



# MARKET INSIGHTS

## Trump lashes out at EU: “I will impose tariffs of 25% across the board”<sup>1</sup>

*Trump's tax on two essential industrial supplies fuels the drums of a trade war and threatens to drive up consumer prices. After tariffs on specific countries, it's now the turn of levies on product groups regardless of their origin, affecting two crucial industrial materials: steel and aluminum, which faced a 25% surcharge. With this measure, the consequences of President Trump's tariff policy reach the European Union, increasing fears of an escalating trade conflict in anticipation of a possible EU response.*

### Analysis of the Fundación Valenciaport

The arrival of Donald Trump at the White House marked the realization of many of the promises (and threats) made during his intense election campaign, including those related to **trade policy**. In fact, just days after taking office, he **announced** the **imposition of 25% tariffs** on imports from **Mexico and Canada** and **10%** on those from **China**. In the first case, after concessions from the governments of Mexico and Canada, the implementation of the tariffs was suspended for a month. Meanwhile, in China's case, the measure led to a retaliatory response, with the Asian country imposing additional tariffs of 10% to 15% on 80 U.S. energy and manufactured products.

However, the U.S. government's **tariff strategy** has not slowed down; instead, it has intensified, this time with the **imposition of 25% tariffs** on two **essential manufacturing materials: steel and aluminum**. This move turns previous threats against the European Union into reality. While the measure impacts other major steel and aluminum suppliers—such as Canada, Mexico, Brazil, and China—the fact remains that it expands the geographical scope of Trump's trade policy, opening the door for a multiplier effect in the conflict, as the EU may respond in kind.

The commercial thesis behind these measures (besides the broader, complex geopolitical relationships the U.S. maintains with other partners, including immigration and resource dependence) is the **fight against bilateral trade deficits with certain countries**. Trump perceives these deficits as an exploitation of American industry and its citizens. According to this argument, tariffs would help correct these deficits, **protect domestic industries**, create jobs, and allow for tax reductions by generating revenue from the tariffs.

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<sup>1</sup>Original news published by “The economist” and available at: <https://www.eleconomista.es/economia/noticias/13241063/02/25/trump-arremete-contra-la-ue-impondre-aranceles-del-25-de-manera-general.html>

However, in reality, this reasoning is quite weak, as such measures typically result in the redistribution of trade deficits among countries and higher prices within the protectionist economy.

While it is difficult to predict the extent of these measures, Trump's **previous presidency (2017–2021)** serves as a useful reference for analyzing their effects on U.S. economic and trade relations. Trump's protectionist strategy escalated in **2018** with **aggressive measures targeting key sectors**. **Tariffs** were imposed **on steel** and **aluminum** under the justification of protecting critical industries and safeguarding jobs in an increasingly competitive global market. Additionally, **the trade policy expanded to include Chinese products**, sparking a **trade war** that led to retaliatory actions and global economic tensions. Alongside these tariffs, non-tariff measures were implemented, such as stricter customs controls and the introduction of administrative and regulatory barriers.

This trade policy had significant **consequences** for various affected sectors. The **steel and aluminum industries** were directly impacted as high tariffs increased input costs, which in turn raised production costs and ultimately the final prices of manufactured goods. The **manufacturing sector** experienced a restructuring of supply chains, as uncertainty and imposed barriers forced many companies to rethink their production processes, affecting industries such as machinery, electronics, and medical devices. Similarly, the **agricultural sector** suffered due to the trade war with China, particularly in products like soybeans, which faced retaliatory tariffs that disrupted trade flows and reduced the competitiveness of U.S. farmers. The **automotive industry**, heavily reliant on imported components, was also hit by rising costs and supply chain fragmentation, increasing production expenses and affecting consumers. Furthermore, sectors like **energy** and **high technology** suffered from uncertainty in international trade relations, while the **service** sector—especially in areas linked to **logistics** and **finance**—experienced indirect impacts due to volatility and the fragmentation of global supply chains.

These **first-term consequences** provided **key lessons**. Beyond the direct impact on trade flows, **unintended side effects emerged**, such as the rising cost of imported inputs, which passed through to consumers, generating **inflationary pressures**. Uncertainty also led to **supply chain fragmentation, reducing efficiency and increasing volatility in global markets**. Additionally, delayed retaliatory responses—especially from China, along with the extended threat toward the European Union—demonstrated that using tariffs to correct bilateral deficits could trigger a cycle of restrictions that harmed all parties involved, without resolving underlying imbalances.

With this in mind, **past experiences** are crucial for evaluating future scenarios. The continuation and expansion of a hardline tariff policy—now extending to essential products like steel and aluminum, with threats directed at the European Union—could lead to another escalation of trade tensions. Domestically, **protectionism** results in **higher consumer goods prices** and **production costs, reducing purchasing power** and **slowing economic growth**. While these **increases** may be **temporary**—adjusting

over time as markets substitute imports with domestic products or adapt pricing—the **ultimate effect** depends on factors such as **demand elasticity, substitution capacity,** and **sector-specific conditions**. Internationally, trade imbalances and retaliatory measures could reshape the global trade landscape, **weakening multilateral cooperation** and **promoting** a trend toward **deglobalization**.

#### Trade Relations Between the United States and the European Union

After contextualizing Trump's trade policy, it is important to examine the **trade relations** between the **United States** and the **European Union**, which has established itself over the years as one of the U.S.'s key trading partners. The past decade, in particular, has been a crucial period for both economic powers, during which EU exports to the U.S. have grown significantly, reaching values close to **5% of the EU's GDP**. The growth trend remains positive, with exports in the last year alone nearing **45 billion euros** (Graph 1).

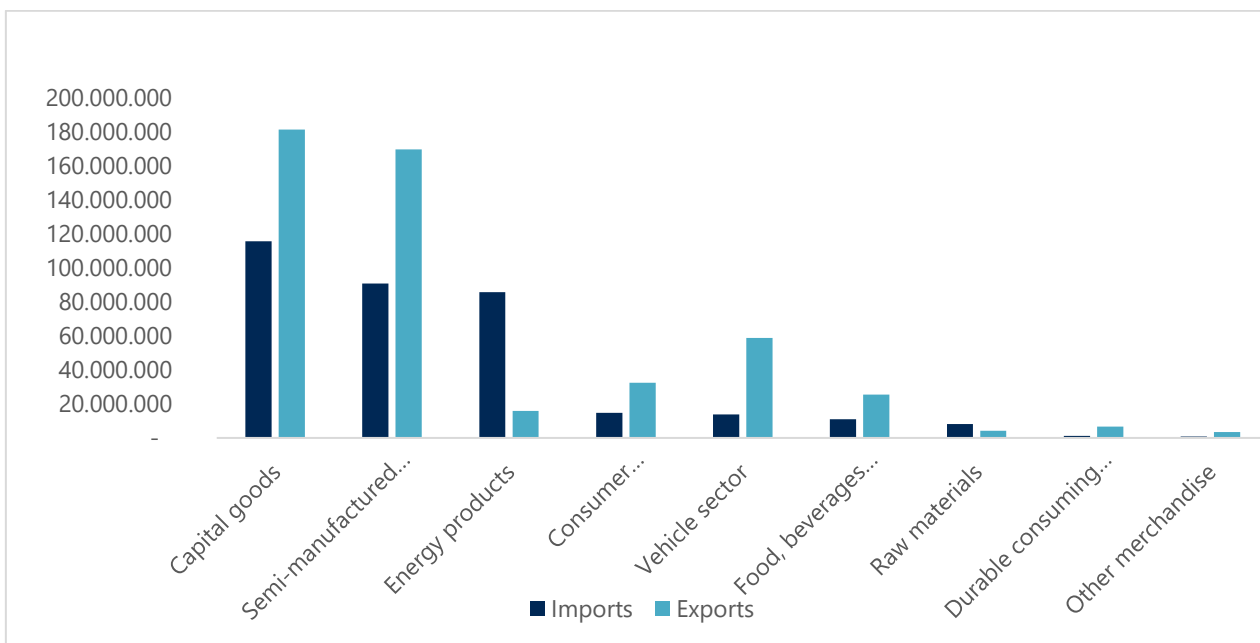
|Graph 1: Export and import evolution between the EU and US (in thousands of euros)



Source: Own elaboration with data from Eurostat:

On the other hand, at a **sectoral level**, the **capital goods** and **semi-manufactured goods** sectors **lead exports, accounting for more than 30% of total exports**. Additionally, imports have seen a sharp increase in recent years, not only in the aforementioned categories but also in the **energy products** sector, which has become the third most imported sector. This growth is likely driven by global energy needs resulting from the Russia-Ukraine war.

|Graph 2: Export and import main sectors between the EU and US in 2023 (in thousands of euros)

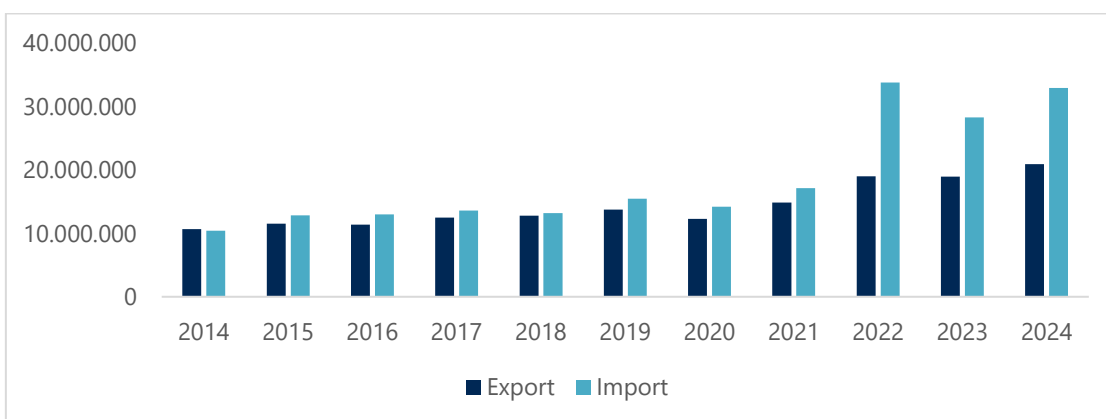


Source: Own elaboration with data from Eurostat

Regarding **trade with Spain**, it appears to have a **solid structure**. The **moderate growth** of Spanish exports, with annual variations showing no significant changes (Graph 3), suggests that Spain's exposure to the U.S. market is relatively low, despite the U.S. being the sixth-largest destination for Spanish goods. In **terms of added value, Spanish exports** account for only about **1.1% of the EU total**. Additionally, Spanish exports to the U.S. represent approximately 4% of Spain's GDP.

As for **imports from the U.S.**, they **reached** nearly **31 billion euros** last year, making the U.S. Spain's **fifth-largest non-EU supplier** after China. Moreover, trade relations between the two countries saw a **significant increase** after **the pandemic**, with a particularly notable surge in 2022. During this period, Spanish imports nearly doubled, showing a variation of around 100% and reaching a total volume close to 23 million tons.

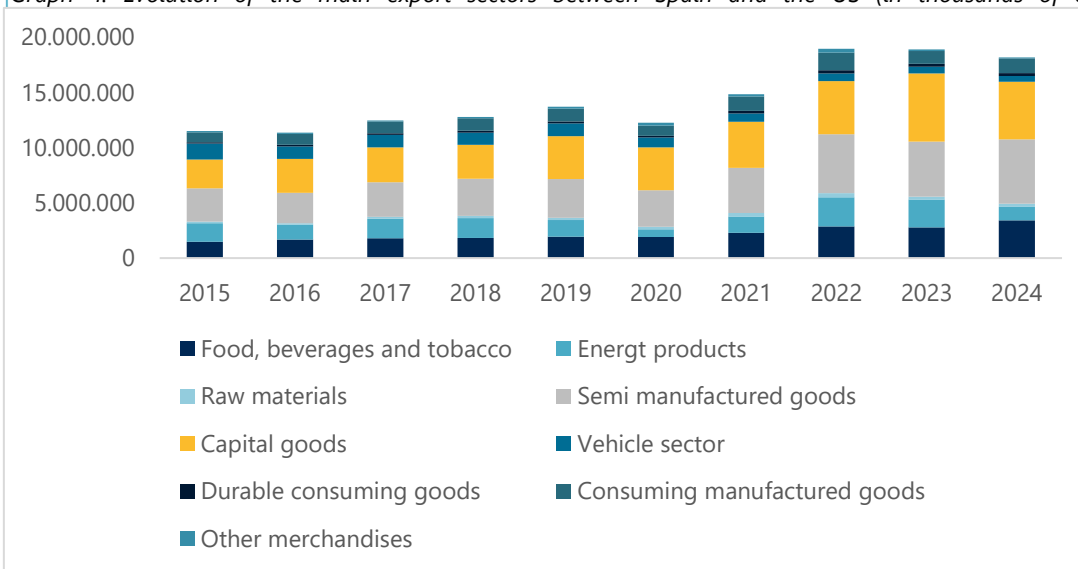
Graph 3: Export and import evolution between Spain and the US (in thousands of euros)



Source: Own elaboration with data from Ministry of Economy, Trade and Enterprise

The **presence** of the Spanish market is **strengthening** in terms of **exports**, with the **semi-manufactured goods** and **capital goods sectors** standing out, each reaching values close to 40 million euros. On the other hand, other key export sectors include **food, beverages, and tobacco**, accounting for 15% of foreign trade, as well as the **energy products** sector, which represents 11.48%, though with moderate annual variations.

Graph 4: Evolution of the main export sectors between Spain and the US (in thousands of euros)

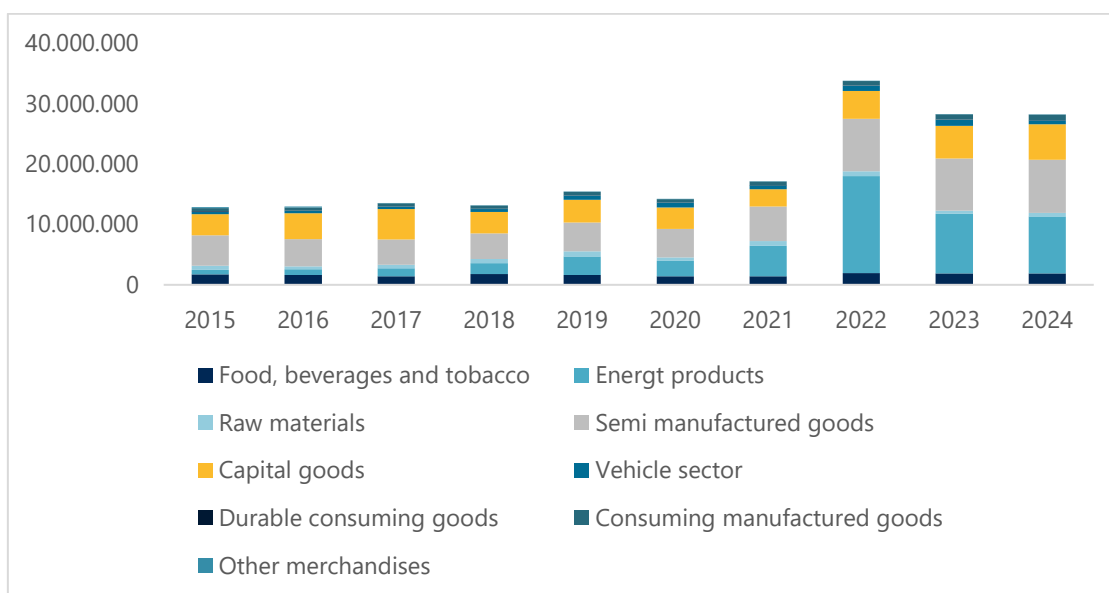


Source: Own elaboration with data from the Ministry of Economy, Trade and Enterprise

In terms of **imports by sector**, the **scenario** is **entirely different**, as **Spain primarily focuses** on **acquiring energy products**. This sector experienced a sharp peak in 2022 due to the Russia-Ukraine conflict, which drove the global search for new energy resources.

Notably, purchases of liquefied natural gas stood out, resulting in an increase in imports worth 16 million euros. Despite the growth of energy sector imports over the past three years, it is also important to highlight the **significance of semi-manufactured** goods, which have steadily established themselves as one of the main import sectors

Graph 5: Evolution of the main import sectors between Spain and the US (in thousands of euros)

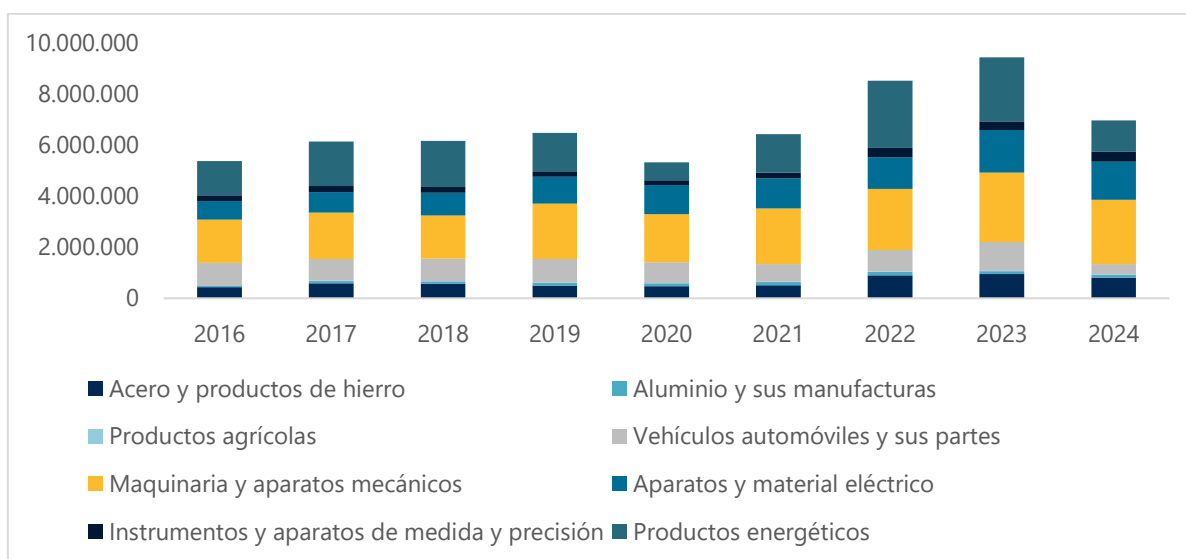


Source: Own elaboration with data from the Ministry of Economy, Trade and Enterprise

As previously mentioned, during **former President Trump's administration**, tariffs were imposed on various product categories, significantly impacting international trade. In the case of **trade relations** between **Spain** and the **United States**, products such as steel, aluminum, and those from the agricultural and automotive sectors experienced price increases due to these measures. Despite this, **trade** in these product groups **remained relatively stable**, except for **specific cases** that were more affected (Graph 6). The only notable **exception** was in **2020**, when **exports** declined due to the **pandemic** and its economic repercussions.

More recently, in **2024**, **Spanish exports** to the United States, particularly in the **energy sector**, have recorded a **significant decline**. This was due to several factors, including the **decrease** in **international energy prices**, **reduced U.S. demand** driven by **higher domestic production** of oil and natural gas, and the persistence of protectionist trade policies, which made Spanish exports more expensive and less competitive in the U.S. market.

(Graph 6: Evolution of exports by products under protectionist tariffs between Spain and the U.S. (in thousands of euros)



Source: Own elaboration with data from the Ministry of Economy, Trade and Enterprise

In this context, it is relevant to assess how **protectionism can influence** these **exchanges** and what **effects** it generates on the economy. In this sense, **protectionism** can **initially** cause an **increase** in inflation due to higher costs of imported products, which raises prices and affects consumers' purchasing power. This can lead **to short-term economic tensions**. However, **over time**, inflationary effects tend to **stabilize**, as both companies and consumers adjust to the new commercial reality. Companies optimize their processes and seek new suppliers, while consumers adapt to higher prices. However, although this adjustment may allow the economy to stabilize in the long term, protectionism still presents challenges and restrictions that can affect competitiveness and economic growth in a complex way.

#### Estimation of the Potential Impact of Tariffs on Spain's GDP

Trying to carry out an **exercise to estimate the potential impact of the tariffs announced by the United States on Spain's exports**, and by extension, on Spain's Gross Domestic Product (GDP), two key factors must be considered: the share of **Spanish exports in GDP** (which represents 37.1% of Spain's total GDP) and **the share of Spanish exports directed towards the U.S.** (approximately 4.5%).

Additionally, the **most relevant sectors** in the **trade relations between the two countries**, as previously mentioned in this report, have been considered. These sectors include steel, aluminum, automotive, and agriculture, which are strongly linked to the U.S. market and, therefore, are among the most exposed to the effects of the tariffs imposed by the U.S. Similarly, this exercise is based on the **tariffs announced** so far by the U.S. administration, which affect strategic sectors with rates as high as 35%, as previously described.



To **estimate** the **impact of the tariffs on exports** and **Spain's GDP**, an **adjusted formula** has been used, which considers both the **announced tariffs** and the **price elasticity of demand for each sector**, which measures how the demand for a product changes when the price changes. In this case, it is interesting to understand how the tariffs increase the price of exported products and, in turn, how U.S. consumers will respond to these price increases.

In this sense, it is important to note that **price elasticity of demand varies** depending **on the type of product** and the **availability of alternatives**. In sectors with **low elasticity**, such as **steel, aluminum, and machinery**, U.S. consumers are less sensitive to price increases, as these products are essential and have few close substitutes. Therefore, even though tariffs increase prices, the decline in exports will be relatively small. On the other hand, in sectors with **medium elasticity**, such as **agricultural products**, consumers may turn to other suppliers if prices rise, causing a somewhat more pronounced decline in exports, but not as drastic. Finally, in sectors with **high elasticity**, such as **automobiles**, consumers have many alternatives, meaning that if prices rise due to tariffs, demand will decrease significantly. In summary, the sectors most sensitive to tariffs are those with many alternatives available to consumers, while the most essential products or those with fewer substitutes experience a smaller reduction in demand.

The next step was to **estimate** how the **decline in exports** would **affect Spain's Gross Domestic Product (GDP)**. To do this, the estimated decline in exports for each sector is multiplied by the **relative weight of exports in Spain's GDP**, which is approximately 37.1% according to available data. In this case, the **estimated result** is a **reduction in Spain's GDP growth of 0.17%**. This value reflects how the decline in exports to the United States, resulting from the imposed tariffs, would affect the Spanish economy in terms of growth. Although this impact **is not catastrophic**, it does indicate a moderate economic slowdown, especially in the sectors most exposed to the tariffs, which is relevant for Spain's future political and trade decisions.

However, **the impact of the trade policies** being implemented by the U.S. government is **not limited to the potential effects** that can be **parameterized** in economic simulation models. Currently, **companies with interests** in the **United States** (which, in a globalized market like today's, includes many of the leading Spanish companies) are having to make **decisions and formulate strategies** in a **constantly changing environment with historically high levels of uncertainty**. The **constant announcements** of measures, to delay or modify them days later, do nothing but **neutralize the effects** of decisions that companies made to adapt to them, and in many cases, make them **counterproductive**.

The **maritime sector** is also **clearly affected** by this, as this protectionist policy (both the effective measures and their announcements) causes **disruption in trade flows, putting pressure on the balance of trade routes**. Thus, following the **U.S. electoral results**, imports were **intensified in an attempt to "avoid" the tariff increase, which pushed freight rates up**, increased **congestion** in U.S. ports and storage capacity, and



absorbed capacity from other, less critical routes, leading to shortages in certain markets and spreading the effect to other countries.

At present, we are facing a highly changing landscape with so much uncertainty that the scenario changes daily, and it is **difficult** to have **certainties** about the **direction**. The need to deal with this uncertainty and the potential consequences of decisions made in this context is a secondary effect of the U.S. trade policy, which may have an impact on wealth as much or even more than the reduction in exports itself. For this reason, now more than ever, it is **important to work from all perspectives** to **support exporters and importers** in **strengthening** their **international competitiveness** so that this turbulent period has the **least possible** negative **consequences**.