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Trade war 3.0: A new, lasting tariff wall

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In Summary

With Section 122's flat 10% tariff expiring on 24 July, the switch to Section 301 and Section 338 tariffs will send the US average import tariff back above 2025's IEEPA-era level to 12.4%, up from a May low of 7.7%. And this time it should stick: Section 301 requires formal USTR investigations and is far harder to challenge in court. History shows these tariffs tend to outlive the administrations that impose them: China's 2017 case is already in its second statutory review. On top of Section 301, the US will continue using Section 232 tariffs, concentrated on a few sectors – automotive, steel, aluminum, pharmaceuticals – while AI products remain largely shielded at below 5% thanks to a narrow scope of surtaxed electronic products and carve-outs for Taiwan and South Korea. So far, global trade flows have proven more resilient than feared: 2025 export losses came in at USD74bn, well below the USD134bn forecast, with USD 57bn expected in 2026 as frontloading, rerouting, shipment-timing shifts and exemptions cushion the blow. But with the trade war 3.0 the real shift will be structural. Among the largest economies, China (+13pps to 35%), the UAE (+7pps to 22%), Brazil (+8pps to 20%) and Vietnam (+8pps to 15%) face the steepest tariff increases and now rank among the highest tariff levels overall. By contrast, the UK, South Africa, Taiwan and the Philippines remain comparatively insulated, with tariffs holding stable at 4-7%, a divergence set to accelerate the supply-chain reallocation already underway. China's US import share collapsed from 21% in 2016 to 13% in 2024 and 9% in 2025, while that of rerouting alternatives in ASEAN jumped from 7% to 14%.

The inflation punch of tariffs in the US is fading, but a second round is already warming up. With the H1 2025 tariff wave now largely passed through, the tariff drag on inflation should fade fast – reaching near zero in H2 2026, and bringing the full-year contribution down to +0.3pp. But the truce won't last: Section 301 and Section 338 tariffs should push the effective rate to 12.4% by Q4 2026, reigniting tariff-related price pressure into 2027 (+0.4pp, peaking at +0.5pp annualized in Q2 2027), keeping core CPI sticky at +2.7% even as headline inflation cools to +2.2% on energy deflation. For corporates, the margin squeeze has largely passed: margins for tariffed-goods fell up to -5.5% versus a no-tariff counterfactual, peaking in Q3 2025 before recovering as pass-through advanced. But the recovery is uneven – manufacturers have rebounded, while retailers, wholesalers and transportation remain under pressure.

Section 301 is now the main event, but the trade war has plenty of extra time to play. Section 301 is becoming the administration's tool of choice, driven by geopolitics, with Vietnam and Germany facing fresh investigations over Intellectual Property (IP) and pricing of pharmaceutical products, respectively. Section 338 will also become Trump's new more reactive tool to use as a negotiations tool. Watch for NATO defense-spending disputes (e.g. Spain), Chinese rerouting through Asian supply chains and above all digital service taxes – a 100% DST-linked tariff on the EU would push its effective rate to 52% and cost-USD60bn in exports. Elsewhere, tariff relief to incentivize investment in constrained sectors (aluminum), bilateral deal-making resumes – India's 18% interim rate still awaits finalization – while export controls, notably on AI models following the Anthropic Fable 5/Mythos 5 episode, could become a new lever mirroring weapons-export policy. Finally, USMCA's shift to annual reviews through 2036 opens structural fault lines on automotive rules of origin, Chinese content via Mexican nearshoring and agricultural access.

Trade war returns with Section 301 and Section 338

The expiration of Section 122's flat 10% tariff on 24 July will open a new legal chapter built on Section 301 and Section 338, which combined with existing Section 232 tariffs will return the US average tariff rate to 12.4% (Table 1). The forced-labor investigation under Section 301, the first of the ongoing 301 investigations, has followed its track and is expected to be implemented on the expiry of Section 122 tariffs. All 60 economies under review, accounting for 99% of US imports, will face either a 10% or 12.5% tariff on all goods, except for known exemptions, goods already subject to Section 232 tariffs and goods covered under separate bilateral trade agreements. The results of a second 301 investigation on overcapacity, covering a separate group of 16 economies, have not yet been announced, but we expect the United States Trade Representative (USTR) to have found sufficient evidence to add an additional 10% to 12.5% tariff rate on top of the announced forced labor one. We assume, this second 301 investigation's impact will also exempt Section 232 goods, particularly autos, steel and copper, which already carry dedicated sector-specific rates, with a global average rate sitting at 12.4%. Separately, bilateral Memoranda of Understanding (MoUs) between the US and its most important trade partners will continue to shape Section 232 tariff rates, since many MoUs lower the rate, though these agreements do not extend to the Section 301 tariff. Combined Section 301 tariffs, Section 232 tariffs and MoUs are expected to return the global average US tariff rate to what it was before the Supreme Court decision that invalidated the implementation of tariffs under the International Emergency Economic Powers Act (IEEPA). However, the delayed rollout of the second 301 investigation means the lower rate will likely persist for a few months, increasing temporarily the US effective tariff rate from 7.7% to 9.3% before reaching 12.4%.

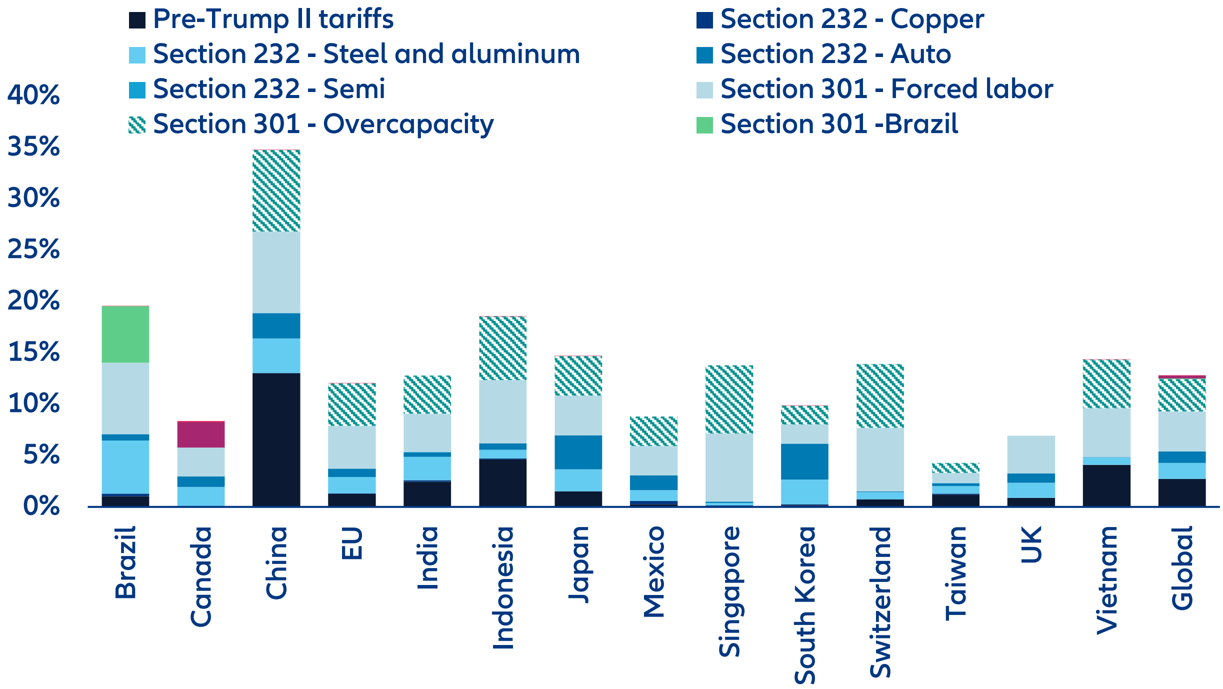
Table 1: Evolution of US tariff rate imposed on main importing partners since 2025

Country	US tariff rate					Export losses	
	Pre Trump II	"Liberation Day", as of 10 April	IEEPA realized	Section 122 (current tariffs)	Section 301 regime	2025 (USD bn)	2026 (USD bn)
Argentina	1%	9%	5%	5%	7%	-0.1	0.0
Australia	0%	10%	9%	5%	10%	-0.3	-0.3
Bangladesh	15%	25%	33%	23%	40%	-0.4	-0.4
Brazil	2%	11%	18%	12%	19%	-1.9	-0.8
Cambodia	7%	15%	28%	21%	30%	-0.6	-0.6
Canada	0%	10%	4%	3%	8%	-2.7	-6.5
Chile	0%	6%	7%	4%	5%	-0.7	0.0
China	13%	130%	32%	22%	35%	-22.2	-9.1
Colombia	0%	13%	4%	3%	6%	-0.2	-0.2
Ecuador	1%	6%	9%	4%	6%	-0.3	0.0
EU	1%	10%	9%	8%	12%	-13.4	-7.8
Hong Kong	2%	98%	4%	3%	13%	-0.2	-0.1
India	2%	11%	20%	8%	13%	-5.6	-1.6
Indonesia	5%	14%	20%	15%	19%	-1.1	-0.3
Japan	1%	15%	14%	11%	15%	-5.2	-1.7
Kenya	0%	8%	23%	6%	0%	0.0	0.0
Malaysia	1%	8%	9%	4%	7%	-1.1	-0.6
Mexico	0%	4%	4%	4%	9%	-3.4	-9.0
Philippines	1%	9%	12%	5%	6%	-0.4	0.0
Singapore	0%	5%	3%	2%	14%	-0.3	-1.2
South Africa	0%	9%	5%	2%	4%	-0.3	0.0
South Korea	0%	13%	8%	9%	10%	-4.7	-0.7
Taiwan	1%	10%	4%	2%	4%	-1.1	-1.6
Thailand	1%	10%	9%	6%	8%	-1.9	-1.0
Türkiye	4%	13%	18%	13%	17%	-0.6	-0.3
UAE	3%	7%	16%	15%	22%	-0.2	-0.2
UK	1%	9%	7%	6%	7%	-1.5	-0.2
Vietnam	3%	13%	12%	7%	15%	-3.6	-6.1
Global	2.3%	25.8%	11.0%	7.7%	12.4%	-74	-57

Sources: USITC, Allianz Research

Note: We apply the pre trade war rate to goods falling under the Annex I for all countries and also goods under the annex II for countries with an agreement with the US. We apply for each Section 232 the corresponding tariff rate, based on the US announcements and the country-specific changes to the announced rates that came through agreements. Finally, we apply the Section 301 tariffs according to the proposed action announced by USTR, i.e. a rate of 12.5% or 10% depending on the published list on non-exempted goods and non-Section 232 goods. For the second Section 301 on overcapacity, we assume that, similar to *the Section 301 investigation on forced labor, USTR will announce two different tariff rates of 12.5% and 10%, keeping the same categories.*

Figure 1: Tariff level breakdown by country

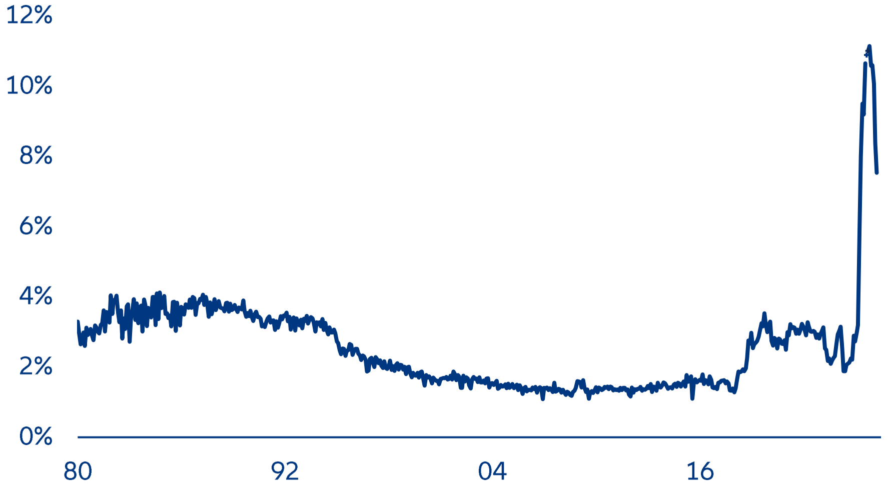


Note: Section 301 on overcapacity not yet announced in pattern fill. In the case of China, pre-Trump tariffs include the 2018 section 301.
Sources: USITC, Allianz Research

Historical precedents show that Section 301 tariffs are tougher to take down, suggesting a new, lasting tariff wall. Section 301 was created under the Trade Act of 1974 (Table 2) to protect the US from countries engaging in unfair foreign acts, policies or practices affecting US commerce. In practice, Section 301 was initially used to pressure foreign countries into eliminating trade barriers, though its usage was largely reduced following the creation of the Dispute Settlement Mechanism under WTO, with only three investigations between 2002 and 2017. However, the pace of Section 301 investigations has increased following President Trump's election to the White House, with more than 10 announced since 2017. Once enacted, a Section 301 tariff is put in place for four years, when a statutory review is mandatory. Unless USTR receives continuation requests, the higher tariffs are then withdrawn. China's Section 301 from 2017 has already undergone one statutory review and is currently undergoing a second, with an additional extension expected to be granted. Other paths for the tariffs to be lifted would be a Presidential decision, Congress deciding to retake the authority it delegated to the administration or a tariff agreement the US government would deem sufficient to undo Section 301. All of these would depend on political will coming from the US, which appears unlikely, especially since the change in administration in 2021 did not lead to a rollback of existing Section 301 tariffs. If anything, the Biden Administration's May 2024 four-year review raised rates further on select strategic products, including EVs (from 25% to 100%) and semiconductors (from 25% to 50%), among others. Finally, Section 301 rests on a formal investigative record; any challenge in court would likely be solely focused on reducing the scope of the action rather than taking down the entire structure such as with the IEEPA.

In parallel, breaking with another precedent, the Trump Administration invoked Section 338 on 20 July 2026 to target Canadian alcohol, dairy and automotive products. Section 338 gives a lot of discretion to the President and has fewer procedural requirements, used as a thread in the 1930s by President Roosevelt but never finally implemented. Section 338 requires a finding of discriminatory trade practices against US commerce relative to other countries. On this basis, the Trump Administration announced three separate Section 338 proclamations against Canada, each grounded in a different unfair trade practice. The alcohol proclamation cites the export ban on US alcohol and beverages introduced by several Canadian provinces last year (including Ontario and Quebec). The automotive product and dairy proclamations both cite Canada's use of tariff-rate quotas that impose higher effective rates on US imports than on those from other trading partners, the EU in the case of dairy and Mexico and Japan in the case of automotive products.

Figure 2: Effective tariff rate imposed on US imports since the 1980s



Sources: USITC, Allianz Research

Table 2: Legal alternatives for tariffs

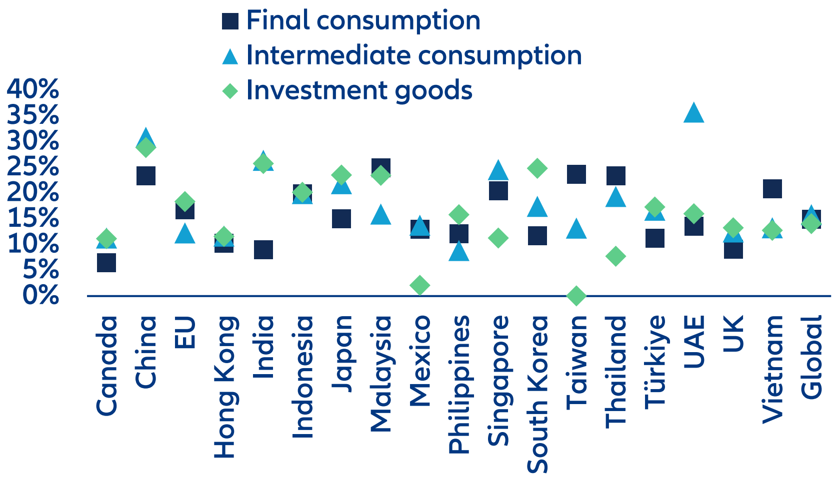
Instrument	Policy Objective	Who Investigates	Max Tariff	Duration	Prior Use
Section 301 (Trade Act 1974)	Address unfair trade practices / IP violations	USTR (investigation required)	No statutory cap	Typically 4 years (renewable)	Used since 2018 (China tariffs, still active)
Section 232 (Trade Expansion Act 1962)	Protect national security / industrial base	Commerce Dept (270-day review)	No statutory cap	Indefinite unless modified	Frequently used (steel, aluminum, auto investigation)
Section 201 (Trade Act 1974)	Temporary relief from import surges	USITC (120–150 days)	Limited (cannot exceed 50% increase over existing duty)	Up to 4 years (extendable to 8)	Used in 2018 (solar panels)
Section 122 (Trade Act 1974)	Correct serious balance-of-payments deficits	Presidential action (no investigation)	15%	150 days	Used for the first time in 2026
Section 338 (Tariff Act 1930)	Counter discrimination against US commerce	Presidential proclamation	Up to 50%	No explicit time limit	Used for the first time in 2026

Sources: various, Allianz Research

Section 301 will equalize the impact of tariffs among product types, bringing intermediate and investment goods close to consumer product goods, that were, in previous Section 122 setup, the most impacted. Tariff rates will settle close to 14.9% for final consumption, 15.8/% for intermediate goods and 14.1% for investment goods. The previous asymmetry in levels mattered because consumption goods sit closer to the end consumer, leaving businesses the least room to absorb costs before prices reach the shelf. Investment goods, however, see the steepest tariff increase under Section 301, followed by intermediate goods that will see an increase of 8.8pp from previous tariff rate. Businesses exporting intermediate products to the US will find greater advantage to do so from Canada, the EU, Malaysia, Mexico, the Philippines or Taiwan compared to other trading partners (Figure 3). Meanwhile, several Asian countries, including India, Japan or South Korea, face lower rate on final products, reflecting a mix of negotiated bilateral frameworks and category-specific carve-outs rather than a uniform regional discount. Certain consumer electronics categories – smartphones, laptops, monitors and related components – were explicitly exempted from the reciprocal and baseline tariff structure via an April 2025 clarification memorandum, a carve-out that disproportionately benefits Asian exporters given their concentration in that supply chain. The case of China is particular: While it faces very high tariffs overall, businesses exporting final consumption products to the US will find it more attractive to remain in China relative to those exporting intermediate products. Hence, this new distribution of importing origin depending on geography, sector and product-type will be determinant on the shape of emerging supply chains.

Figure 3. Forecast of tariff rate by country for large sectors

Broad Economic Category	Pre Trump II	April 2025	IEEPA realized	Section 122 (current tariffs)	Section 301 regime
Final consumption	4%	12%	17%	11%	14.9%
Intermediate consumption	2%	6%	11%	7%	15.8%
Investment goods	1%	6%	7%	4%	14.1%



Sources: USITC, Allianz Research

AI products will remain mostly exempt from tariffs in the new set up. Following "Liberation Day", the tariff on AI products rose from 2% to 5%, and while they remained elevated under the IEEPA tariff framework, the rate remained below 5%. Despite the implementation of Section 232 tariffs, adding a 25pps ad valorem duty rate on semiconductors in January 2026, the effective rate remained stable slightly below 5% as the scope of the section remained limited and the largest semiconductor exporters, such as Taiwan or South Korea, reached agreements with the US administration to be spared from additional tariffs. Since the Supreme Court decision and the application of Section 122 tariffs, the rate returned to 2%. As the Section 301 on forced labor will not include goods under Section 232, we expect the effective tariff rate on AI goods to remain below 5%.

Figure 4: Effective tariff on AI goods

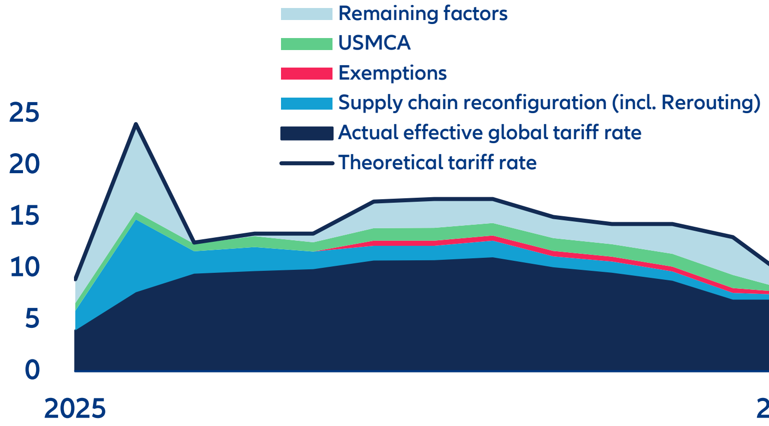
	Pre Trump II	April 2025	IEEPA realized	Section 122 (current tariffs)	Section 301s regime
AI-linked products	2%	5%	4%	2%	5%

Sources: USITC, Allianz Research

Note: AI-linked products will remain relatively shielded under the Section 301 regime as most products either benefit from exemptions or fall under Section 232 scopes but have been included in deals and will therefore not fall under Section 301's scope.

So far, global trade has remained more resilient than feared: Export losses amounted to USD74bn in 2025, compared to USD134bn expected, and are forecasted at USD57bn in 2026, remaining contained thanks to mitigation strategies and firms' adaptability. The gap between the forecasted and realized export losses appears to be linked to frontloading and rerouting, as well as a change in delivery timing. Around "Liberation Day", many exporters pushed shipments to be sent earlier than expected, avoiding the upcoming tariffs. Then, throughout April and the following months, high tariffs, uncertainty surrounding their implementation and additional threats by the US administration pushed exporters to postpone their shipments until the summer when uncertainty had reduced and tariff levels had fallen from the 26% recorded in April. In addition, other factors continue to contribute to a lower effective tariff rate, including customs misclassification, such as miss-reporting products to avoid higher tariffs – though these are difficult to pinpoint to an exact number – or "on-the-water-exemptions", which allowed shipments already in transit to avoid tariffs. Exemptions on tariffed goods turning out higher than initially reported, along with the exemptions that USMCA or AGOA provides to US trade system, were the remaining factors explaining an effective tariff rate, and resulting export losses, lower than initially expected.

Figure 5. Difference between effective tariff rate and theoretical rate



Sources: USITC, LSEG, Allianz Research

The trade war has brought ASEAN to the center of the US trade system, with firms rerouting away from highly-tariffed China towards the rest of Asia to continue accessing the US market. Chinese exports to the US economy have been falling steadily since President Trump's first term. In 2016, imports from China accounted for 21% of total US imports, but by 2024 they fell to just 13%. As of 2025, this number has continued falling to 9%. Since "Liberation Day", the shortfall of Chinese exports to the US has reached USD11bn per month on average, and up to USD18bn in May 2025. Meanwhile, ASEAN countries have experienced the reverse trend, accounting for 14% of US imports in 2025, up from 7% in 2016. Overall, we estimate that almost half of the Chinese export shortfall has been rerouted through ASEAN. But not all of ASEAN is tariffed equally: While Vietnamese exporters face an average 16% tariff to access the US, Malaysia and the Philippines face only a 10% and 6% tariff, respectively. This will have implications for the formation of new supply chain routes and business investments. Beyond Asia, the UK, South Africa, Taiwan and Canada face the lowest tariff levels of all large exporters to the US.

Section 301 and Section 338 tariffs are likely to keep core US inflation firm in 2027

Tariffs and USD depreciation contributed significantly to US inflation in the second half of 2025 and early 2026, but these effects have started to fade in the wake of the Supreme Court decision. The US effective tariff rate rose +6.1pps in Q2 2025 and +1.5pps in Q3 2025, pushing the headline rate to 10.2%. Research suggests that the pass-through of tariffs to consumer prices is generally quite rapid[1], with around 90% pass-through after one year. Tariff costs are passed through the supply chains and in the short run corporates have to take on the hit to their margins as they do not adjust prices instantly, with the margin squeeze being split between exporters, US wholesalers and retailers, US transporters & warehouses and US companies paying higher prices for foreign inputs (particularly in the industrial sector). Based on a conventional near-complete pass-through of one year, we estimate that US tariff hikes since early 2025 have contributed 0.4 pp to US headline CPI in 2025, with a peak of 0.7pp annualized in Q4 2025 (Figure 6). We also estimate that the broad nominal USD index depreciation in Q2 and Q3 2025 added further inflationary pressures at the end of 2025 and early 2026[2] (0.8pp annualized in Q4 2025 and 0.4pp annualized in Q1 2026). Conversely, since the decision of the US Supreme Court to strike down IEEPA tariffs in February 2026, the US

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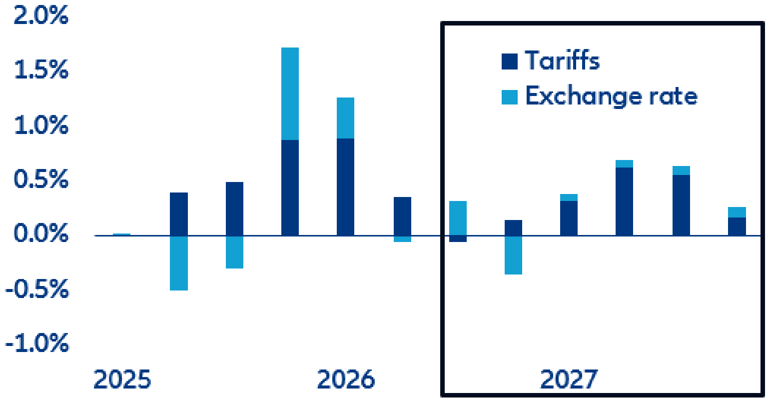
[1] *See for example [The Fed - Detecting Tariff Effects on Consumer Prices in Real Time – Part II]()*

[2] *We based on our estimate on an elasticity of US import price of -0.5 after two quarters, meaning that exporters typically lower their export price (in USD) to the US market by -0.5% when the USD appreciates by 1% (and vice versa).*

effective tariff rate dropped to 7.5% by Q2 2026. Lower tariffs since early 2026, as well as the near complete pass-through of the tariff wave from the first half of 2025, is expected to lessen the tariff contribution to US inflation substantially for most of 2026, though price-gouging behaviors will likely limit the decline in prices[3]. Indeed, we expect a near-zero effect of tariffs on inflation in the second half 2026, while past USD appreciation will also help to limit inflationary pressures. This is welcome news for the Fed at a time where core price pressures are firm amid supply-chain strains (notably in the electronics sector). The total contribution of tariffs to 2026 inflation is expected at a moderate 0.3pp.

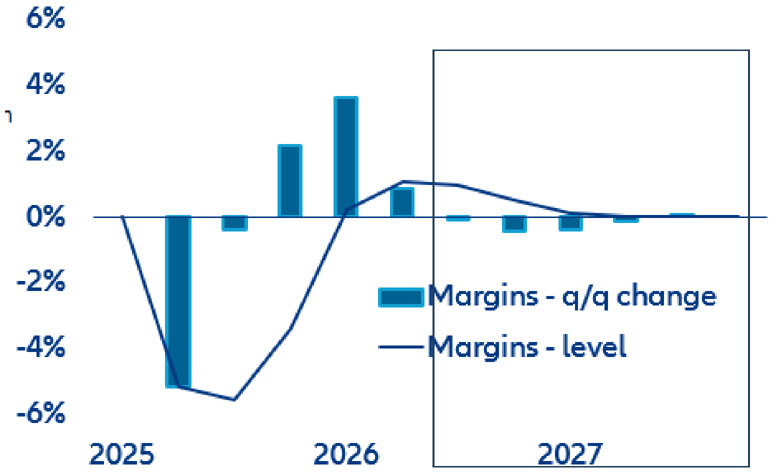
Figure 6: Impact of tariffs and exchange rate on US quarterly headline inflation (annualized)



Sources: LSGE Datastream, Allianz Research

The replacement of Section 122 tariffs by Section 301 and Section 338 tariffs after 24 July should push tariff-related inflation back up in 2027. The impact on US inflation is expected to be noticeable as corporates gradually pass-through the higher levies (Figure 6 again): 0.4pp for the whole of 2027, with a peak of 0.5pp annualized reached in Q2 2027. Overall, this supports our view that US core price pressures should remain firm in 2027: While we expect headline US CPI to decelerate strongly, from +3.3% in 2026 to +2.2% in 2027 thanks to strong energy deflation, we forecast core CPI to slow down only marginally, from +3.0% in 2026 to +2.7% in 2027. In particular, we expect goods CPI inflation to remain elevated, at +1.3% in 2026 and +1.2% in 2027.

Figure 7: Impact of tariffs on margins of affected products (split between exporters/US wholesalers & retailers/US corporates)

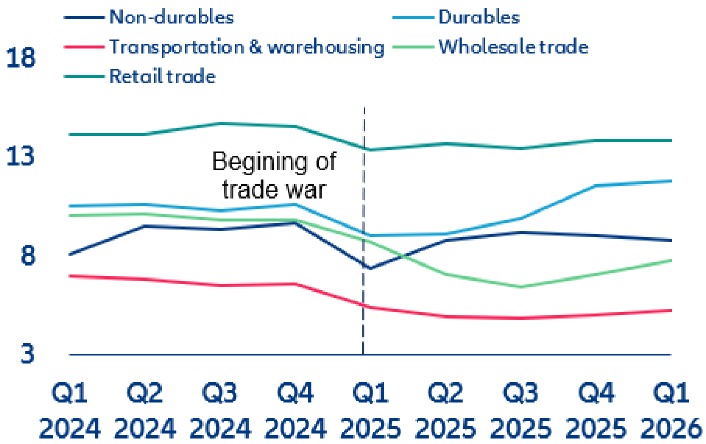


Source: LSGE Datastream, Allianz Research

[3] We assume that 50% of the lower tariffs are not redistributed to the US consumer in terms of lower prices, but captured by corporates' profit margins, in line with widespread evidence that the pass-through of tariffs (or taxes) to consumer prices is asymmetric.

The squeeze on US corporates' profit margins is behind us. On tariffed goods sold to the US market, we find that margins likely declined up to -5.5% relative to a counterfactual scenario where US tariffs did not increase (Figure 7). It peaked in Q3 2025. Beyond this point, margins started to recover as more and more corporates passed on the costs on to customers[4]. Some margin squeezing is expected to re-emerge through the second half of 2026 and early 2027 on the back of Section 301 and Section 338 tariffs, but the hit should be much lower than in 2025. However, our estimates are only for products sold and do not take into account the margin squeeze stemming from lower volumes sold to US customers. National accounts data indicate that profit margins declined across most actors at the beginning of the trade war (Figure 8). However, one year in (latest data are Q1 2026), profit margins have recovered for manufacturers (especially in the durables goods sector) while they remain depressed for retailers, wholesalers and transportation & warehousing.

Figure 8: US profit margins by sectors (in % of gross output)



Source: LSEG Datastream, Allianz Research

After Section 301 and Section 338, where could the trade war move to next?

Section 232, sector specific but impacting all trade partners indiscriminately, will continue to sporadically make the headlines, with five investigations still pending and more to potentially come. Most recently, the administration found threats to national security surrounding the imports of commercial aircraft, jet engines and their associated parts and will likely enact higher tariffs after the grace period of three months. Other sectors to closely monitor will be polysilicon and its derivatives, unmanned aircraft systems (drones) and their components, wind turbines and parts, personal protective equipment and medical consumables and equipment and robotics and industrial machinery, which all currently face ongoing investigations. Finally, recent threats made by the administration suggest that large-scale batteries, cast iron and iron fittings, plastic piping, industrial chemicals and power-grid and telecommunications equipment could also come under investigation in the near term.

Table 3. Sectors with Section 232 tariffs, sectors under investigation and sectors that could be investigated in the future

In force	Negotiations	Under Investigation	Reported by media
Steel, Aluminum & Copper (+ derivatives)	Commercial Aircraft, Jet Engines & Parts	Anthracite & Metallurgical Coal	Large-scale batteries
Autos & Auto Parts	Processed Critical Minerals & Derivatives	Polysilicon & Derivatives	Cast iron & iron fittings
Medium/Heavy-Duty Vehicles, Parts & Buses		Unmanned Aircraft Systems (drones) & Parts	Plastic piping
Timber, Lumber & Wood Derivatives		Wind Turbines & Parts	Industrial chemicals
Semiconductors		PPE, Medical Consumables & Medical Equipment	Power-grid equipment
Pharmaceuticals		Robotics & Industrial Machinery	Telecommunications equipment

Sources: USTR, Allianz Research

Section 301 and Section 338 will continue to be the USTR tools to enact trade policy, making tariffs more durable, with politics and geopolitics as the main driver. Vietnam and Germany are the latest targets on the list, with

[4] *We assume that only half of the tariff decrease in Q2-Q3 2026 has been captured by corporates.*

more to likely follow. Looking forward, Section 301 and Section 338 will be the US Administration's tool of choice to continue its trade policy, as seen with the latest enacted Section 301 tariff on Brazil, and Section 338 on Canada. The 25% ad valorem increase of tariffs on goods specified in the 301 announcement brings Brazil's tariff rate from 14% to 20%, the second-largest tariff rate amongst EMs, and export losses for 2026 to -USD0.8bn from -USD0.2bn (all previous numbers included the impact of the section 301 on forced labor), corresponding to 1.5% of total exports and around 0.2% of GDP on a 12-month basis. In comparison to IEEPA, Section 301 takes longer to be established, leaving time for adaptation (Brazil's investigation lasted for 12 months, as the timeline can be adjusted by USTR), and it can have a limited scope of countries that allows for strategic negotiations and a potentially larger scope of exemptions, case dependent, that preserve US interests. Among the Section 301 investigations recently opened are one initiated against Vietnam due to intellectual property disputes, and one against Germany due to persistent underpayment for innovative pharmaceutical products. Regarding Canada's Section 338, a new 50% tariff rate on a set of products, corresponding to only 5.0% of total US imports from Canada, moves the country's tariff rate from 5.9% to 8.4%, causing an export loss of USD-3.1bn. Impacted imports are mainly alcohol products; the USTR bases the tariff on discriminatory practices by Canadian provinces that have banned the sale of US alcohol since last year's tariff tit-for-tat following "Liberation Day", as well as wood-related products not previously tariffed under Section 232 that targeted lumber, timber, and wood derivatives. Looking forward, we might see a multiplication of overhanging threats motivated by political and geopolitical views in the White House. Several issues that could raise new Section 301 investigations include: defense spending among NATO members, a topic on which President Trump has threatened tariffs, especially on those members not meeting the 5% threshold (including Spain) and the rerouting of Chinese goods through other countries (especially Asian). However, the latter will be complicated to address with Section 301 tariffs unless the USTR targets countries that have seen an increase in trade due to new supply chains being established.

Among the threats to keep an eye on are 301 investigations on EU member states or other countries with an established digital service tax (DST). The situation is similar to the one in 2019-2020 before the not-concluded OECD deal. Back then, the US had open investigations into multiple countries and notably found grounds against Austria, France, Italy, Spain, India, Türkiye and the UK, who had established a digital service tax. Despite having already made threats of a 100% tariff at the time, the US announced a 25% tariff that was then immediately suspended to allow for the OECD deal. A caveat of note is that at the time, the administration had not found the EU to be actionable as there was no DST in place at the EU level. This time around, we expect the US administration to find some ground through the enacted Digital Service Act (DSA) and the Digital Market Act (DMA) as being discriminatory and targeted against US interests. Considering President Trump's previous threats on 100% tariffs due to the DST, a 100% tariff excluding exemptions and Section 232 goods would raise the effective tariff on the EU by +42pps, (a new rate at 52%) and result in additional export losses of USD-60bn, equivalent to 9.5% of total EU exports to the US. Meanwhile, following a similar methodology to what had been enacted in 2019-2020 on France, Spain, Italy and Austria, we expect the first rounds of the investigation to be large in scope but the ultimate action taken to be much more limited to certain high publicity goods, such as handbags and cosmetics for France, with the new ad valorem duty hike limited at 25%. Hence, we assess that the additional 25% rate would have a limited impact, only covering 2% of EU exports to the US. We expect it to increase the tariff rate by only +0.5pp and estimate its impact to USD 0.7bn of export losses, only 0.1% of 2025 exports.

Renegotiation of bilateral deals and new trade deals will return to the trade agenda. India, which reached an interim agreement with the US on February 2026 to cut the tariff rate to 18%, has failed to finalize it, and it did not include Section 301 tariffs. New Delhi remains one of the most active negotiators, prioritizing a better tariff rate than a rushed deal. It is expected that other countries, especially in Asia, will go back to the negotiating table after India's final agreement. Other countries are expected to request additional exemptions under Section 301, and revisions of the investments requirements set by the US, which were especially high for Japan and South Korea, similar to tensions that arose post the original US-China agreement in 2018, after China did not meet the investment pledges to the US.

Sectors under constrain due to Section 232 tariffs could be reduced if investment pledges are made by companies, opening the door to incentive programs. In a recent USTR announcement, the White House has proposed to those countries willing to pledge investment of the likes of onshoring to build, expand or refurbish US primary aluminum facilities (with constructions starting by January 20th 2029) in the aluminum investment to reduce the tariff regime. Looking forward, we expect similar announcements to be made for other section 232 in place in sectors where US domestic manufacturing ramp up was not able to cover the shortfall of imports since Liberation Day.

Export controls and bans could become the go-to-strategy, especially for AI models, shifting US trade policy again. Given the US domination in the services exports in tech and AI, export bans could become the new normal. In recent months, the US blocked Anthropic's latest AI models, Fable 5 and Mythos 5, from being exported, triggering a dispute between the Silicon-Valley-based company and the US government. Both parties found an agreement after US Administration review of the models. Moving forward, the US could establish export controls over its AI models, similar to its weapon policy exports, which are decided depending on geopolitical alignment, rather than economic or market ones. Beyond AI, during the recent US-Iran shock, fertilizer, hydrocarbons, metals and minerals were banned in different geographies across the globe. The US with its significant market share on hydrocarbons or fertilizer could also establish controls over any of its top exports if it wished to do so.

Finally, the US review of USMCA, covering 27% of US imports, marks a structural shift as an annual review cycle running through 2036, rather than a six-year automatic approval. Substantively, four fault lines stand out in the upcoming reviews: automotive rules of origin (likely to tighten), Chinese-origin content flowing through Mexican nearshoring (the newest and most consequential friction point, absent from the 2018 round entirely), longstanding agricultural access disputes (US-Canada dairy, Mexico implementation gaps) and sectoral tariffs on steel, aluminum and lumber that sit outside USMCA's text but are being pulled into the same negotiations. The process itself has also fragmented: rather than one trilateral negotiation, the US is running separate bilateral tracks with Mexico and Canada, raising a real risk of diverging rules across the three countries for the first time since NAFTA. At the end of 2026, the US Congress will have to again vote on the renewal of AGOA, the US trade preference program with eligible Sub-Saharan African economies after a one-year extension. Renewal is not guaranteed, the House passed a three-year renewal but remains stuck in the Senate, and last year's lapse shows Congress is willing to let the program expire before acting. While AGOA isn't substantial for US trade, it is key for some economies in Africa, especially in the Southern Africa region.

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