

US tariffs persist beyond the headlines

Tariffs remain one of Trump's main foreign policy tools, as well as an important source of public finance funding



Global trade keeps shifting, even as tariffs slip from the headlines

Beyond the daily churn of breaking news, US tariffs remain firmly in place. In fact, over the past month, the US government has reaffirmed its commitment to using them as an important policy instrument.

US President Donald Trump announced a new round of tariffs at the end of September. These new tariffs range from 25% on heavy trucks and 50% on kitchen cabinets and bathroom vanities to 100% on pharmaceuticals. These tariffs came under Section 232, declaring products as a threat to national security. And as little as kitchen cabinets are a threat to US national security as European washing machines were during Donald Trump's first term in office, these tariffs should be considered a contingency plan, ready to be activated if the US Supreme Court blocks the government's bilateral tariffs in its final ruling on 5 November.

On a more positive note, the US government also announced that it had acknowledged the EU's start of the legislative process, outlined in the trade framework agreement between the EU and the US, which in turn triggers a retroactive reduction of US tariffs on European automobiles to 15%, from the current rate of 27.5%.

All of this shows that the shifts in global trade will continue, and it will take longer than expected

before the full impact on the global economy will unfold. Currently, for example, the effective US tariff rate implemented by US customs is only some 10%, while based on the trade agreements known so far, it should be close to 20%.

As regards our base case assumption for trade and tariffs, we stick to the belief of an average US tariff rate of close to 20% until the end of Trump's full term in office. Tariffs remain one of Trump's main instruments in foreign policy, but also an important source of public finance funding.

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.