



US President Donald Trump returns to the White House on April 6. Earlier in the day the president struck a determined tone, saying, "I don't want anything to go down, but sometimes you have to take medicine to fix something." *Photographer: Bonnie Cash/UPI/Bloomberg*

Economics | The Big Take

Trump's Tariffs and China Collide to Shock the \$115 Trillion Global Economy

Investors the world over are trying to reprice risk in an age of uncertainty inflamed by dueling US and Chinese visions for the future.

By Shawn Donnan, Maeva Cousin of Bloomberg Economics, Enda Curran and James Mayger

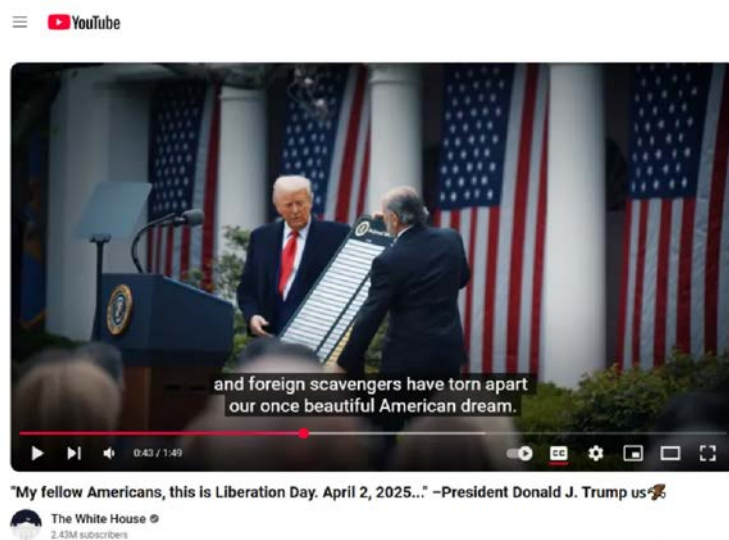
April 7, 2025 at 5:00 PM EDT

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A rousing White House social media clip casts Donald Trump as national savior, heroically installing his "Liberation Day" tariffs to overcome the "foreign scavengers" who've torn apart the American dream. Cheered on by devotees in hard hats and blue-collar uniforms, all to a soundtrack befitting the latest action movie, the message is blunt: America is blowing up the rules.

An equally slick production from China's Ministry of Foreign Affairs starts with tense music as America's hegemonism, greed, exploitation, tariffs and other evils are recounted. Then, halfway through, John Lennon's "Imagine" kicks in with serene images of a Chinese-led world of security, equality, justice and

“barriers transformed into bridges.” “What kind of world do you want to live in?” it asks.



Screen shots from White House video on YouTube and China's Ministry of Foreign Affairs spokesperson video on X.

Missing from either narrative is the reality that's now become clear to panicked investors, defiant foreign leaders and vexed CEOs: A global economy forecast to churn out \$115 trillion in output this year must now contend with twin colliding shocks from its two biggest growth engines. Few will escape unscathed.

The Trump shock is an unabashed effort to rewrite the rules of global commerce in America's favor. If it holds as unveiled last week, supply chains will be tangled, investment plans rewritten, prices for imports will spike, and trade and security relationships with both allies and rivals will be remade. Indeed, Trump's bold gamble to bring about the "Golden Age of America" hinges on such upheaval.

Bloomberg Tracker: Every Trump Tariff and Its Economic Effect

The jolting Made-in-America crisis intersects with the slow-burning China shock that has transformed the global economy over the past quarter century and shows few signs of abating. As the Asian manufacturing juggernaut expands sales in new markets and extends its dominance into industries of the future like electric vehicles, President Xi Jinping is seizing the opportunity to portray China as the upholder of a rules-based trading system and urging the

world to stand up to “retrogressive rules and the zero-sum games” of weaponized trade barriers.



Big Take

Trade War's First Casualty? The Bull Market

19:53

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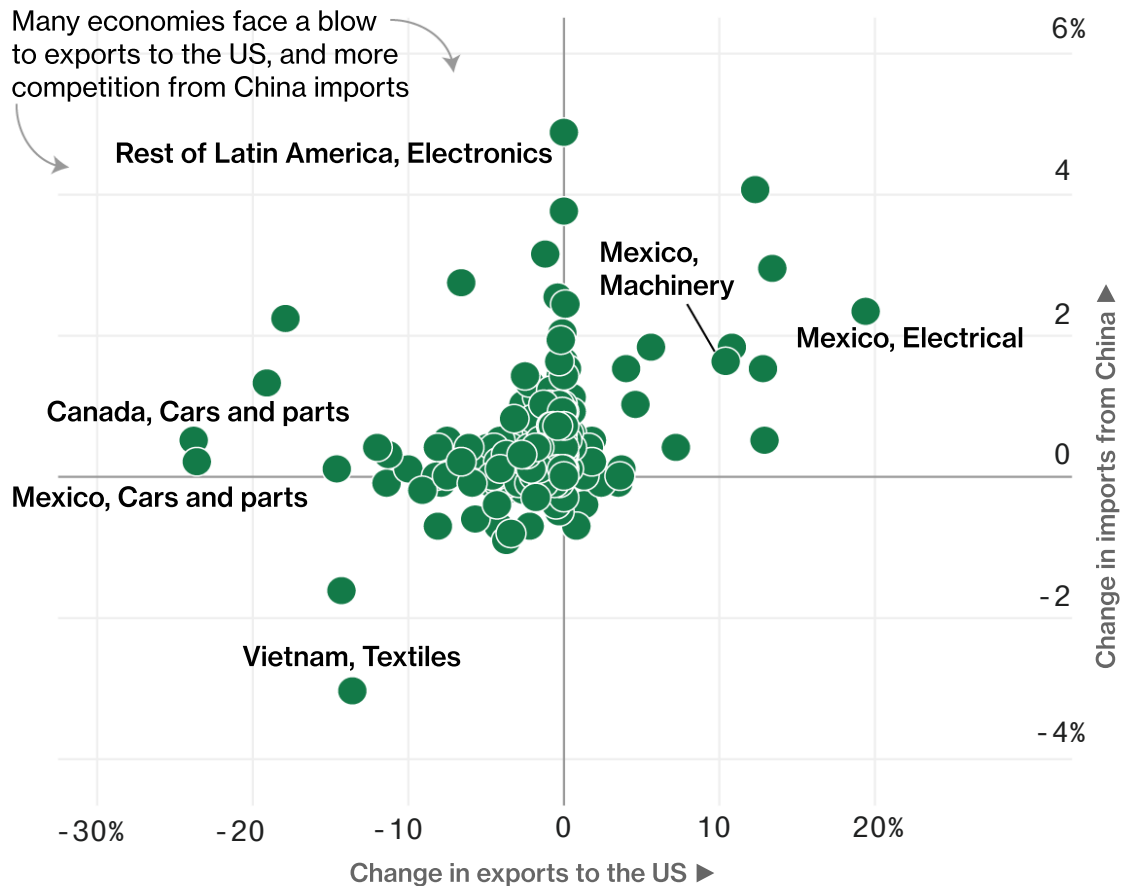
Meanwhile, the tit-for-tat escalation game is feeding on itself. On Monday Trump pledged to add another 50% in tariffs on Chinese imports if Beijing didn't roll back the 34% retaliatory duties on American goods that were China's response to Trump's levies of the same amount set to take effect Wednesday. China's Ministry of Commerce, in turn, said Tuesday Beijing will “fight to the end” if the US escalates its tariffs.

The question for countries stuck in the middle is whose economy is being shocked hardest by whom?

A Bloomberg Economics analysis of trade flows and economic relationships finds that China is likely to redirect most of its exports to replace the market it stands to lose in the US – just as it did following Trump's first trade war. The challenge is that this time it will do so as other economies struggle with the loss of their own exports to America. While the risks from higher Chinese exports are likely to be smaller than the impact of the drop in US imports, Trump's move is set to amplify the China shock and threatens to prompt a rolling wave of protectionism.

How Trump's New Tariffs and China's Exports Will Affect World

Most will see reduced shipments to America and buy more from China



Source: Bloomberg Economics

Note: Results from CGE modelling of impact on trade flows by 2030 if all of US additional tariffs implemented as of April 6 as well as reciprocal tariffs remain in place and US trade partners retaliate with half those changes. Charts shows change in trade relative to baseline as a share of partners' total imports and exports for each industry.

“The US shock is going to lead to a more severe China shock, which may very well lead other major players in the world to put tariffs up against China. That’s a scenario which I think is pretty certain,” says economist Richard Baldwin, who along with other trade experts was attending an improbably timed International Monetary Fund conference on “The State of Globalization” in Tokyo that closed Saturday. “Everyone was just shaking their heads,” he said of the mood at the venue.

Baldwin argues that the saving grace for the global economy may be that the US only accounts for about 15% of global trade and that countries representing the remaining 85% including China are eager to maintain the system as it is. The rest of the world led by China and the European Union could make their own moves to liberalize trade, Baldwin says, even as the immediate response to Trump’s tariff blitz splits the world into “Team Comply” and “Team Defy.”

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Trump has so far been unrepentant. Speaking to reporters on Monday, Trump said tariffs were “very important” to his economic agenda – and would generally remain – while opening the door to “good deals with every country.” Earlier on social media, he went on the offensive against naysayers, saying

A group of young people are walking across a city street at night. In the center, a woman with long dark hair is carrying a large yellow Nike shopping bag and a white tote bag. She is wearing light blue jeans and white sneakers. To her left, a man in a blue puffer jacket and dark pants is walking. To her right, a man in a red and white striped shirt and dark pants is walking. Further right, another man in a light green hoodie and dark pants is walking. The background shows a busy city street at night with cars, streetlights, and blurred buildings. The overall atmosphere is that of a busy urban environment.

Nor have his aides offered much solace. “The point is you need to reset the power of the United States for America and reset it against all our allies and our enemies alike,” Commerce Secretary Howard Lutnick said on Sunday.

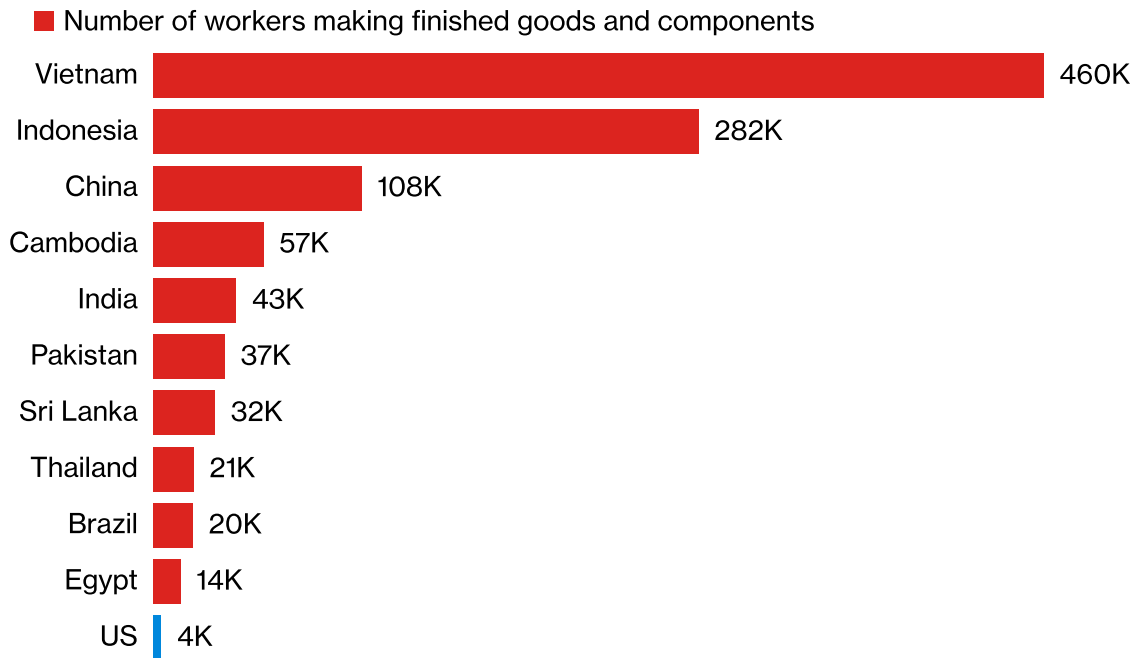
The biggest determinant of how long Trump's tariffs persist may be the pain they cause at home, both in an economy for which recession odds have grown rapidly in just days and in financial markets that determine the fate of retirement savings for many Americans. JPMorgan economists now expect the US to slip into a recession in 2025 and 92% of economists surveyed by Bloomberg News say the tariffs raise the likelihood of a downturn.

The new analysis of global trade data by Bloomberg Economics points to how and why Trump's tariffs are forcing economies around the world to re-examine their most important trade and investment relationships. According to a scenario in which the Trump tariffs stand and targeted countries retaliate by imposing duties half the size on imports from America, US imports of goods from the rest of the world would be around 30% lower by 2030 than they would've been if tariffs remained unchanged. China is hit hardest with an 85% slump in exports to the US.

By comparison, over the same period most countries outside the US would see imports from China increase by less than 5%.

Vietnam, which has emerged as an important connector for trade between the US and China, stands to be among the economies hit hardest. It would see the value of shipments to the US fall by close to 75% by 2030, according to Bloomberg Economics' modeling.

Versus 4,117 people making finished goods in the US



Source: Nike Inc. Manufacturing Map

Note: Excludes countries with fewer than 10,000 Nike workers, except the US

Vietnam also illustrates the volatility Trump has injected into the system. Two days after announcing that he would be hitting Vietnam with tariffs of 46% on all imports as part of his sweeping package, Trump posted on social media that he'd had good talks with the Communist country's leader. Shares in Nike and Lululemon Athletica Inc. and other stocks heavily exposed to production in Vietnam soared.

While the breadth and scope of Trump's tariffs pose greater risks to the global economy than Chinese oversupply, the combination of those dynamics will weigh on economies caught in the middle, according to Albert Park, chief economist at the Manila-based Asian Development Bank. "It may be difficult for other countries to absorb greater imports of Chinese goods given that many other economies are themselves coping with higher US tariffs," Park said.

Watch: Can China avoid Japan's lost decades?

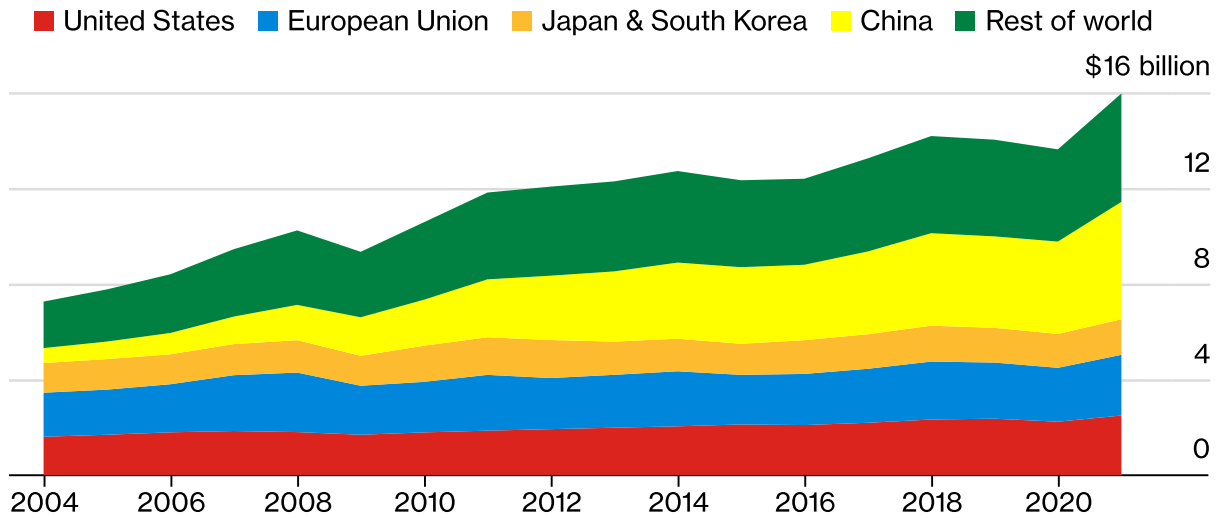
iPhone Output

China has grown into the factory of the world since it first started opening up in the 1970s and now makes up about a third of all global manufacturing output and runs a trade surplus with more than 160 countries. Not only are companies like Taiwan's Hon Hai Precision Industry Co. still making most of the world's iPhones in China, but Chinese manufacturers are looking for new markets for their suddenly world-beating electric cars, wind turbines, batteries and other high-tech products.

The pandemic provided a huge boost to that trend, with exports jumping 30% in 2021 as other nations struggled to boost production due to sickness or lack of capacity. The export machine has maintained those heights since, but is increasingly generating pushback with cheap Chinese exports undercutting producers and threatening jobs across the world.

US Has a Shrinking Share of Global Industrial Output

Share of manufacturing value shrank to 16% as China boomed



Source: World Bank

Note: US data after 2021 not available yet

Henry Gao, a law professor at Singapore Management University who researches Chinese trade policies, argues for that reason that while the Trump shock may be more jolting, it's China's expanding manufacturing dominance that will prove more significant for the world economy.



Chinese manufacturers are looking for new markets for their world-beating wind turbines and other high-tech products. *Photographer: Qilai Shen/Bloomberg*

“Between the two shocks, the Trump shock brings more immediate pain marked by short-term volatility and disruption, as we’ve seen in recent days,”

he says. “Trump’s tariffs are symptoms aimed at addressing the root problem – the fundamental threat posed by China’s state capitalism to the global economic order,” Gao says. Unless this underlying issue is resolved, similar responses won’t just come from the US, but from other countries as well, he says.

Others argue that China’s current export surge may not last forever, or that it has peaked. Likewise, the true magnitude of the Trump tariffs still remains an unknown given the possibility he could lower them on some countries, even negotiations now seem a remote possibility.

“The Trump shock is just unpredictable now in terms of its magnitude because a lot of that will depend on whether he stays the course,” says Jude Blanchett, director of the Rand China Research Center in Washington. “There still does seem to be a world in which two more weeks of this, or three, and the China tariffs may stay but you could imagine Vietnam, Taiwan, some of these others starting to peel back. And if that’s the case then the Trump shock is real, but doesn’t quite manifest in the way it would if they were willing to eat pain for six months.”

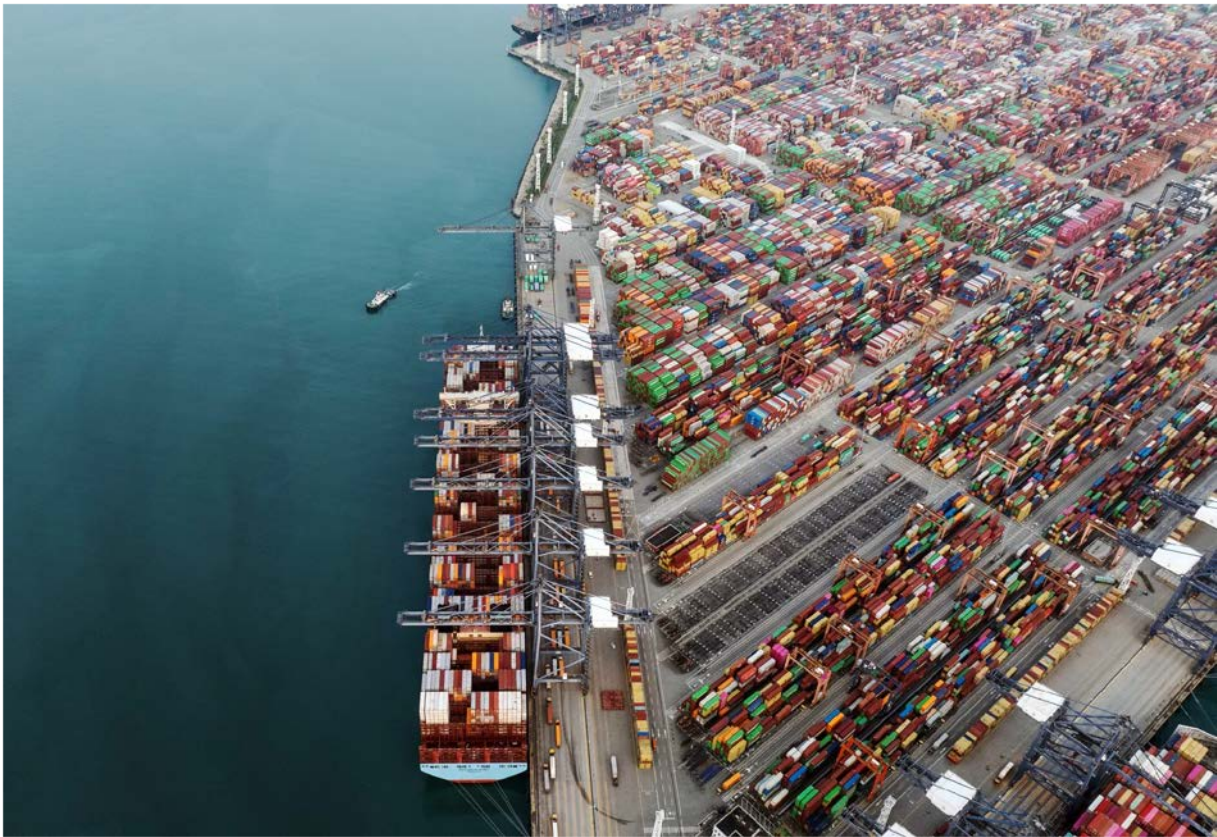
Europe is likely to be increasingly pressured, Blanchette says, as it weathers a collision of the two shocks and becomes an obvious target for Chinese exporters looking to make up for lost sales to the US. On Monday, EU trade officials met to devise the 27-nation bloc’s response ranging from negotiations to the full deployment of countermeasures against the US.

[Read More: EU Eyes Emergency Plans to Shield Economy From Trump Tariffs](#)

Higher US tariffs on China – now an average of at least 60% and possibly 100% or more if Trump’s escalation Monday goes into effect – will push Chinese firms to seek to export more to Southeast Asia and elsewhere, just as it did in the wake of the first trade war in 2018-19.

China’s rapid ascent to become the world’s largest car exporter is a case in point. Total vehicle exports last year reached \$117 billion, up more than 600% in just five years, prompting the European Union to impose tariffs on imports of electric vehicles from China last year. Yet those levies haven’t stopped BYD Co.’s global sales surpassing \$100 billion, leapfrogging Tesla Inc., and making

big inroads into markets in Europe, places in Asia like Singapore and Thailand as well as Australia, all the while being blocked from the US by punitive tariffs



The Yantian International Container Terminals in Shenzhen. China's policymakers discussed measures over the weekend to stabilize the economy and the markets. *Photographer: Qilai Shen/Bloomberg*

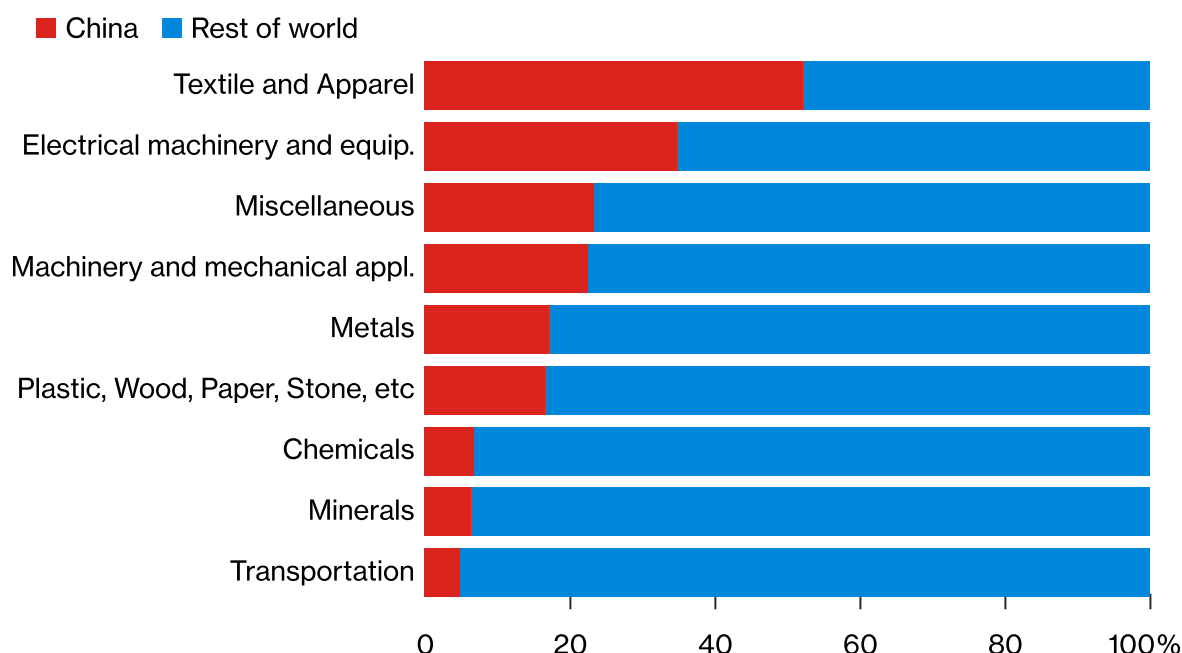
One antidote for the global economy to the vanishing US demand would be if that gap could be filled by China itself. It now has a \$1 trillion trade surplus with the world, and by ramping up domestic demand it could step in to replace the US consumer. But that remains a distant proposition: After barely growing last year, China's imports have fallen more than 8% this year.

Beijing responded to the weak domestic situation with a burst of stimulus late last year, which served to propel the headline growth number to meet the about 5% economic growth target, despite persistent deflation and lackluster retail sales. China's policymakers discussed measures over the weekend to stabilize the economy and markets in the face of Trump's tariff onslaught, including whether to accelerate plans to unleash stimulus to bolster consumption, Bloomberg News reported on Monday.

"The sky won't fall even though the US abuse of tariffs will cause some impact on us," the official People's Daily said in a front-page editorial on Monday. "W

must turn pressure into motivation.”

China Is Still a Major Exporter of Many Goods to the US



Sources: UN Comtrade, Morgan Stanley Research

Ramping up consumption in a meaningful way “would require a major retooling of China’s growth model – a monumental task economically, politically, and ideologically – but it offers a unique opportunity to keep a liberal world order function and take over economic leadership,” says Freder Neumann, chief Asia economist at HSBC Holdings Plc. “The real risk for the global economy is therefore a tariff cascade, kicked off by the US, but reverberating across the world.”

The Trump tariffs have opened the door again for China to style itself as a dependable economic partner – an opportunity Beijing is eager to seize as the Chinese foreign ministry video makes clear. Xi will reportedly visit Vietnam, Malaysia and Cambodia in April, providing him an opportunity to cement ties with three nations hit hard by US tariffs.



A production line for server components in Ha Nam Province. Vietnam is an important connector for trade between the US and China. *Photographer: Linh Pham/Bloomberg*

“China becomes the big winner in all of this, because countries are going to look and they’re going to say, ‘Well, who can we deal with now? The Americans have become so utterly unpredictable,’” says Edward Alden, a senior fellow and expert in global trade at the Council for Foreign Relations. “China, ironic as this is, is, relatively, looking like a good global citizen at the moment.”

For many developing countries, finding agricultural products and raw materials and other things it can export to China may be an attractive answer. Yet for impoverished countries in Africa and parts of Asia, Trump’s tariffs are only adding to the economic damage of his decision to kill the US Agency for International Development and many US foreign aid programs.

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“Open trade was more responsible for millions and millions of people – tens millions of people – being lifted out of poverty than any other single thing,” says Karen Mathiasen, a former US Treasury official now at the Center for Global Development, a think-tank. “And one of the things that makes this particular tariff regime so egregious is that it targets a number of countries that have some of the highest populations of poor in the world and are in businesses that hire in millions of people, and that are no longer going to be competitive overnight.”

The twin economic shocks coincide with a broader dilemma for many countries as Trump signals his willingness to tie once sacrosanct US security guarantees to his own brand of mercantilism. In places like Canada, Europe, Japan and South Korea, leaders are re-examining both their economic and security relationships to find a way to navigate through the resulting turbulence.

The question is how long it will all last.

To many long-time Trump watchers, the president seems intent on plowing ahead with tariffs and a reorienting inward of the US economy. The best case even many in Trump’s Republican party are presenting is that he will use the tariffs to negotiate new agreements with other countries, even if the new 10% “baseline” tariff that went into effect Saturday seems set to remain.

The signals coming from Trump’s inner circle, though, is that they are intent on fundamental change rather than diplomacy and short-term deals.

“American workers should not have to compete with child slave wages in Vietnam,” Trump adviser Stephen Miller told Fox News on Friday. “It’s not a choice, it’s a national security imperative,” Miller added.



Trump during the tariff announcement in the Rose Garden of the White House in Washington, DC, on April 2. *Photographer: Kent Nishimura/Bloomberg*

Trump – as highlighted in the social media clip – also presented his tariffs as an existential necessity in the Rose Garden last week, suggesting a fundamental reboot of the global trading system is inevitable. For Eswar Prasad, a former International Monetary Fund official now at Cornell University, the concern is that whatever happens next, the effects will endure

“China’s weak economy and excess supply are turning into a deep-rooted problem for the global economy while US tariffs have made a bad situation worse by escalating uncertainty,” Prasad says. “Even if the US retreats from the broad-based and substantial tariffs that Trump has announced, the damage has been done in terms of business and investor confidence.”

– With assistance from Shadab Nazmi and Jeremy Diamond

(Updates with statement from China’s Ministry of Commerce in sixth paragraph.)

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