018, there has been a visible trend of increasing production of German vehicles in the US, potentially as a result of repeated tariff threats from the first Trump administration. Studies of production relocation between 2018 and 2023 point to a decline in car manufacturing in Germany and France, alongside a sharp increase in the production of German vehicles in the US and China, and of French brands in Africa and Asia. The most vulnerable to US tariffs are economies that rely heavily on automotive exports, such as Slovakia and Germany. Oxford Economics estimates that a 25% tariff on EU automotive goods would reduce German automotive exports by 7.1%.

PEI Estimates for Poland

Potential trade tariffs announced by the Donald Trump administration may negatively impact various economic sectors and GDP levels across European countries, including Poland. However, the scale of this impact will depend on the implemented trade policy scenario adopted and the economic structure of each country. To quantify these effects, an analysis was carried out using the KITE model (Kiel Institute Trade Policy Evaluation), which builds on the methodology developed by Caliendo i Parro (2015).

The analysis employs a general equilibrium model that incorporates the complexity of global supply chains and international trade flows. The study is based on integrated data from several sources: inter-industry flow tables from the FIGARO database (2022), trade and tariff information from the WITS database (2022), and sector-specific elasticity parameters. For the manufacturing industry, elasticity parameters from Fontagné et al. (2022) and Eppinger et al. (2023) were used, while for service sectors, values from studies by Freeman et al. (2021) were applied. The study covers 46 countries and 62 economic sectors, with 2022 serving as the reference year for the data.

Scenarios

The study includes three scenarios designed to reflect different possible variants of tariff policy escalation:

1. **Scenario in line with current announcements:**

   Assumes the introduction of tariffs on steel and aluminium imported into the US from all countries, as well as a 20% tariff on all goods from China. The scenario also takes into account trade responses from China, Canada, and the European Union.

2. **Scenario extended to include the automotive sector:**
    - **Scenario 2a:** Identical to the first scenario, with the additional introduction of a 25% tariff on the automotive sector imported into the US from all countries.
    - **Scenario 2b:** In this variant, in addition to the tariffs on imported products, all countries introduce retaliatory tariffs on the US automotive sector (also at a rate of 25%).
3. **Scenario of a severe trade war with the EU:**
    - **Scenario 3a:** Assumes that, in addition to the existing tariffs from Scenario 1, the US imposes a 25% tariff on all products imported exclusively from the EU.
    - **Scenario 3b:** In this variant, EU countries respond by introducing a 25% tariff on all products imported from the US.

Table 1. Model Tariff Scenarios by Sector and Country

Scenario	Tariff Rate (%)	Sector Subject to Tariff	Country Imposing Tariff	Country Imposing Tariff
1	25	Steel, Aluminium	US	Entire World
	20	All	US	China
	25	Based on Tariff Deltas	Canada	US
	10-15		China	US
	25		EU	US
2a	Scenario 1 +			
	25	Automotive	US	Entire World
2b	Scenario 1 +			
	25	Automotive	US	Entire World
	25	Automotive	Entire World	US
3a	Scenario 1 +			
	25	All	US	EU
3b	Scenario 1 +			
	25	All	US	EU
	25	All	EU	US

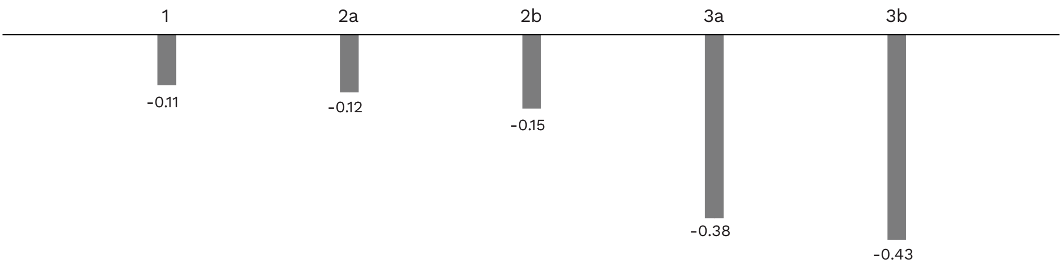
Source: Prepared by PEI.

Estimated Impact

The most severe outcome arises in the scenario of a full-scale trade war between the US and the EU, combined with EU retaliation (Scenario 3b). Compared to Scenario 3a (a trade war without retaliatory measures, resulting in a 0.38% decline), this scenario leads to an even greater reduction in Poland's GDP (0.43%). This is primarily due to the deeper disruption of supply chains caused by additional tariffs imposed by both sides and the broader scope of restrictions on international trade. These effects result in higher production costs, reduced market access, and increased market uncertainty – factors that, in turn, limit investment and exports by Polish companies participating in global supply chains that serve both the EU and the US.

In the other scenarios – 1, 2a, and 2b – the decline in Poland's GDP is relatively moderate (ranging from −0.11% to −0.15%). Nevertheless, all scenarios underscore the negative impact of these tariffs on the Polish economy, particularly given Poland's export dependency and its integration in global value chains with key trading partners.

Chart 8. Estimated Impact of Different Trade Policy Scenarios on Poland's GDP (preliminary results, %)



Source: Prepared by PEI based on FIGARO (Eurostat, 2022) and WITS (World Bank, 2022).

In the short-term analyses of changes in Polish exports in Scenarios 1, 2a, and 2b, differentiated sectoral effects were observed. The sectors expected to experience a significant decline in exports in these variants include:

- **Mining and quarrying** (a decrease of 3-4%), probably due to the use of coking coal in steel production, which has been subject to tariffs.
- **Transport services** (a decrease of 1.5%), resulting from a general reduction in international trade.
- **Automotive sector** (a decrease of 1.5%).

In the sector most directly affected by the tariffs — basic metals manufacturing — a decline in exports is also observed, although it amounts to just 1%.

The sectors that benefit from the imposed trade restrictions include, above all, the manufacture of computers, electronic and optical products, as well as the pharmaceutical sector (with an increase of approximately 1%).

In the scenarios involving a severe trade war, in both variants, a decline in exports affects nearly all sectors in Poland, with the scale ranging from 0.5% to 4%. The sectors most severely impacted — with export declines of more than 1.5% — include:

- Transport Services
- Manufacture of Computers, Electronic and Optical Products
- Manufacture of Basic Metals
- Manufacture of Machinery and Equipment
- Manufacture of Electrical Equipment
- Manufacture of Food Products, Beverages and Tobacco Products.

The analysis clearly indicates that the most serious consequences for the Polish economy would be associated with the trade conflict escalation scenario (3b), which assumes the introduction of comprehensive tariffs in US–EU relations, along with retaliatory measures from both sides. Implementing this scenario would reduce Poland's GDP by 0.43% and lead to a decline in exports across most economic sectors. Sectors particularly sensitive to trade disruptions are those characterised by a high degree of integration into global value chains, as well as those for which the US market is a significant export destination.

These findings are consistent with the conclusions of other empirical studies — retaliatory measures in trade conflicts tend to deepen the negative economic consequences for all parties involved. **A policy that triggers a spiral of mutual trade restrictions ultimately results in significant economic losses for participants in international exchange**.

It should be noted, however, that the modelling results are subject to certain methodological limitations. Actual effects may be influenced by factors not captured in the model, such as long-term structural adjustments in the economy, shifts in trade orientation, supply chain optimisation, or strategic decisions made by firms in response to evolving trade conditions. Furthermore, the actual scope and scale of potential tariffs may differ from the assumptions used in the analysis.

The results of the analysis provide an important signal for economic and policy decision-makers, highlighting the need to develop strategies for mitigating the risks associated with a potential escalation of trade conflicts. It also appears necessary to carry out more detailed sectoral analyses that would allow for the precise identification of risks and adaptive capacities across individual segments of the Polish economy, with particular emphasis on those sectors most exposed to the negative consequences of disruptions in international trade.

What Does the US Administration Aim to Achieve?

The objectives of the US administration have not been clearly defined. Among the various statements, arguments related to reducing the trade deficit, generating new budgetary revenues, strengthening industry, and improving the US's negotiating position with other countries stand out (a vision outlined by Stephen Miran, Donald Trump's chief economic adviser; Miran, 2024). What certainly unites members of the US administration is the intention to use tariffs as a tool of economic policy. **However, it cannot be ruled out that, from the perspective of the administration as a whole, there is no single coherent vision for US trade policy beyond the aim of increasing the existing tariffs**. This lack of a unified strategy could lead to instability and confusion in the introduction and withdrawal of tariffs.

Reduction of the Trade Deficit

A frequently repeated objective is the desire to balance the US's trade relations. In 2024, the US trade deficit reached a record USD 1.2 trillion. However, relative to the total value of imports, this deficit was slightly lower than in 2020 or 2021. In relation to GDP, the deficit increased compared to 2022, but remains lower than at the beginning of the 21st century or during the previous decade. China accounts for 25% of the deficit, the EU for just under 20%, and Mexico for 14%.

Achieving this goal through raising tariffs may prove difficult, as the US trade deficit does not stem solely from trade relations. Macroeconomic imbalances play a key role. In the US, low levels of savings do not match high levels of investment, which, from an economic accounting perspective, leads directly to a trade deficit. The savings gap affects both the government — with a budget deficit exceeding 6% in 2024 — and consumers. At the same time, other countries have also contributed to global imbalances — for example, China through insufficient stimulation of domestic consumption, and Germany through underinvestment, such as in infrastructure.

Chart 9. Leading Countries Contributing to the US Trade Deficit in 2024 (in USD billion)

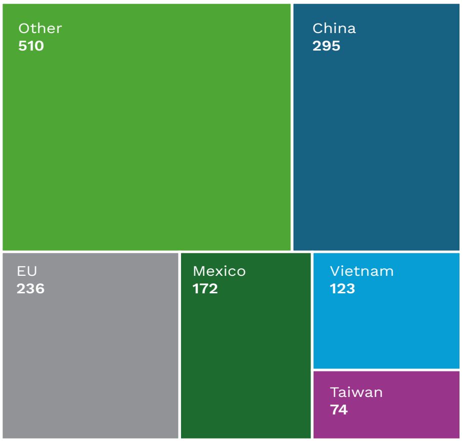
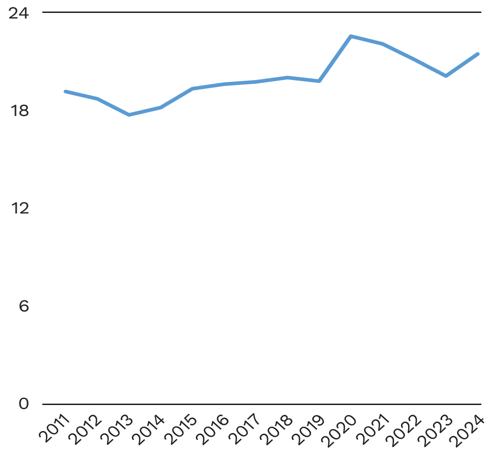


Chart 10. Ratio of Trade Deficit to Total Trade Value (%)



Source: Prepared by PEI based on US Census data.

Some researchers have attempted to link this issue directly to the relationship between surplus countries in Asia and the trade deficit in the US (NBER 2004). However, this hypothesis does not fully explain the problem. Moreover, studies on developing countries indicate that high tariffs may, in fact, lead to the opposite effect and increase the trade deficit (Kommerskollegium). Among OECD countries, there is no correlation between high tariff levels and the trade deficit. The limited impact of tariffs on the trade deficit — and more broadly, on the balance of payments — is also confirmed by other studies (NBER 2018; PIIE 2025; NBER 2011; PIIE 2017; IMF 2017). These studies also suggest that a recession may indeed reduce the trade deficit, for example by encouraging an increase in the savings rate.

Reduction of the Budget Deficit or Tax Cuts

The potential for increasing budget revenues is rather doubtful, and such an objective is controversial. The studies cited earlier point to the opposite relationship — the US budget deficit contributes to the widening of the trade deficit, and reducing public spending may be more effective in narrowing it than imposing tariffs. In 2024, US federal revenue reached USD 4.9 trillion, of which 95% came from taxes (49% income tax, 35% payroll tax, and 11% corporate income tax) (CBO, 2025). Federal revenue amounted to 17% of US GDP. Revenue from tariffs reached USD 77 billion, representing 1.6% of total revenue and 0.3% of GDP. Even if additional tariffs of 50% were imposed on all US imports, budget revenues might increase to USD 780 billion — accounting for only 16% of federal revenue (PIIE, 2024) and still falling short of the budget deficit, which exceeds USD 1.8 trillion. In reality, revenues would likely be far lower due to an economic downturn triggered by a drastic increase in import costs and the resulting fall in the value of imported goods.

In the Trump administration's vision, tariffs were intended to replace taxes — or at least partially substitute them. The proposed tax cut plan includes a range of reforms that could have a positive effect on the economy, but the annual budgetary losses from these cuts could reach USD 691 billion, or 2.4% of GDP (Tax Foundation, 2024). y contrast, universal tariffs of 20% would yield only USD 331 billion in additional revenue. This means that the tariffs proposed during the campaign would not be able to replace tax revenue, and — due to the accompanying recession — would also diminish the potential positive effects of tax cuts. Some experts argue that Trump's goal is a tax reduction that benefits fewer groups, particularly the wealthiest, and that tariffs could be used to offset only that part of the tax cut, while also directing public dissatisfaction toward external actors (PIIE, 2024; New York Times).

Improving the Competitiveness of US Enterprises; More Industrial Jobs

Tariffs are a tax imposed on foreign imports and operate in a way that discriminates against foreign producers in favour of domestic ones. However, they do not improve the position of US exporters in global markets. The US is twice as dependent on foreign demand for its own value added as, for example, the EU (PIE, 2022), and therefore can afford to focus more on its domestic market. The Trump administration is keen to bring production back to the US for two main reasons. One is national security, although this argument becomes less convincing in light of tariffs imposed on allies or in sectors such as automotive and timber. The second reason is the desire to restore industrial jobs to the US — a message strongly echoed by Donald Trump's chief economic adviser, Stephen Miran, who criticises the loss of jobs resulting from the opening of trade with China in the 21st century (Miran, 2024). In achieving this goal, tariffs may prove effective — although, according to research, they are a very costly way of protecting jobs. For example, US tariffs in the tyre sector in 2009 cost consumers a total of USD 1.1 billion to save 1,200 jobs (BLS, 2020; Applied Economics, 2022). Jobs in the targeted sector may be protected or created, but this often comes at the expense of job losses in other sectors and an overall loss in national wealth — as demonstrated by the consequences of the steel and aluminium tariffs imposed by the US in 2018 (NBER, 2018; NBER, 2020; NBER, 2019; NBER, 2019b). Moreover, a widely discussed consequence of restricting foreign competition is the loss of productivity and innovation among domestic firms. Artificial barriers and reduced competition allow domestic companies, first, to raise prices, and second — especially in the case of high tariffs — to compete less intensively. In the long run, this reduces the overall efficiency of tariff policy. That said, tariffs do encourage investment by foreign entities seeking access to the US market — a trend visible since Trump's first term, particularly in the automotive sector. Some of the investment announcements made since 2021 may also be attributed to subsidies and incentives offered under programmes such as the IRA for electric vehicles.

A factor that would more effectively enhance the competitiveness of exporting firms would be the depreciation of the US dollar. Miran primarily criticises the excessively high value of the dollar, which he attributes to its role as a global reserve currency. According to Miran, the export of a reserve currency is the main cause of the challenges faced by US industry and brings insufficient benefits. However, achieving currency depreciation is more difficult in the context of increasing tariff rates. At the same time, the dollar's status as a reserve currency limits the scope for such a strategy. While a weaker currency benefits exporters, it is less favourable for importers, for whom the import of raw materials and intermediate goods becomes more expensive. It is worth noting that Miran sees value in the strengthening of the dollar as a result of tariff imposition — appreciation, in his view, would reduce the cost of tariffs for consumers and firms, and enhance the competitiveness of domestic producers (Miran, 2024), However, this has not necessarily been proven.

Shaping Negotiation Position Through Asymmetry in Trade Relations

Tariffs are undoubtedly used by the US administration as a tool to achieve economic and political objectives. Moreover, trade policy is closely intertwined with other forms of pressure, including security-related measures such as suggestions of the possible withdrawal of US support or military presence. Owing to asymmetrical economic relationships with many countries around the world (stemming from its trade deficit and influence in global financial markets), as well as longstanding alliance guarantees, the US possesses significant leverage. This influence is particularly visible in relations with allies and across various areas of defence policy, due to the depth and breadth of economic ties. These arguments have been used by Miran to discourage trade partners from pursuing retaliatory measures (Miran, 2024)

Trump has already used tariffs in pursuit of non-economic objectives. The threat of imposing tariffs was directed at Colombia in an attempt to force the country to accept deported migrants. The official reason given for the tariffs imposed on Mexico, Canada, and China is to combat the smuggling of fentanyl. Tariff threats have also been directed at countries intending to introduce digital taxes. **At the same time, Trump may use the trade war to push for economic concessions**. An example is the so-called Phase One agreement with China, under which China committed to increasing direct purchases from the US, including soybeans. Another objective may be to conclude or renegotiate free trade agreements — during his first term, this included the USMCA with Mexico and Canada, which replaced NAFTA, and the agreement with Japan. In this context, tariffs are used as a negotiating tool to achieve greater liberalisation of foreign markets. This was the modus operandi of Trump's trade policy in his first term, though it no longer appears to be the case in the second term. Furthermore, the administration may wish to repeat an international agreement aimed at depreciating the US dollar — although caution is warranted in making such forecasts. This would resemble the Plaza Accord of 1985, when the Reagan administration also used tariff threats against other G5 countries. This time, however, it would require significant sacrifices from other countries, as such currency interventions could destabilise their economic growth (Eichengreen, 2025). In particular, it is difficult to expect China to agree to such a policy.

It is also worth noting that the US administration's ability to conduct trade policy without the involvement of Congress gives it exceptional leverage not only externally but also within the US. The possibility of granting exemptions from raised tariff rates allows for discretionary decisions benefiting selected firms or product groups — a practice that took place during Trump's first term.

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The Polish Economic Institute

The Polish Economic Institute is a public economic think tank dating back to 1928. Its research primarily spans macroeconomics, energy and climate, foreign trade, economic foresight, the digital economy and behavioural economics. The Institute provides reports, analyses and recommendations for key areas of the economy and social life in Poland, taking into account the international situation.

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