The US wants to ban products from abroad

Prof. Dr. Josef Marbacher
Chief Economist

From now on, goods that the world sends to the USA will be subject to reciprocal tariffs of 10 to 50%. This is in addition to the tariffs already imposed. In the case of China, they amount to a total of 54%, as 34% reciprocal tariffs are added to the existing 20% tariffs. Switzerland will be hit particularly hard, as it will be burdened with the highest reciprocal tariffs in Europe (31% compared to the EU's 20%). The calculations are based on the following speculation: Switzerland exports around 63 billion dollars worth of goods. In the other direction, the USA exports significantly less to Switzerland. The difference is around 38 billion. And Trump now divides this difference by the total, the 63 billion. This results in a ratio of 60.7 percent - rounded up to 61 percent. Dividing this by two, rounded up, gives a tariff rate of 31 percent. A kind of trade deficit ratio. As the underlying calculation is neither soundly based nor compatible with scientifically recognized models, the calculated value is significantly higher than anticipated by the markets.

How are the consequences of this unprecedented state intervention in the private sector to be assessed?

1. Tariffs distort market prices and thus hinder the international division of labor and specialization. In doing so, they reduce global productivity and growth. Overall, they lead to global losses in prosperity. That is why no serious economist would recommend such a mercantilist policy.
2. If we assume that the average tariff rate on all US imports is 20% and that these costs are borne equally by the exporters/importers and the end customers, then we can expect price increases of around 10% on imported products. Where possible, customers will switch to local products. This increases both the price level and the profit rates of domestic goods. Exporting countries will suffer lower demand for their products and falling profit rates. This can lead to layoffs or even plant closures. In any case, the growth of the exporting countries must be adjusted downwards. In the short and medium term, this also applies to the USA, because tariffs are taxes. This means that consumers have less purchasing power at their disposal. However, the Trump administration plans to pass these funds on to companies this year through tax cuts, so the restrictive effect of these fiscal measures is likely to be small.
3. However, the tariffs also lead to considerable US government revenues. On average in recent years, imports have amounted to around $3,000 billion. If we assume that imports fall to 2,500 and an average tariff of 20% can be expected, then there will be an additional revenue of $500 billion. With total tax revenues of around $10,000 billion, this corresponds to a tax increase of around 5%. An increase that was last recorded in the 50s.
4. Since U.S. imports account for only about 12% of GDP, the effect on imported inflation is relatively small. If we assume an average increase in the price of imported goods of 10%, headline inflation is likely to increase by less than 2%. It is important to take into account that these are transitory effects. These are one-off increases. Long-term interest rates have therefore rightly risen only slightly.
5. Although tariffs have been much stronger than expected, the reaction of global equity markets has been moderate and - in our view - appropriate, with average losses of less than 4%.
6. Now it will be a matter of starting negotiations on reciprocal tariffs and where they are discriminatory, such as European car tariffs (10%; USA 2.5%), to eliminate them altogether. However, it will not be possible to avoid the path via counter-tariffs.

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