



The economic effects of import tariffs

The effects differ between the short and long term. In the long term, the economy has more time to adjust. Production in the manufacturing sector decreases, but service sectors may actually benefit from an improved competitive position relative to the U.S.

Import tariffs from the U.S. reduce GDP growth in the Netherlands but have little effect on inflation, as the dollar has depreciated significantly. This also applies in the case of a countermeasure by the European Union.

Summary

This study examines the potential impact on the Dutch economy of the import tariffs announced by US president Donald Trump on 2 April 2025. It also explores how the countries affected by these tariffs might respond. The results provide a quantitative indication of the economic impact of the geopolitical uncertainty that was already relevant in February, when CPB's Central Economic Plan (CEP) was published, and which has not diminished since. As there is still much uncertainty about how the current trade war will unfold, both in terms of the levels of the US import tariffs and the reactions to them, the results of our study are presented in the form of two scenarios. The first scenario maps the impact of the US import tariffs based on the tariff levels presented on 2 April 2025, dubbed 'Liberation Day' by the Trump administration. For the EU, this means that all goods exported to the US will be taxed at 20% on entry. In the second scenario, all affected countries respond by introducing their own tariffs that match those of the US.

The effects in the present study differ from those in the November 2024 CPB publication ([link](#)) on the potential impact of import tariffs. The previous study described the long-term effects of import tariffs. However, since it will take time for the Dutch economy to adjust to this new situation, the present study zooms in on the short-term effects. The tariff levels are different as well, and we have included confidence effects.

In the short term, the economic impact will be shaped primarily by the consequences of increased uncertainty. In both scenarios, GDP growth falls by 1 percentage point over 2025 and 2026, driven mainly by declines in trade and investment. While Dutch exports show a clear drop in the short term, the impact here remains limited, as only 5.9% of Dutch goods exports go to the US. Moreover, the US still needs these products for the time being, since there are no immediate substitutes. The high level of uncertainty surrounding the possible introduction of import tariffs and current geopolitical developments, however, will have an equally strong (or even stronger) effect on the Dutch economy. This will significantly hamstring business investments: due to the current increase in uncertainty, these are projected to fall by 5% year-on-year. The impact of retaliatory measures on GDP growth will be limited, as the dip in Dutch exports is offset by a similar fall in imports. It should be noted here that this scenario does not take into account a possible further rise in uncertainty due to countermeasures taken by other countries.

The weakening of the US dollar will lead to lower prices in the Netherlands. Reduced confidence in the US economy will negatively impact the dollar exchange rate. For the Netherlands, this means that imports will become cheaper, resulting in a slight decrease in inflation even if the EU hits back with retaliatory tariffs. Although these tariffs will increase Dutch import prices, their effect on inflation will be limited as imports in general represent only a portion of domestic consumption, with US imports playing a relatively minor role.

In the long term, as goods trade between the US and the rest of the world continues to decline, Dutch exports of services could actually increase. Once the US economy has adjusted to this new reality, domestic goods production in America will increase. Meanwhile, however, price and wage pressure is expected to result in a decline in services exports. This will reduce Dutch exports of goods while increasing those of services. If the countries affected retaliate with levies of their own, the picture becomes less clear, but export-dependent US business sectors will not remain unaffected. Dutch companies could benefit from this. In the longer term, the impact on GDP in both the US and the Netherlands will be limited to a decline of a few tenths of a percent. If uncertainty remains high, this effect could be more significant.

1 Introduction

On 2 April 2025, the Trump administration announced import tariffs on all US trading partners. On ‘Liberation Day’, the US government announced tariffs of at least 10% on all countries. Goods imports from the EU would be subject to a 20% border tax, and even higher rates were announced for imports from various Asian countries, such as Japan and India. Since then, however, the introduction of these higher tariffs has been pushed back: currently, there is a 10% levy for all countries and a 25% border tax on steel and aluminium. Only the 54% tariff on imports from China did go into effect immediately, and has since been increased to 145%. China has responded with a 125% trade duty on US imports. Countermeasures by other countries have so far been limited.

The Central Economic Plan (CEP) did not take into account import tariffs of this magnitude. Although threats were already being made when the CEP was published in February of this year, no concrete measures had been announced yet. While the uncertainty created by these threats was partly included in the CEP, the impact of possible import tariffs was not. This study therefore considers the effects of tariffs on the Dutch economy, providing a quantitative indication of the geopolitical risks identified in the CEP, which have since become more concrete. There is still much uncertainty about how the current trade war will unfold, both in terms of the level and scope of the US import tariffs and the reactions to them. This is why the results of our study are presented in the form of two scenarios. These scenarios do not reflect the full extent of the current geopolitical uncertainty: the international economy has recently been subject to constant turbulence, and further shocks to global trade, financial markets and mutual cooperation are not inconceivable.

In November, CPB also released a study on the potential effects of US import tariffs. In November 2024, we projected a general tariff of 10% on all imports, 100% on vehicles and 60% on goods from China, based on the CPB trade model. The effects of a retaliatory EU tariff were also examined. For the Netherlands, we predicted a limited macroeconomic impact, with goods exports falling as a result of the tariffs, while services exports would benefit from an improved competitive position vis-à-vis the US. These effects are still expected to occur in the medium to long term. In this new publication, we focus on the short-term impact of import tariffs and update the November study to reflect recent developments.

Short-term estimates from other institutes suggest that Dutch GDP growth will be lower due to the new import tariffs; there is less consensus on the impact on inflation. This is in line with our own findings. The discrepancies between these studies can be attributed to different assumptions about uncertainty, trade elasticities and tariff levels. RaboResearch explored the impact a trade war could have on the Dutch economy using eight different scenarios.¹ The scenario incorporating ‘Liberation Day’ tariffs as well as further escalation between China and the US now forms the new baseline for their forecasts. The projected impact on the growth of the Dutch economy is -0.4% this year and -0.6% next year, while the impact on inflation is limited, partly due to the lower dollar exchange rate. In its Autumn Projections for 2024, De Nederlandsche Bank (DNB) included² a scenario with import tariffs of a slightly more limited scope than those that have since been announced by the Trump administration. In this scenario, estimated GDP growth in 2026 is more than 1 percentage point lower than in the baseline scenario. This is due to the downturn in global trade caused by these tariffs and the associated effects on confidence. Meanwhile, inflation is expected to increase by around

¹ See Erken, H. & Van Es, F. (2025). Trumps escalerende handelsoorlog in vijf scenario's: impact op de Nederlandse economie (en breder). RaboResearch, consulted at <https://www.rabobank.nl/kennis/do11475085-trumps-escalerende-handelsoorlog-in-vijf-scenarios-impact-op-de-nederlandse-economie-en-breder>

² See De Nederlandsche Bank. (2024). DNB Autumn Projections 2024, consulted at <https://www.dnb.nl/media/l3ije0a3/autumn-projections-december-2024-eng.pdf>

0.4 percentage points in 2025 and 2026. A new analysis by DNB on the effects of ‘Liberation Day’, with similar results, is published on 1 May.³ ABN Amro’s adjustment to its GDP growth estimate in response to the new tariffs is more limited, but their calculations also take into account other factors, such as a more expansionary budget policy in the eurozone.⁴ ING’s estimate of the impact on the Dutch economy only considers the trade channel: the bank expects GDP to fall by 0.3% as a result of a 25% import tariff on goods from the EU.⁵

This publication is structured as follows. Section 2 discusses the details of the two scenarios and the methodological choices made in conducting this analysis. Section 3 sets out the short-term effects of the import tariffs, while Section 4 provides an insight into the long-term consequences.

³ See DNB (2025). How the US tariffs can harm the Dutch economy. [How the US tariffs can harm the Dutch economy | De Nederlandsche Bank](#)

⁴ See Van Huijseling et al. (2025). Tariffs risk recession – a forecast update. ABN Amro Economic Bureau. Consulted at <https://www.abnamro.com/research/en/our-research/tariffs-risk-recession-a-forecast-update>

⁵ See Bell, M. (2025). Trumps autotarieven kunnen Nederlandse economie miljoenen kosten. ING. Consulted at <https://www.ing.nl/zakelijk/economie/nederland/trumps-autotarieven-kunnen-nederlandse-economie-miljoenen-kosten>

2 Scenarios and method

This study focuses on the import tariffs announced by US president Donald Trump on 2 April 2025. Every country in the world now pays US import tariffs of at least 10%. For goods from the EU, the rate is 20%, while Chinese imports are taxed at 54%. Rates are also higher for several other Asian countries. Imports from Canada and Mexico are subject to 25% levies, but goods covered by the USMCA free trade agreement are exempt, which means that the effective rate is around 14%. As Canada, Mexico, China and the EU are major trading partners of the US (see Table 1), the majority of goods imported from these countries are taxed at a rate higher than 10%.

Table 1: Share of US goods imports by country

Country	Share of US goods imports (%)
Canada	12.4
China	20.9
EU	16.2
Netherlands	0.7
India	3.4
Japan	4.3
Mexico	12.7
South Korea	3.6
Other	26.6

Source: 2022 figures from the 2024 version of FIGARO

The first scenario only considers US import tariffs; in the second, all other countries respond with equal levies on US products. This means that the EU would impose a 20% tariff on goods imported from the US, China a 54% tariff, and so on. Both scenarios assume that import tariffs are fully passed on to consumers by raising the prices of imported products, and that exporters do not lower their prices in response to the levies.⁶ Energy imports are exempt from the tariffs.

Using a modified version of the CPB trade model, we calculated the effects import tariffs would have on Dutch exports. The CPB trade model is based on the work of Lorenzo Caliendo and Fernando Parro, which includes trade in intermediate inputs.⁷ This model was also used in the previous CPB publication on the impact of import tariffs. One difference between that publication and the present study is that the latter focuses on short-term effects; as such, we did not take into account the general equilibrium effects that come into play only in the longer term.

⁶ Empirical support for this is provided in Cavallo, A., Gopinath, G., Neiman, B. & Tang, J. (2021). "Tariff Pass-Through at the Border and at the Store: Evidence from US Trade Policy." *American Economic Review: Insights* 3 (1): pp. 19-34. <https://www.aeaweb.org/articles?id=10.1257/aeri.20190536>

⁷ For a description of the model, see Meijerink, G. & Boeters, S. (2024). Effects of US Import Tariffs on the Dutch and European Economy, Appendix B. <https://www.cpb.nl/sites/default/files/omnidownload/CPB-publication-effects-of-American-import-tariffs-on-the-Dutch-and-European-economies.pdf>

In the short term, trade elasticities are smaller than in the long term, but the exact levels are difficult to determine. Trade elasticities indicate how much of a country's imports can be substituted by domestically produced goods and services when relative prices change. To calculate the short-term effects in this area, we adjusted the elasticities in the CPB trade model. The elasticities used are in line with recent work by Boehm et al. (2023) and average 0.85 for the first two years.⁸ This is lower than the trade elasticities of 6 to 7 the model uses for its longer-term projections, as there is considerable evidence that trade elasticities will be much lower in the short term. Some products that the US imports from the Netherlands will be difficult to replace on short notice, given that there is little alternative supply⁹ and it takes time to develop domestic production capacity. Eventually, however, the US economy could adapt to become less dependent on imported goods. It should be noted here that it remains difficult to accurately predict elasticity levels. The values from Boehm et al. were determined by looking at marginal tariff adjustments in a 'normal world', but the current situation is characterised by more sweeping changes and greater uncertainty. As a result, actual elasticities could be higher or lower than 0.85, but certainly lower than 6.

The expected introduction of import tariffs has led to a sharp rise in global uncertainty, which is negatively affecting business investments. There are various measures of uncertainty. Recently, there has been a particularly pronounced increase in trade policy uncertainty, which is measured by the Trade Policy Uncertainty Index (see Figure 1, left). There has also been a rise in economic policy uncertainty. In response to uncertainty shocks, companies – uncertain about their revenues – tend to postpone or reduce investments¹⁰ as financing costs rise. To estimate the impact of increased trade policy uncertainty on investments, we took estimates from several studies and scaled them to the current situation.¹¹ As a result of the current uncertainty, private business investments can be expected to fall by 5.4% in the first year. This will be followed by a partial recovery in the second year, as companies that initially waited for the situation to stabilise start making the investments they had previously postponed. Uncertainty could also persist or increase further, however, for instance if the US threatens to raise its tariffs on Europe in response to countermeasures taken by the EU. If this happens, the pressure on investments will be greater and take longer to ease.

We also took into account the effects of changes in interest and exchange rates. Increased uncertainty and the expectation of higher inflation rates are causing financial markets to react. Since the import duties were first announced, the dollar has fallen sharply in a short period of time, and US government bond yields have risen significantly. This is notable because historically, global economic turmoil has often led to increased demand for the US dollar, which was considered a safe currency. Financial markets now assume that the dollar exchange rate will remain lower than expected when the CEP was released (see Figure 1, right). In the US, higher interest rates will weigh on growth, while the weaker dollar will push up inflation. In the Netherlands and the rest of the eurozone, this exchange rate shift will have the opposite effect, dampening inflation. To calculate the size of these effects and their impact on Dutch market demand, we used NiGEM, an international macroeconomic model.¹²

⁸ Boehm, C. E., Levchenko, A.A., and Pandalai-Nayar, N. (2023). "The Long and Short (Run) of Trade Elasticities." American Economic Review 113 (4): pp. 861-905. <https://www.aeaweb.org/articles?id=10.1257/aer.20210225>

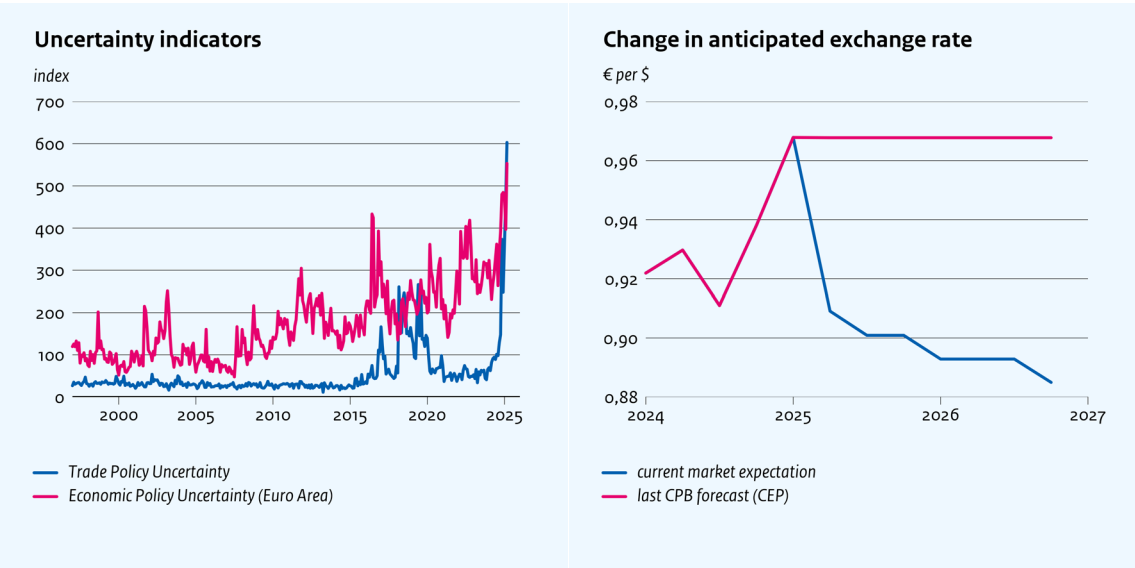
⁹ See the recent paper by Naudé & Cameron, which calculates risk factors for all Dutch export products based on the competitive advantage the Netherlands has in specific product groups. The authors classify a large proportion of Dutch export products as 'low to medium risk'. Naudé, W. & Cameron, M. (2025). Retaliation against Trump's trade war: why and how the EU should find alternative export markets. IZA DP No. 17773. <https://docs.iza.org/dp17773.pdf>

¹⁰ In the literature, this is described as the real options theory, see Dixit, R.K., & Pindyck, R.S. (1994). Investment under Uncertainty. Princeton University Press: Princeton. ISBN: 9781400830176.

¹¹ Ebeke & Siminitz (2018). IMF Working Paper No. 2018/281 <https://www.imf.org/en/Publications/WP/Issues/2018/12/11/Trade-Uncertainty-and-Investment-in-the-Euro-Area-46439>; Gieseck & Rujin (2020). ECB Bulletin, Issue 6/2020. https://www.ecb.europa.eu/press/economic-bulletin/focus/2020/html/ecb.ebbox202006_04~e36366efeb.en.html; EC, Autumn Forecast Part II.3 (2024). https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/autumn-2024-economic-forecast-gradual-rebound-adverse-environment_en

¹² We use the special tariff module that can simulate bilateral tariffs on the commodity part of non-commodity imports. Because we wanted to exclude energy, we did not add a tariff on commodities.

Figure 2.1: With uncertainty at historically high levels, the dollar is unusually weak



Source: Uncertainty indicators taken from [policyuncertainty.com](#) ([link](#)); exchange rate forecasts taken from [nl.investing.com](#) ([link](#)), both accessed on 10 April 2025.

3 Short-term effects

Scenario 1: US tariffs

US import tariffs lead to a limited decline in Dutch exports. The Netherlands exports fewer goods to the US, but also to other countries, as their trade with the US declines. If, for example, German car manufacturers see a drop in sales to the US, there will also be less demand for auto parts from the Netherlands. Nevertheless, export growth is only 0.2 and 0.6 percentage points lower in 2025 and 2026, respectively. There are a number of reasons for this relatively limited impact. First, the US accounts for only 5.9% of Dutch goods exports (excluding transit and energy). As discussed in Section 2, short-term trade elasticities are also limited, which means that any immediate reduction in imports from the US is small. Instead, US consumers pay higher prices. In addition, the lower dollar exchange rate actually leads to higher export demand for the Netherlands. Meanwhile, European consumers benefit from the weaker dollar, which reduces inflation and increases purchasing power in the eurozone. As the Netherlands mainly trades with other European countries, this has an upward impact on Dutch exports. The net effect of the import tariffs on Dutch exports is thus limited.

Cumulative GDP growth is 1% lower due to a decline in investments and exports. Economic growth is lower in 2025 and 2026, at 0.4% and 0.6%, respectively. In addition to lower exports, reduced investments also play an important role in this. In 2025, total investment growth is 2% lower, but private business investments fall by almost 7% between the second quarter of 2025 and the second quarter of 2026. This is mainly due to the significant increase in the level of uncertainty. Businesses put off investments until there is more clarity about the future.

Due to the lower dollar exchange rate, inflation is also slightly lower. A lower dollar exchange rate has a dampening effect on Dutch import prices, since fewer euros are needed to buy a dollar. As a result, inflation is slightly lower than in the baseline scenario. As imports become cheaper, they also become more attractive relative to domestic production, causing them to grow relative to GDP (GDP falls by 1% over both years, imports by 0.4%).

The impact on the EMU balance is negative. Lower economic growth also means lower tax revenues, leading to a decline in the EMU balance of 0.3% of GDP. Corporate income tax revenues in particular fall as profits shrink.

Scenario 2: US tariffs and countermeasures

The effects on economic growth are similar if countries impose retaliatory import tariffs on the US, but there are some underlying differences. As in the first scenario, economic growth falls by 1% over both years. The decline in exports is more pronounced, however, as international trade is hit harder by higher global import tariffs. At the same time, imports also show a stronger decline. This is because import prices are higher in this scenario, as Dutch imports from the US (8.4% of total goods imports, excluding transit and energy) are also subject to a 20% import tariff. On balance, the impact on import prices, and hence inflation, is negative due to the lower dollar exchange rate.

The effects of uncertainty may be underestimated in this scenario. A key assumption made in this analysis is that the impact of uncertainty is the same in both scenarios, based on recent uncertainty indicators and exchange rate developments. Uncertainty could rise more sharply if other countries retaliate with levies of their own, especially if this leads the US to impose (or threaten to impose) even higher import tariffs.

Revenues from import duties mitigate the negative impact on the EMU balance. In Scenario 2, a 20% tax is imposed on goods imports from the US, and 25% of the taxes collected by Dutch customs go to the Dutch budget. This is expected to amount to €1.7 billion.¹³ While the remaining revenue would go to the EU, some of this money would likely flow back to the Netherlands, for instance as a result of reductions in member states' remittances. It is uncertain how high this amount would be.

Table 1: Differences compared to CEP

	US tariffs		US tariffs and countermeasures	
	2025	2026	2025	2026
Volume of GDP and spending				
Gross domestic product (GDP, economic growth, %)	-0.4	-0.6	-0.4	-0.6
Household consumption (volume in %)	0.0	-0.1	0.0	-0.2
Exports of goods and services (volume in %)	-0.2	-0.6	-0.3	-1.2
Imports of goods and services (volume in %)	-0.3	-0.1	-0.4	-0.8
Investments (including stocks, volume in %)	-2.1	-0.4	-2.0	-0.3
Labour market and prices				
Unemployment rate (% of the labour force)	0.0	0.1	0.0	0.1
National consumer price index (CPI, %)	-0.1	-0.2	0.0	-0.2
Public sector finances				
EMU balance (in % of GDP)	-0.1	-0.3	0.0	-0.2

¹³ Tax revenue from Dutch goods imports is expected to be around €6.7 billion. This corresponds to 20% of Dutch goods imports from the US, excluding transit and energy at €40 billion and adjusted for a behavioural effect of -17% due to the import tariffs.

4 Long-term update

This section provides an update on the November 2024 CPB publication ([link](#)) mapping the long-term effects of import tariffs. The November study contained detailed descriptions of its methodology and results, while the findings of the present study are discussed more briefly below. To match the short-term scenarios, the tariff levels have been adjusted in these results. This means that Scenario 1 is based on the tariffs announced by the US on 'Liberation Day', and that Scenario 2 is premised on all affected countries imposing equivalent retaliatory tariffs. The tariffs are assumed to apply to all goods.

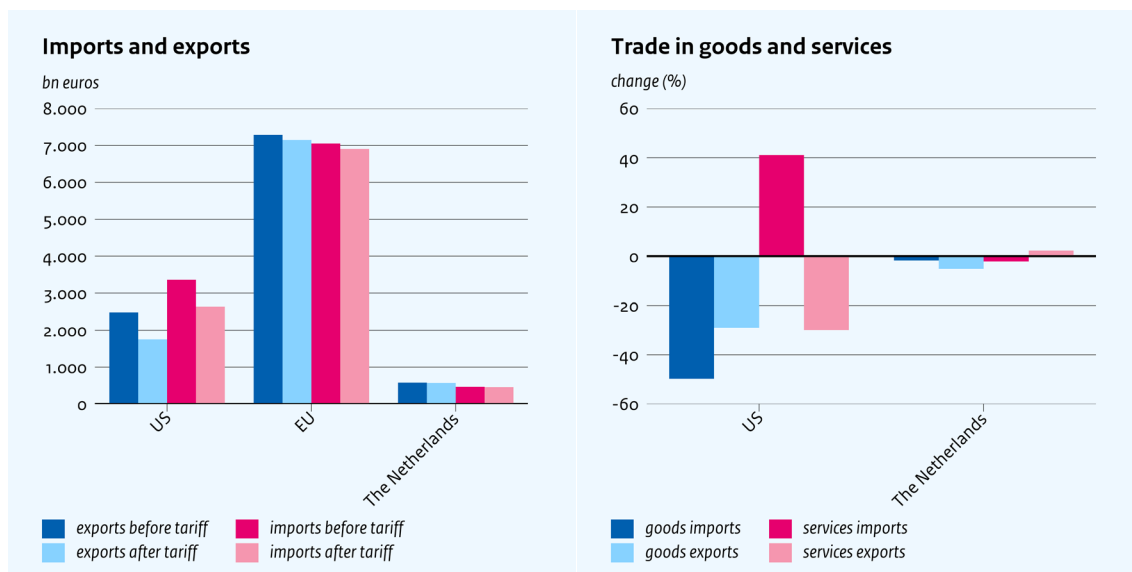
In the long term, production structures and trade flows will change more radically than in the short term. Trade elasticities are higher than those used for the short term (see Section 2), and general equilibrium effects play a more substantial role. Wage developments are important here: in the US, wages rise due to an increase in domestic demand for goods, as imported goods become much more expensive. This weakens the US's international competitiveness in services, cancelling out some of the positive impact on competitiveness in goods. US services exports thus also suffer as a result of import tariffs on goods.

The impact on Dutch GDP is smaller in the long term than in the short term. This is because businesses have more time to adapt and find alternative markets. In the short term, Dutch GDP falls by 1.0%. For the long term, we find a negative effect of 0.4-0.5%. So while macroeconomic developments are less negative in this scenario, there are differences between sectors in the extent to which companies can benefit. Moreover, the transition to the new situation requires the realignment of global value chains, which entails adjustment costs. We did not take into account the possibility of continued higher uncertainty as a result of further geopolitical fragmentation.

Scenario 1 results

Both US imports and exports are heavily affected by the import tariffs; the US economy becomes less trade-oriented. Figure 4.1 on the left shows the change in total imports and exports for the US, the EU and the Netherlands. The US is most strongly affected by its own import tariffs, as the levies apply to all US goods imports, while they only apply to some of the exports of the EU and the Netherlands (those to the US). Both US imports and exports show a decline: goods become more expensive to import and export prices increase as well. Meanwhile, higher demand for domestically produced goods puts more pressure on the labour market, driving up wages. This benefits other countries, such as the Netherlands, which can export more services to the US (see Figure 4.1, right). Moreover, import tariffs lead to higher prices for imported intermediates, further contributing to the rise in US prices.

Figure 4.1: Import tariffs negatively affect both US imports and exports; imports of services will increase



At the sector level, the picture is similar: US goods production benefits from the new situation, while services suffer. Figures 4.2 and 4.3 show the change in output for the sectors in the US and the Netherlands most affected by the import tariffs, and the sectors that benefit the most.¹⁴ In the US, businesses that produce goods benefit from their improved domestic competitive position as a result of the tariffs. In contrast, the competitive position of service providers, such as rental and transport companies, is worsened due to wage increases. Looking at Dutch businesses, the picture is reversed. Goods exports to the US fall, which has considerable long-term implications for the pharmaceutical, machinery and electronics sectors in particular. The sectors that benefit are those that rely on cross-border trade in services, such as telecommunications and aviation.

¹⁴ In this and similar figures, the change in output is broken down into an effect of trade diversion to domestic production (substitution of imports by domestic production due to improved competitiveness as a result of the tariffs) and direct losses in the exporting country. Indirect losses arise from the loss of intermediate exports to other countries, as they produce less for export to the US. In addition, general equilibrium effects, such as higher production costs in the US due to increased wages and prices, lead to shifts in production between countries. The effect of trade diversion to third countries is negligible in these figures.

Figure 4.2: US manufacturing output grows, at the expense of services

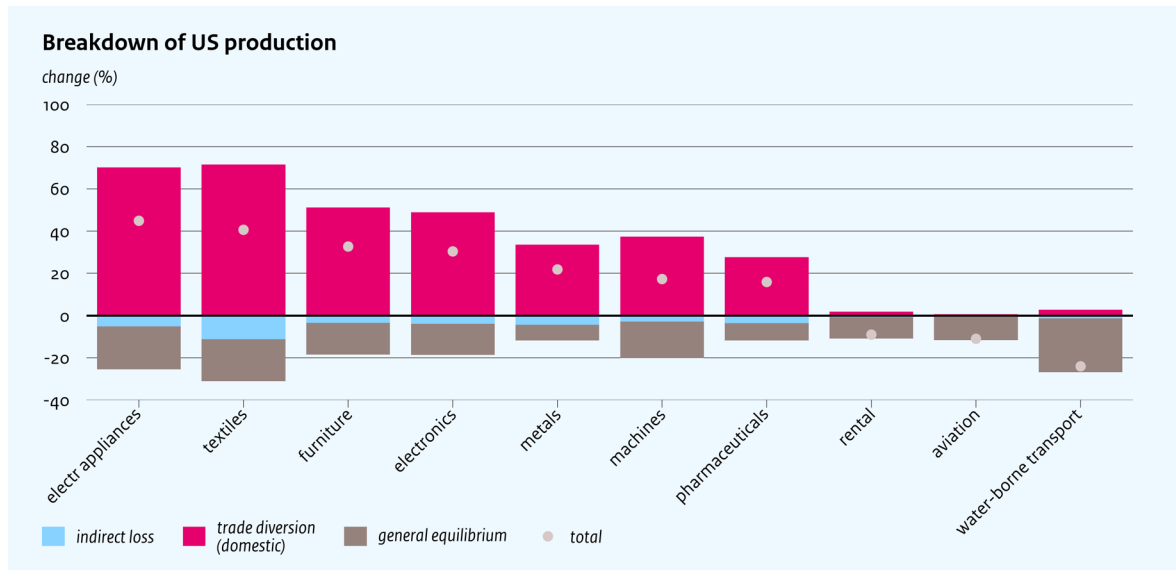
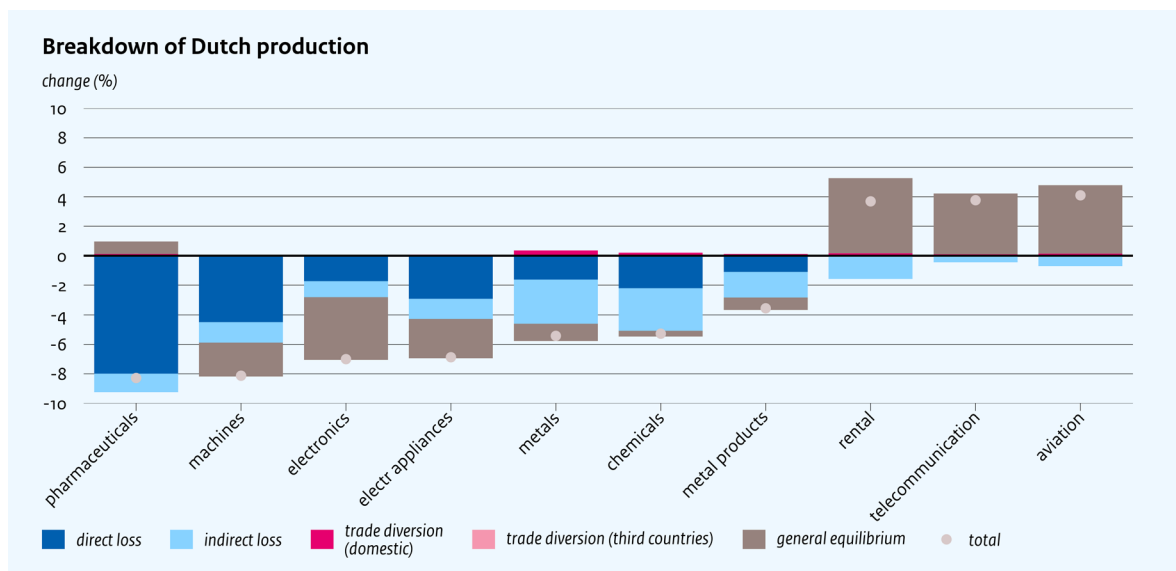


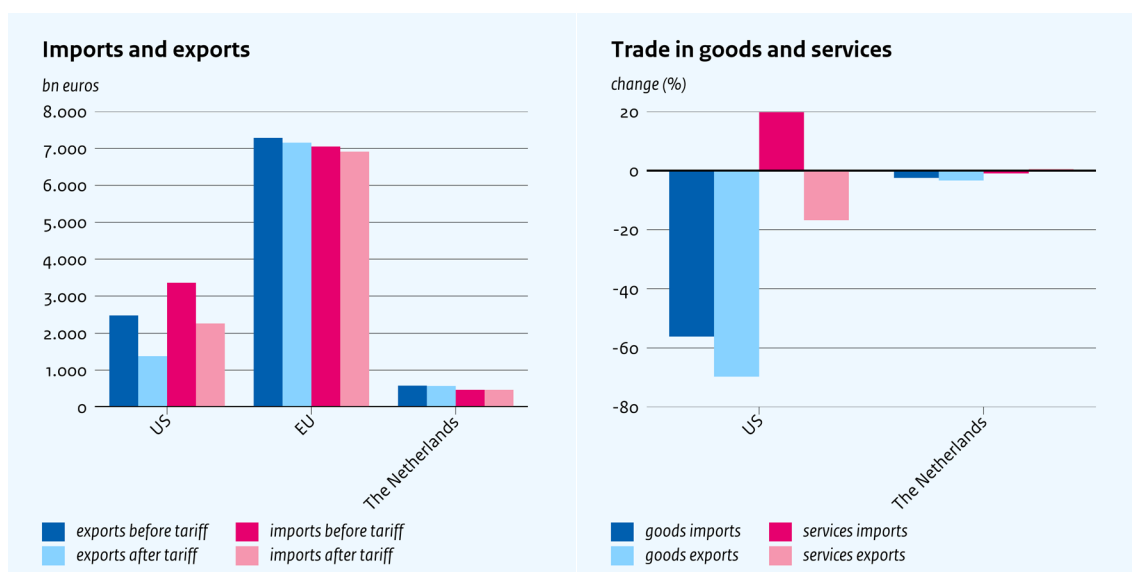
Figure 4.3: In the Netherlands, manufacturers are particularly affected by the US import tariffs



Scenario 2 results

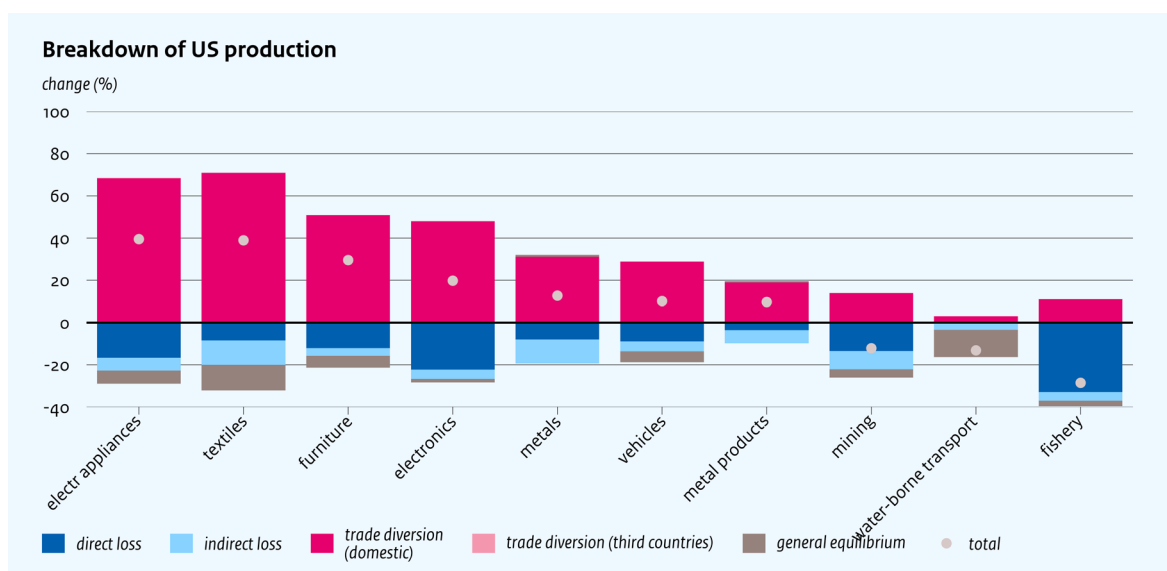
If other countries retaliate by imposing their own tariffs on US imports, there is a stronger decline in US goods imports and exports. In this scenario, all countries affected by the US import tariffs impose equivalent border taxes on goods imports from the US. As a result, US exports fall more sharply than in Scenario 1, and the relative impact on goods exports is greater. The effects on imports and exports are virtually the same, as the model includes all the mechanisms for long-run equilibrium rebalancing.

Figure 4.4: Sharper decline in US foreign trade, goods exports hit harder



In this scenario, US goods exports are also hit harder at the sector level. In the domestic market, the US manufacturing industry still benefits from its improved competitive position vis-à-vis other countries, leading to an increase in output. The negative effects, however, are no longer confined to the service sectors; companies that are heavily dependent on exports – such as fishing companies with significant exports to China and Canada – are also adversely affected.

Figure 4.5: US manufacturing output grows, at the expense of sectors that are heavily dependent on trade with foreign countries



As in the first scenario, the Dutch manufacturing industry in particular experiences negative consequences, while the positive effects in the service sectors are less pronounced. Mirroring the effects for the US, where services exports are relatively less affected, the positive effects on Dutch service sectors are also smaller. Because the trade-distorting measures are more far-reaching in this scenario – US exports become less competitive globally – the changes in trade flows are more substantial. As a result, the effects of foreign trade diversion and indirect losses are greater in the Netherlands. This is clearly visible in the Dutch

transport equipment industry, which replaces some of the US exports to other countries. One notable outcome is the rise in Dutch mining output. The Netherlands currently imports many mining products from the US, which the model replaces with increased domestic production. This may prove difficult in practice, however, which means that US mining products could also be replaced by imports from other countries.

Figure 4.6: In the Netherlands, manufacturers bear the brunt of the negative effects of the decline in trade with the US and third countries

