

The Truth About Tariffs

A Nonpartisan Policy Analysis | Sources: WTO, World Bank, Pew Research Center, U.S. Census Bureau | July 2026

The Critical Context: Two Different Numbers

When discussing tariffs, commentators and policymakers almost always cite the simple average Most Favored Nation (MFN) rate — the average across all product categories. This is the larger, more alarming-sounding number. What U.S. exporters actually paid is the trade-weighted average — the rate weighted by what we actually sell to that country. For most of our major trading partners, these two numbers are very different, and the trade-weighted figure tells the real story.

KEY FINDING

In 2016, the U.S. trade-weighted average tariff was 1.6% — one of the lowest in the world. Canada, Mexico, Japan, the EU, South Korea, the UK, and Australia were all charging U.S. exporters rates equal to or lower than what we charged them. China's trade-weighted rate (~3.5%) was roughly twice the U.S. rate — elevated, but not the dramatic asymmetry the 'they're ripping us off' narrative implies. Only India (~6-7%) and Brazil (~8-10%) were genuinely and significantly higher than U.S. rates — and both are minor U.S. export destinations that have never been cited as primary causes of the trade deficit.

The U.S. trade deficit is driven by macroeconomic fundamentals — the gap between national saving and investment — not by foreign tariff walls. This is the consensus finding of the economics literature.

The Truth: What They Charged Us vs. What We Charged Them

Source: WTO World Tariff Profiles 2016 & 2017 (covering 2015-2016 data); World Bank World Integrated Trade Solution (WITS); Pew Research Center analysis of World Bank data (2018); U.S. Census Bureau export data 2016.

Country / Bloc	They Charged Us (Listed Rate — All Goods)	They Actually Charged Us (What We Really Paid)	2016 US Export Value	Context & Notable Details	We Charged Them 1.6% — Fair Deal?
us United States (reference)	3.5%	1.6%	N/A	One of the lowest in the world. Pew Research Center confirmed the U.S. simple average was 3.5% and trade-weighted average was 1.6% in 2016 — among the lowest of any major economy.	us OUR RATE: 1.6%
ca Canada	~4.2%	~0% (effectively)	\$266.7B	NAFTA made virtually all U.S. goods duty-free. Canada was charging us essentially nothing on the vast majority of what we sold them. Canada is our #1 export market.	☑ FAIR OR BETTER
mx Mexico	~7.0%	~0% (effectively)	\$230.2B	NAFTA eliminated most tariffs. Mexico is our #2 export market. The formal simple average overstates what U.S. exporters actually paid — almost all U.S. goods entered at zero.	☑ FAIR OR BETTER

Country / Bloc	They Charged Us (Listed Rate — All Goods)	They Actually Charged Us (What We Really Paid)	2016 US Export Value	Context & Notable Details	We Charged Them 1.6% — Fair Deal?
CN China	~9.9%	~3.5%	\$115.6B	The simple average looks high but the trade-weighted rate (what was actually collected on what we actually sell China) was only ~3.5% — about twice the U.S. rate, not the dramatic gap the rhetoric implies. China's bound rate was 9.9%, reflecting WTO commitments made at accession in 2001.	⚠️ SOMEWHAT HIGHER
JP Japan	~4.0%	~1.4%	\$63.2B	Japan's trade-weighted rate of 1.4% was actually LOWER than the U.S. rate of 1.6%. No free trade agreement existed, yet Japan was effectively charging U.S. exporters less than we charged them.	✅ THEY CHARGED US LESS
EU European Union	~5.1%	~1.6%	\$270.4B	The EU's trade-weighted average was exactly equal to the U.S. rate — 1.6%. The EU is our single largest trading partner by combined trade volume. No dramatic asymmetry existed.	✅ SAME AS US
KR South Korea	~13.9%	~2-3%	\$42.3B	The KORUS Free Trade Agreement (2012) brought most tariffs on U.S. goods to zero. The high simple average is misleading — the actual burden on U.S. exporters was very low by 2016.	✅ FAIR OR BETTER
IN India	~13.4%	~6-7%	\$21.7B	India is genuinely the most protectionist major economy. Both its simple average and trade-weighted rates are significantly higher than U.S. levels. No FTA exists. However, India is a relatively small U.S. export market — only ~1.5% of total U.S. exports in 2016 — limiting the practical economic impact.	❌ SIGNIFICANTLY HIGHER
BR Brazil	~13.5%	~8-10%	\$30.3B	Brazil has historically high tariffs, rooted in import substitution industrialization policies. Rates are genuinely elevated. However, Brazil is not a primary U.S. export market and bilateral trade volumes are modest. Not a significant driver of the U.S. trade deficit.	❌ SIGNIFICANTLY HIGHER

Country / Bloc	They Charged Us (Listed Rate — All Goods)	They Actually Charged Us (What We Really Paid)	2016 US Export Value	Context & Notable Details	We Charged Them 1.6% — Fair Deal?
RU Russia	~7.1%	~5-6%	\$5.8B	Russia joined the WTO in 2012 and reduced tariffs significantly. Trade with the U.S. was limited and largely non-strategic by 2016. Sanctions and political tensions further reduced bilateral trade.	⚠️ SOMEWHAT HIGHER
VN Vietnam	~9.5%	~5-6%	\$10.0B	No FTA with the U.S. pre-2016. Vietnam's tariffs were moderately higher than U.S. rates. Vietnam became strategically important as a trade rerouting destination after 2018 tariffs pushed production out of China.	⚠️ SOMEWHAT HIGHER
AU Australia	~2.5%	~1-2%	\$26.0B	Australia had among the lowest tariff rates in the world in 2016 — comparable to or lower than U.S. rates. Australia-U.S. FTA (2005) made most goods duty-free. Never a source of trade complaints.	✅ FAIR OR BETTER
GB United Kingdom	~5.1% (as EU member)	~1.6%	\$55.2B	Pre-Brexit, UK applied the EU Common External Tariff. Trade-weighted rate on U.S. exports was equal to the U.S. rate. UK was our 5th largest export market.	✅ SAME AS US

Three Key Findings

1. Our Biggest Trading Partners Weren't the Problem

Canada, Mexico, the EU, Japan, South Korea, Australia, and the UK together account for roughly 65% of all U.S. exports. Every single one of them was charging U.S. exporters rates at or below what we charged them. If the trade deficit was caused by foreign tariff walls, the math simply doesn't work — our biggest customers weren't building those walls.

2. The China Number Is Misleading

You will often hear that China charged 'up to 10%' on U.S. goods while we charged them around 3%. That simple average comparison is real but misleading. The trade-weighted rate — what China was actually collecting on what we actually sell them — was approximately 3.5%. That is higher than the U.S. rate, but it is not the dramatic 'ripping us off' gap the rhetoric implies. Peer-reviewed research (Amiti, Redding & Weinstein, 2019; Fajgelbaum et al., 2020) found that our own tariff response cost Americans far more than the pre-existing Chinese rates ever did.

3. The Trade Deficit Has a Different Cause

Trade deficits are set by macroeconomic fundamentals — specifically the gap between what a country saves and what it invests. The U.S. has run trade deficits continuously since 1975 regardless of tariff levels, trade agreements, or which party held the White House, because Americans consistently spend more than they save. Foreign tariff walls did not cause this. Tariffs did not fix it — the 2025 data confirmed the trade deficit grew even

as tariffs hit an 80-year high. This is not a partisan claim; it is basic national income accounting, confirmed by economists across the political spectrum from the Peterson Institute to the Cato Institute.

PLAIN-ENGLISH SUMMARY

Before the trade wars began, what were other countries actually charging the United States? The data may surprise you. Canada — our biggest customer — charged us nothing, because of NAFTA. Japan charged us 1.4% — less than we charged them. The EU charged us exactly what we charged them. Even China, the country we hear the most about, was collecting about 3.5 cents on every dollar of goods we sold them. That's higher than our rate, but it's not the outrageous rip-off the rhetoric implies.

The only countries charging dramatically more were India and Brazil — and combined, they buy less than 4% of everything America exports. They weren't driving our trade deficit.

The trade deficit isn't caused by foreign tariff walls. It's caused by the fact that Americans spend more than we save — and that's been true since 1975, under every president, with or without tariffs. You can't fix a savings problem with a tariff. And the 2025 data confirmed it: the highest tariffs in 80 years, and the overall trade deficit still grew.

Section 4: What Actually Happened — The 2025 Trade Deficit Data

This section presents the empirical record of what tariffs actually did to the U.S. trade deficit — the very problem they were designed to fix. The data comes from the U.S. Bureau of Economic Analysis (BEA), U.S. Census Bureau, Peterson Institute for International Economics, and the Center for Strategic and International Studies (CSIS). The conclusion across all sources is consistent: tariffs did not reduce the overall U.S. trade deficit. They redistributed it.

Finding 1: The Goods Trade Deficit Hit a 60-Year Record in 2025

Despite tariffs reaching their highest levels since the 1930s, the U.S. goods trade deficit widened in 2025 to \$1.24 trillion — the largest in Commerce Department records dating back to 1960 and the fifth consecutive year in which the value of U.S. imports exceeded exports by more than \$1 trillion. The overall goods and services deficit narrowed only marginally, from \$903.5 billion in 2024 to \$901.5 billion in 2025 — a reduction of just 0.2%. This was still the third-widest deficit on record. Reducing the trade deficit was the stated primary justification for the tariff policy.

Sources: U.S. Bureau of Economic Analysis, U.S. International Trade in Goods and Services, December and Annual 2025 (February 19, 2026); Reuters, February 19, 2026; Associated Press, February 19, 2026; Council on Foreign Relations Daily Brief, February 20, 2026.

Finding 2: The Deficit Did Not Shrink — It Moved

The tariffs successfully reduced the bilateral deficit with China, which fell approximately 32% to \$202 billion in 2025. However, that reduction was offset by dramatic increases in deficits with other countries as trade was rerouted. This is precisely the macroeconomic mechanism economists predicted: when a country spends more than it saves, tariffs on one trading partner simply redirect imports through others. The Center for Strategic and International Studies (CSIS, April 2026) summarized the finding: “Tariffs redirected the geography of U.S. trade imbalances without reducing their scale.”

Sources: CSIS, “The U.S. Trade Deficit Did Not Shrink—It Moved to Vietnam and Taiwan,” April 8, 2026; U.S. Census Bureau trade data 2025; Associated Press, February 19, 2026.

Country / Bloc	2018 Deficit (Pre-Tariffs)	2024 Deficit	2025 Deficit	Change 2018–2025
us TOTAL U.S. Goods Deficit	\$879B	\$1,212B	\$1,240B  RECORD	 +41% WORSE
cn China	\$419B	\$295B	\$202B	 -52% REDUCED
mx Mexico	\$81B	\$172B	\$197B	 +143% WORSE
vn Vietnam	\$40B	\$124B	\$178B	 +351% WORSE
tw Taiwan	\$15B	\$74B	\$147B	 +865% WORSE
eu European Union	\$170B	\$206B	\$219B	 +29% WORSE

Sources: U.S. Census Bureau; Bureau of Economic Analysis; CSIS April 2026; Forbes February 2026; AP February 2026. 2018 = pre-trade war baseline.

Finding 3: Trade Rerouting, Not Reshoring

Research from the Peterson Institute for International Economics, CSIS, the Centre for Economic Policy Research (CEPR), and an IMF working paper (Alfaro et al., 2025) confirms that the decline in the China deficit was driven primarily by trade rerouting rather than domestic production replacing imports. Goods that previously shipped directly from China began flowing through Vietnam, Mexico, and Taiwan before entering the U.S. market. The Peterson Institute estimated that a meaningful share of Vietnam's dramatic export growth to the U.S. reflects Chinese-origin goods redirected to avoid tariffs. Critically, factory employment in the United States fell by 83,000 jobs between January 2025 and January 2026 — the opposite of the manufacturing renaissance the tariffs were designed to produce.

Sources: Peterson Institute for International Economics (Chad Bown, senior fellow, February 2026); CSIS, April 2026; CEPR/VoxEU, "An Update on the Great Reallocation in U.S. Supply Chain Trade," 2025; Alfaro et al., IMF Working Paper, "An Anatomy of the Great Reallocation in U.S. Supply Chain Trade," 2025; Reuters, February 19, 2026.

Finding 4: The Macroeconomic Explanation

These outcomes are consistent with the standard macroeconomic identity underlying trade balances: a country's trade deficit equals the gap between its domestic investment and its national saving. When a country invests more than it saves, it necessarily runs a trade deficit regardless of tariff levels. Tariffs alter which countries supply the imports; they do not alter the fundamental imbalance between saving and spending. The United States has run continuous goods trade deficits since 1975 — through periods of high tariffs and low tariffs, trade agreements and trade wars, Democratic and Republican administrations alike. The 2025 data confirms what economic theory has long predicted: imposing tariffs on a savings-investment imbalance simply moves the water around the bathtub without draining it.

Sources: Costinot & Werning, NBER Working Paper (2025); Fajgelbaum & Khandelwal, Brookings Papers on Economic Activity (March 2026); Peterson Institute for International Economics; Cato Institute trade analyses. This macroeconomic identity is accepted across the political spectrum from the left-leaning Economic Policy Institute to the free-market Cato Institute.

Sources

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