

The Aftermath of the 2025 U.S. Tariffs: How Countries Are Adapting to an Uncertain Global Trade System



**GLOBAL TRADE & INNOVATION
POLICY ALLIANCE**

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ABOUT THE GLOBAL TRADE AND INNOVATION POLICY ALLIANCE

The Global Trade and Innovation Policy Alliance (GTIPA) is a global network of independent think tanks that are ardent supporters of greater global trade liberalization and integration, deplore trade-distorting “innovation mercantilist” practices, yet believe that governments can and should play important and proactive roles in spurring greater innovation and productivity in their enterprises and economies.

Member organizations advocate and adhere to research and policy consistent with a core Statement of Shared Principles. The GTIPA represents a network of like-minded think tanks that collaborate on events, research, and reports, while enjoying a platform that highlights and cross-pollinates member organizations’ work on trade, globalization, and innovation policy.

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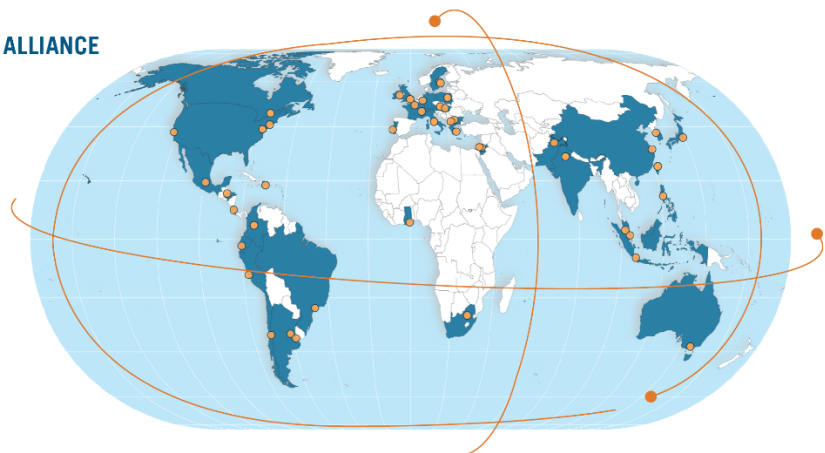
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INTRODUCTION

President Trump decided to upend the global trade system in early April 2025 with many, often unclear objectives—to reshore manufacturing to the United States, rebalance imports and exports, or retaliate against certain policies that are unfavorable to U.S. companies. In that context, the U.S. administration imposed unilateral tariffs, with a base rate of 10 percent, on nearly all countries worldwide as part of the so-called “Liberation Day” reciprocal tariffs. Despite the accuracy of the U.S. government’s assessment of the problem or the effectiveness of these tariffs, the most durable effect is the major shift they’ve induced in the global trade system.

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Early economic forecasts after the “Liberation Day” announcement predicted an escalation of tariffs as countries retaliated against the United States, which could eventually lead to a deceleration of the global economy. A year later, neither country has retaliated directly, nor has the global economy entered into recession. In contrast, there has been a significant increase in trade negotiations among economies of different sizes to reduce their dependence on both China and the United States.

The United States, on the other hand, has used tariffs as leverage in bilateral trade negotiations to lower behind-the-border trade barriers. This has delivered uneven success. On the one hand, U.S. trade negotiators have often been able to incorporate provisions that traditionally have been outside trade agreements, such as prohibiting trade partners from imposing digital service taxes or from signing trade agreements with third countries considered non-market economies (such as China). However, since these trade deals are non-binding, they often are not fully implemented, as is the case with South Korea. Furthermore, the unilateral tariffs imposed by the Trump administration often disregard prior trade agreements and other U.S. trade commitments, undermining the feasibility of long-term trade partnerships.

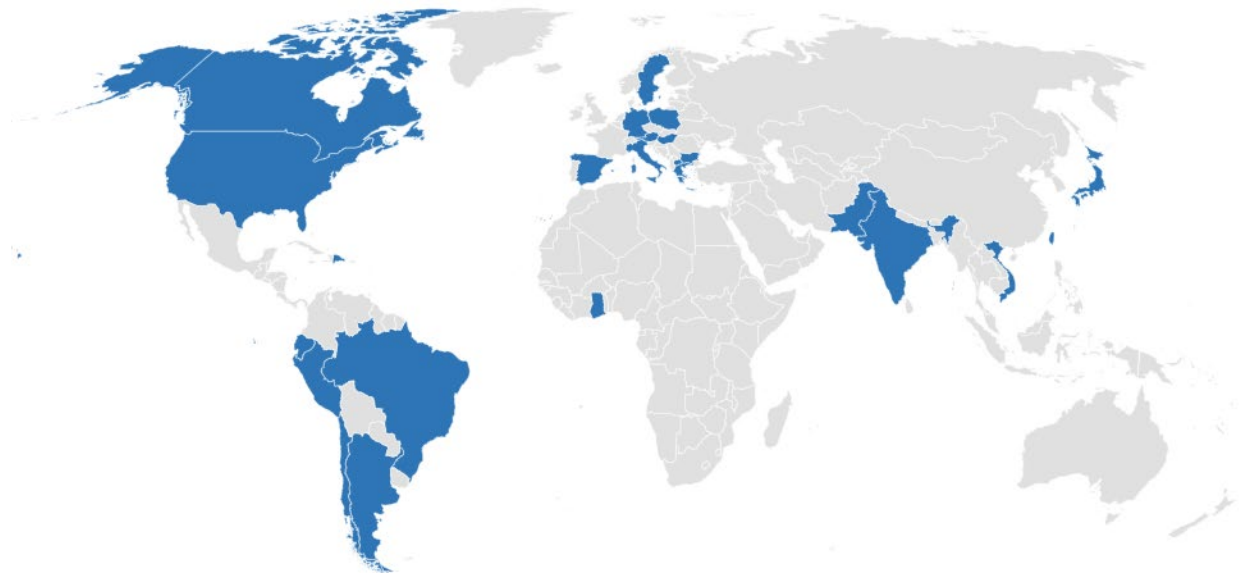
In this context, 30 members of the GTIPA from 25 countries have come together to analyze how their economies and policy landscape have shifted a year after the so-called “Liberation Day” tariffs. The Information Technology and Innovation Foundation (ITIF), based in the United States, prepared a questionnaire with the following questions:

1. Looking back at the forecasts and dominant narratives in your country's policy and expert community following “Liberation Day,” has the trade war evolved as anticipated? Where have expectations (in terms of impact, scope, etc.) diverged from reality? What has been better and what has been worse than expected?
2. How have your country’s economic policy priorities shifted since the start of the trade war? For instance, have protectionist measures, industrial policy, or digital sovereignty agendas gained new momentum? If so, how?
3. How have trade policy priorities changed since the start of the trade war? Have efforts to diversify trade partnerships accelerated as a result? Please give concrete examples of new negotiations, agreements, or strategic pivots.

4. What are the sharpest disagreements among your country's policymakers and thought leaders about how to respond to the ongoing trade war?
5. How have perceptions of the United States and China shifted among your country's policymakers, business elites, and general public since the escalation of tariffs? Are those groups aligned or diverging in their views?

The countries covered in this report are: Argentina, Austria, Brazil, Bulgaria, Canada, Chile, the Dominican Republic, Ecuador, Germany, Ghana, Greece, Hungary, India, Italy, Japan, North Macedonia, Pakistan, Peru, Poland, Singapore, Spain, Sweden, Taiwan, the United States, and Vietnam. (See figure 1.)

Figure 1: Countries covered in this report



COUNTRY RESPONSES ONE YEAR AFTER “LIBERATION DAY”

The dominant pattern across the country cases is not a generalized tariff war, but a broad strategic recalibration. Most economies avoided direct retaliation, and the immediate macroeconomic damage was often less severe than early forecasts suggested. Yet the tariffs still changed the policy environment in lasting ways—they made the United States less predictable, elevated diversification as a core trade-policy objective, gave new momentum to industrial policy and digital sovereignty agendas, and forced countries to reassess how they balance between the United States and China.

Some countries doubled down on openness, others moved toward European-style defensive autonomy or allied de-risking, and still others used the shock to bargain for better access, attract investment, or reposition themselves in emerging supply chains.

The Disruptor and Trade Negotiator: United States

The United States generated the recent trade shock. Its policy has shifted toward protectionism, while other countries build trade routes around it. The paradox is that tariffs have given Washington short-term bargaining leverage, but at the cost of weakening trust in U.S. leadership and accelerating partner diversification away from U.S. exports, technologies, and standards. The United States remains economically resilient because of its large internal market and the artificial

intelligence (AI) boom. Still, its reputation as a reliable steward of the global trading system has been severely damaged.

Allied De-Riskers: Japan and Taiwan

Japan and Taiwan remain close U.S. partners, but both are actively reducing overdependence on Washington while preserving security ties.

Japan is also recalibrating. The tariff process moved faster and on a larger scale than expected, but the actual economic impact was less severe than feared. Japan has aligned some of its industrial policies with U.S. priorities, including shipbuilding, robotics, and AI, while also strengthening cooperation with Canada, the European Union (EU), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) partners, the Association of Southeast Asian Nations (ASEAN), and Australia. The key debate is whether defense dependence on the United States should imply trade dependence as well.

Taiwan is the strongest “security-driven growth” case. The trade war has pushed Taiwan closer to the United States, especially as demand for AI and semiconductor exports, and new U.S.-bound investment, have strengthened the economic logic of aligning with the United States. Yet, Taiwan is not merely seeking preferential access to the U.S. market—it is actively reducing strategic exposure to China while preserving the commercial links it cannot quickly unwind. Its response combines deeper U.S. technology and investment ties, a “trusted industries” narrative that distinguishes Taiwanese technology products from Chinese alternatives, and continued supply-chain diversification. Public sentiment is similarly mixed—many Taiwanese dislike Trump personally but still see the United States as Taiwan’s best partner. Taiwan’s defining posture is therefore allied de-risking under geopolitical pressure.

Allied Autonomy-Seekers: Austria, Bulgaria, Germany, Greece, Italy, Poland, Spain, and Sweden

This category captures EU countries whose formal trade policy is mostly set in Brussels, but whose domestic debates increasingly revolve around strategic autonomy, industrial policy, digital sovereignty, procurement, and the reliability of the United States. Canada’s policies also fit this model.

Austria sees itself as collateral damage in a conflict it did not start. Its small and medium-sized enterprises (SMEs) and “hidden champions” face a difficult choice between absorbing U.S. tariff costs or relocating production. The Austrian debate is sharply divided between those favoring EU countermeasures, industrial strategy, and “Made in Europe” procurement, and market-based, liberal actors who argue that reciprocal tariffs and subsidies would worsen the damage.

Bulgaria reflects a more political version of the same trend. Protectionism, industrial policy, digital sovereignty, and resistance to some EU green policies have gained salience. The United States is increasingly viewed as unreliable, while China is seen by some policymakers and business elites as offering investment opportunities that Washington has not matched.

Canada is the most directly exposed allied economy. The decline in two-way trade has hurt, but the United States-Mexico-Canada (USMCA) free trade agreement (FTA) has limited the damage. Canada’s response is deliberate de-risking from the United States: selective retaliation, expansion of the CPTPP and the Comprehensive Economic and Trade Agreement (CETA)-based alternatives,

renewed engagement with India, a trade truce with China on electric vehicles and agriculture, and a “major projects” agenda to reorient infrastructure east-west rather than north-south. Canada still does not view China as benign, but it increasingly sees Europe, CPTPP members, India, the UK, and even China as counterweights to U.S. unpredictability.

Germany remains cautious about tariffs and industrial policy, but the trade war has intensified debates about digital sovereignty, retaliation, countervailing duties, and China policy. The shock was worse than expected, not only because of tariff levels, but because of the erratic nature of U.S. policy and the way trade pressure became intertwined with security threats over NATO and Ukraine. Germany has not fully embraced tariffs or large-scale industrial intervention as its default response, but the debate over retaliation, countervailing duties, industrial policy, and digital sovereignty has intensified. Companies remain hesitant in their own de-risking strategies, reflecting Germany’s deep embeddedness in both transatlantic and China-linked value chains. The central disagreement is how far Germany and the EU should go in responding to both China and the United States—one camp remains attached to transatlantic openness and fears escalation, while another argues that Europe must be more willing to use defensive trade tools, industrial policy, and digital-sovereignty measures.

Greece has had limited direct exposure because exports to the United States are modest. Its response is best understood as EU-aligned pragmatism: more emphasis on resilience, industrial upgrading, digital sovereignty, and “strategic extroversion,” but no unilateral protectionist turn. Greece’s pivot is less about tariffs and more about using EU instruments and regional links with the Middle East and North Africa to improve resilience.

Italy has shifted from free-trade optimism toward “defensive openness.” It remains dependent on open markets, but now places greater emphasis on export diversification, “Made in Italy,” critical supply chains, energy costs, and EU-level economic security. Its central debate is whether Europe should pursue strategic openness or drift into protectionism disguised as autonomy.

Poland is divided by domestic politics. The populist right remains more pro-Trump, while the current coalition is more critical of U.S. policy and more oriented toward Europe. Poland is affected mainly through German and EU value chains, not direct U.S. trade. Its debates over military procurement and nuclear technology illustrate how trade tensions now interact with security choices.

Spain represents the most ideological European case. The direct economic shock was softer than expected, but tariffs persisted, and Washington’s use of trade tools for non-trade purposes unsettled Madrid. Spain has backed EU diversification, with Mercosur as the headline case, while also supporting progress on EU-India talks, the modernized EU-Mexico agreement, and renewed discussions of the CPTPP. Still, the deeper divide is between those who see the trade war as proof Europe was too open and those who believe Europe should defend—not imitate—the rules-based order.

Sweden reports limited national policy change but a major reputational shift. Industry now maintains “plan B” and “plan C” options because the United States is no longer viewed as reliable. China is no longer seen as uniformly negatively as before, although views remain divided.

Open-Market Frontliners: Argentina, Chile, Hungary, Peru, and Singapore

These countries have responded to trade turbulence primarily by preserving openness, avoiding broad protectionism, and using diversification as insurance rather than as a substitute for global integration.

Argentina is the clearest pro-market outlier. Rather than responding to U.S.-China fragmentation with defensive industrial policy, the Milei government has doubled down on deregulation, fiscal consolidation, investment attraction, and trade openness. Argentina's strategy is not decoupling but optionality: ideological and technological alignment with the United States, continued commodity and financial links with China, and a domestic reform agenda designed to make Argentina a low-friction jurisdiction for capital. Its main internal debate is not whether to remain open, but whether deregulation alone is enough to generate domestic spillovers from large foreign investments.

Chile has also avoided a protectionist turn. The direct tariff impact was lower than expected, especially because copper was exempted and Chile already had a broad network of FTAs. Its response has therefore been incremental. The country has negotiated lower U.S. tariffs, upgraded existing agreements, and continued to pursue new arrangements with India and African partners. The political debate concerns the diplomatic posture toward the Trump administration, not a fundamental change in the economic model.

Hungary remains a small, open economy centered on foreign investment and integration into global value chains. Tariffs are seen less as a national-economy issue than as a value-chain-positioning issue: countries embedded in higher-value-added production are more resilient, while those stuck in low-value segments are more exposed. Hungary's response is therefore continuity, not strategic redesign.

Peru, likewise, reinforces an open-economy framework. U.S. tariffs have had limited direct effects, and Peru has chosen negotiation over retaliation while accelerating diversification through deals with Indonesia, the UAE, and Guatemala. However, its China-linked Chancay Port infrastructure remains at the center of the U.S.-China geopolitical dispute.

Singapore is the most institutionally flexible case. Its core policy model has not changed, but public sentiment toward the United States has worsened. Singapore's response is to preserve strategic agility, expand trade engagement, and avoid overcommitting to either pole. Its policymakers remain broadly united, reflecting a long-standing preference for adaptation over ideological alignment.

Global South Multi-Aligned Protectionists: Brazil, Ghana, India, and Vietnam

These countries see the trade war as validation for diversification, industrial policy, and strategic autonomy, but not necessarily for alignment with the United States.

Brazil's response is gradual and pragmatic. The trade war has made the risks of dependence on the U.S. market more visible, but the country has avoided broad retaliation or a sweeping protectionist turn. Instead, the main shift has been in promoting local production, digital sovereignty, infrastructure, innovation, and supply-chain resilience, which have gained political salience, though fiscal constraints and institutional limits have kept the response gradual and selective. Brazil's trade policy has shifted toward diversification and optionality, with the Mercosur-EU agreement. At the same time, Brazil continues to deepen ties with China, even as industrial

sectors worry about Chinese import competition and long-term dependence on commodity exports. Brazil's emerging consensus is not pro-United States or pro-China, but pro-diversification and pro-autonomy.

Ghana is the most South-South-oriented case. U.S. tariffs increased concern about volatility, while China's zero-tariff offer and the African Continental Free Trade Area (AfCFTA) reinforced a pivot toward regional integration, import substitution, value-added exports, and digital sovereignty. Ghana's policymakers, firms, and public appear comparatively aligned around reducing Western-centric dependence.

India moved from expectations of strategic exceptionalism to multi-aligned realism, responding to U.S. tariff pressure not by choosing between Washington and Beijing but by expanding its room for maneuver. India has combined selective tariff reductions on inputs, stronger industrial policy for electronics, semiconductors, clean energy, and defense manufacturing, and tighter digital sovereignty rules with an accelerated trade-diversification agenda that includes the UK, EU, Gulf economies, Australia, and other Indo-Pacific partners, while the sharpest domestic debate centers on whether India can sustain its "China-plus-one" opportunity without easing some restrictions on Chinese investment, components, and technical personnel that many Indian firms still need to scale production, integrate into global value chains, and compete with China in export markets.

Vietnam has responded by diversifying, digitalizing, focusing on strategic industries, and pursuing new trade agreements with Israel and the UAE, while negotiating with the European Free Trade Association (EFTA). Its core view is that excessive dependence on either the United States or China is unsustainable.

Friendly Opportunity-Seekers: Dominican Republic, Ecuador, North Macedonia, and Pakistan

These countries are using U.S. tariff disruption to negotiate access, attract investment, or reposition themselves in U.S.-linked supply chains, while maintaining some degree of balancing.

The **Dominican Republic's** strategy is "opportunistic resilience": leveraging the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR), nearshoring, medical devices, semiconductors, energy interconnection with Puerto Rico, and Western technology partnerships to become a Caribbean supply chain and energy node. The central tension is whether to remain a flexible dual-track economy or become tightly integrated into North American strategic production.

Ecuador negotiated a bilateral agreement with the United States covering goods, services, regulatory cooperation, and digital trade. Its approach is "open but compliant": deeper U.S. alignment, continued diversification toward the EU, Canada, South Korea, and the UAE, and a major debate over data governance and regulatory sovereignty.

North Macedonia used the shock to pursue U.S. engagement, liquified natural gas (LNG) commitments, energy reforms, digital policy, and closer EU alignment. Its exposure is mostly indirect through European manufacturing supply chains, but the response has been proactive, with bilateral and sectoral adjustments.

Pakistan initially faced the risk of a much steeper U.S. tariff shock. Still, negotiations reduced the expected tariff rate from 29 percent to 19 percent, giving the country a relative advantage over some regional competitors and preventing a "doom-and-gloom" scenario. Trade policy has become

more pragmatic. Islamabad is seeking deeper economic, energy, and investment cooperation with Washington while sustaining long-term ties with China through the China-Pakistan Economic Corridor (CPEC), as well as infrastructure, agriculture, mining, renewable energy, electric vehicles, and industrial collaboration. The core domestic disagreement is whether Pakistan should liberalize faster to capture export-led growth or preserve some protection until firms are more productive. The country views the United States as a renewed market access and investment partner, while China remains its principal infrastructure and strategic-development partner.

COUNTRY CASES

Argentina

Fundación Internacional Bases

Changes in the country's expectations and economic forecasts.

The trade war has evolved largely as anticipated. Argentina was not among the primary targets of U.S. tariffs, and its exposure has been mostly indirect, channeled through commodity prices, investment uncertainty, and supply-chain realignments. However, the persistence and intensity of tariff unpredictability have exceeded initial expectations.

What has been better than expected is Argentina's own policy trajectory. The Milei administration's decision to pursue aggressive deregulation, fiscal consolidation, and trade openness—rather than defensive protectionism—has positioned the country as a distinctive actor in a world trending toward economic nationalism. Argentina achieved its first fiscal surplus in 14 years, lifted most currency controls, and attracted landmark foreign investment commitments, most notably the Stargate data center project with OpenAI and Sur Energy.

What has been worse than expected is the degree to which global uncertainty has compressed risk appetite for emerging markets broadly, making Argentina's stabilization story harder to translate into sustained capital inflows despite improved fundamentals.

Changes in the country's economic policy priorities.

Argentina's economic policy priorities have shifted dramatically since late 2023, though not in the direction most trade-war responses have taken. Rather than embracing industrial policy or digital sovereignty agendas, the Milei government has doubled down on deregulation, market openness, and legal certainty as its core innovation strategy.

The most significant shifts include the enactment of the Incentive Regime for Large Investments, known as RIGI, which offers 30-year fiscal stability for investments exceeding \$200 million in strategic sectors, including technology; the explicit articulation of a “zero AI laws” doctrine aimed at preventing AI-specific regulation; and the positioning of Argentina as a prospective global AI hub.

Digital sovereignty has entered the policy conversation, but primarily through the lens of infrastructure attraction rather than restriction—the goal being to host AI compute on national soil, not to wall it off. Other challenges remain: translating headline foreign investment commitments into broad-based productivity gains and ensuring that domestic talent and SMEs benefit from the infrastructure megaprojects, not only the global platforms hosting them.

Changes in the country's trade policy priorities.

Argentina's trade policy priorities have been shaped more by its domestic reform agenda than by direct responses to the U.S.-China trade war. The government's emphasis has been on removing barriers to investment and trade rather than negotiating defensive arrangements.

Concrete examples include the RIGI framework, designed to attract foreign technology and energy investment; active engagement with OpenAI, Microsoft, and other global technology players; and the continued operation of the Knowledge Economy Promotional Regime (Law 27,506), which offers fiscal incentives for AI, software, and technology exports.

The strategy is not one of binary geopolitical alignment. Argentina aims to remain attractive to U.S. technology capital, Asian commodity demand, and European regulatory frameworks simultaneously—a hedging approach grounded in the belief that the country's competitive advantage lies in being the most open, lowest-friction jurisdiction in Latin America.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

The sharpest disagreement in Argentina concerns whether deregulation alone is sufficient as an innovation strategy or whether some degree of complementary state action is necessary to convert foreign investment into durable domestic capabilities.

The Milei administration's position—that the state's role is to remove obstacles through measures such as a 25 percent corporate tax rate, 30-year fiscal guarantees, and the explicit rejection of an AI law—is the dominant policy line and the one most aligned with the country's evolving competitive identity. Critics argue that without parallel investments in human capital and a more developed local AI ecosystem, megaprojects such as Stargate could deliver fewer spillovers than expected. This is a real debate, though one that takes place within a framework in which the broader direction of openness and reform is no longer seriously contested.

A secondary concern is the durability of the current trajectory across electoral cycles. The deregulation agenda has been welcomed by most investors and think tanks, but Argentina's history of policy reversals creates a structural skepticism that no single administration can fully resolve—which is precisely why instruments such as RIGI, with 30-year fiscal stability written into law, are so consequential.

Changes in the country's perceptions of the United States and China.

Among Argentine policymakers and business elites, the United States is viewed with both ideological affinity and cautious optimism. The Milei government's explicit alignment with U.S. technology leadership—evident in early meetings with Sam Altman, Tim Cook, and Sundar Pichai—reflects a belief that U.S. capital and technology are essential partners for Argentina's AI ambitions. This affinity has been institutionally reinforced: In October 2025, the U.S. Treasury under Scott Bessent extended a \$20 billion bilateral swap framework to support the Argentine peso, complementing a \$20 billion International Monetary Fund (IMF) program agreed earlier that year.

The relationship with China has become more pragmatic than ideological. While the Milei administration's rhetoric during the 2023 campaign signaled distance from Beijing, in practice, key economic instruments have continued to operate. In April 2025, Argentina renewed the activated \$5 billion tranche of its currency swap with the People's Bank of China for an additional

12 months, extending it through mid-2026—despite reported U.S. pressure to discontinue the arrangement. Trade flows in commodities such as soy and lithium have also been preserved.

The result is a de facto hedging posture: simultaneous swap lines with the world's two largest economies, anchored ideologically to the United States but operationally tied to both. Business elites broadly see China as an indispensable market for primary exports, while expecting the technology and capital for the AI agenda to come primarily from the United States and other advanced economies. Public attention to these geopolitical questions remains secondary to immediate concerns about purchasing power, employment, and the pace of economic recovery, which continue to dominate domestic political debate.

Fundación Libertad y Progreso

Changes in the country's expectations and economic forecasts.

The announcement of a trade and investment framework agreement with the United States in November 2025 marked a turning point in how markets, investors, and international institutions perceive Argentina's economic prospects. More than its direct trade effects, the agreement functions as a credibility anchor, signaling that Argentina's reform agenda is real, durable, and backed by the world's most powerful economy.

For a country, such as Argentina, with nine sovereign defaults in its history, credibility is not a given. It has to be earned and, crucially, locked in through external commitments that make reversals costly. That is precisely what the U.S. agreement does. By embedding Argentina within a framework of reciprocal obligations that include intellectual property enforcement, regulatory alignment, investment protections, and economic security cooperation, it raises the political and reputational cost of backsliding on reforms. Investors are not just betting on Milei; they are betting on a structural relationship that transcends any single administration.

The market response has been telling. Country risk fell from over 2,100 basis points in early 2024 to below 500 in early 2026, and Argentina returned to voluntary debt markets after an eight-year absence, issuing new bonds at a fraction of the rates it faced just two years ago. Argentina's foreign minister described the agreement as creating “the conditions to increase U.S. investments in Argentina,” including tariff reductions for key industries and increased bilateral trade.

Business expectations have shifted accordingly. Foreign direct investment (FDI) inquiries have picked up, particularly in energy, critical minerals, and agribusiness—sectors where Argentina holds world-class competitive advantages and where the agreement opens clearer pathways to the U.S. market. Analysts describe the current circumstances as “the most favorable in decades for Argentina to attract foreign investment,” with a policy direction “clearer than it has been for a very long time.”

The agreement also has an important demonstration effect for other potential partners. When the United States—which has become increasingly selective about deepening trade ties—chooses to formalize a preferential relationship with Argentina, it signals to European, Asian, and multilateral investors that the country's transformation has passed a credibility threshold. That external validation is difficult to manufacture domestically and has historically been one of Argentina's most persistent deficits.

Changes in the country's trade policy priorities.

Argentina's economic policy priorities have undergone a historic transformation since Javier Milei took office in December 2023. The shift has not been the result of external trade negotiations or international pressure; it reflects a genuine ideological realignment toward free-market liberalism, fiscal discipline, and economic openness.

The centerpiece of Milei's agenda has been fiscal consolidation. After years of chronic deficits financed by money printing, the government achieved its first fiscal surplus in 14 years in 2024, reaching 1.8 percent of GDP before interest payments. This was accomplished through a dramatic reduction in public spending, the elimination of tens of thousands of public-sector jobs, and a halving of the number of federal ministries. Monetary financing of the deficit was eliminated entirely, marking a structural break with decades of heterodox policymaking.

Trade and investment liberalization are now equally central priorities. Tariffs and nontariff barriers that long protected inefficient domestic industries are being dismantled. The government has actively sought to attract FDI, particularly in energy—including Vaca Muerta—mining, and agriculture. Argentina holds world-class competitive advantages in these sectors, and state intervention has historically deterred capital. The RIGI investment incentive framework, approved in 2024, offers long-term legal and tax stability to large-scale investors, signaling a durable commitment to openness.

Deregulation has also been sweeping. Hundreds of laws and regulations were repealed or modified by presidential decree and legislation, loosening restrictions on labor and rental markets and on private-sector activity more broadly. The logic is that the state should get out of the way and let prices, competition, and private initiatives allocate resources more efficiently than government intervention could.

Critically, this opening is unilateral. Argentina is not waiting for reciprocal concessions from trading partners or conditioning its reforms on the outcome of international negotiations. The government's position is that openness is good for Argentina regardless of what others do.

The results so far are encouraging. Inflation, while still high, has fallen dramatically. Growth has rebounded. And, as noted, country risk has compressed from over 2,100 basis points to around 500.

The reform agenda remains incomplete: currency unification, full capital-account liberalization, and deeper structural reforms are still pending. But the direction is unambiguous. Argentina is in the midst of the most-consequential pro-market policy shift in its modern history, driven not by external obligation but by a deliberate choice to break with its interventionist past.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

There is notably little debate within Argentina's policy community about how to respond to the ongoing U.S.-China trade war. This relative consensus is itself revealing, reflecting both the ideological coherence of the Milei government and the constrained strategic position in which Argentina finds itself.

The Milei administration has aligned itself firmly with Washington's worldview. Argentina has deepened its strategic partnership with the United States, signed a trade and investment framework agreement in November 2025, and even committed to cooperate with the United States

to combat “non-market policies and practices of other countries,” widely understood as a reference to China. For the government, the trade war is largely someone else’s problem. Argentina’s job is to liberalize its own economy, attract investment, and let market forces determine trade flows.

The opposition, meanwhile, has not articulated a meaningfully different response. Peronist and center-left forces, which historically favored closer ties with Beijing, are weakened after their defeat in the October 2025 midterm elections, which gave Milei’s La Libertad Avanza a strong congressional mandate. Without a credible political alternative in power or waiting in the wings, the space for genuine policy debate is limited.

There is also a structural reason for the lack of disagreement. Argentina’s exposure to the trade war is asymmetric and, in some respects, favorable. As a major exporter of soybeans, beef, lithium, and energy, Argentina primarily sells commodities that are in demand by both the United States and China. Trade diversion caused by the conflict between the two powers may open new market opportunities for Argentine exporters, particularly in the U.S. market for goods that previously came from China and in the Chinese market for agricultural products that previously came from the United States.

From a liberal economic perspective, this is precisely the right moment for Argentina to double down on openness. Countries that maintain flexible, low-barrier trade regimes tend to benefit from trade wars among larger powers, as supply chains reorganize and new sourcing relationships emerge. Argentina’s unilateral liberalization positions it well to capture some of that reallocation, provided it can maintain macroeconomic stability and continue reducing the cost of doing business domestically.

In short, the absence of debate is not apathy; it reflects a pragmatic recognition that Argentina’s interests are best served by staying open, avoiding entanglement in geopolitical blocs, and letting its natural comparative advantages do the work.

Changes in the country’s perceptions of the United States and China.

Argentina’s perceptions of both powers have evolved considerably under Milei, shaped by a combination of ideological affinity, economic necessity, and geopolitical pressure. The result is a nuanced position: deep strategic alignment with Washington combined with a pragmatic determination to preserve the economic relationship with Beijing.

The shift toward the United States is the most visible and deliberate. Milei arrived at the presidency as an avowed admirer of American free-market capitalism and has cultivated an unusually close personal and political relationship with the Trump administration. This alignment goes beyond rhetoric; it has translated into concrete outcomes, including a transitory \$20 billion currency swap with the U.S. Treasury, a trade and investment framework agreement, IMF support facilitated in part by Washington’s backing, and growing U.S. interest in Argentina’s energy and critical minerals sectors.

Perceptions of China are more complex, and their evolution is one of the more instructive episodes of Milei’s presidency. He campaigned on openly hostile rhetoric toward Beijing, vowing not to do business with “communists.” Within months of taking office, economic reality forced a recalibration. China is Argentina’s second-largest trading partner, accounting for nearly 24 percent of imports and over 11 percent of exports. It holds a \$5 billion currency swap line that has been

critical to Argentina's currency reserve management. Chinese companies are deeply embedded in Argentina's energy, infrastructure, and mining sectors.

Milei's government has consequently adopted a dual-track approach: geopolitical alignment with the United States on one hand and commercial pragmatism with China on the other.

Milei's government has consequently adopted a dual-track approach: geopolitical alignment with the United States on one hand and commercial pragmatism with China on the other. Milei himself articulated this position at Davos, describing China as "a great trading partner" offering "a lot of opportunities" and insisting the relationship is "not in conflict" with his pro-U.S. stance.

Whether this balancing act is sustainable is an open question. Washington has made clear that it would prefer Argentina to reduce Chinese influence in its economy, particularly in strategic sectors such as lithium and energy infrastructure. The U.S. ambassador to Argentina has explicitly stated that containing China's presence in the country is part of his mission. Argentina, for its part, has made some gestures in that direction, including suspending a Chinese-funded radio telescope project, while stopping well short of broader decoupling.

The most likely trajectory is continued pragmatic balancing: deepening the strategic and financial relationship with the United States while maintaining China as an indispensable commercial partner.

Austria

Austrian Economic Center

Changes in the country's expectations and economic forecasts.

In the United States, the Austrian Economic Center (AEC) observes a concerning shift from market-based efficiency to politically motivated survival. Companies are no longer allocating capital based on where they can deliver the most value to consumers. Instead, they are being forced to invest in domestic facilities that may be less efficient simply to avoid the massive burden of reciprocal tariffs. This is a classic case of capital distortion. While the administration points to new factories as a win, the AEC views them as monuments to inefficiency that will eventually require even more subsidies to stay afloat once the initial political excitement fades.

For Austria, the shift is even more precarious. Many Austrian companies are small and medium-sized enterprises, often called hidden champions, that dominate specific global niches. These firms are now caught in a pincer. If they continue to produce in Austria and export to the United States, tariffs erode their margins. If they move production to the United States to bypass tariffs, they lose access to Austria's skilled labor force and the specialized ecosystem of the European single market. The AEC warns that this forced relocation is a direct drain on Austrian wealth and a violation of the principle of global cooperation.

Austria, as a member of the EU, finds itself in a reactive position. The AEC is highly critical of the idea that Austria or the EU should respond with their own reciprocal tariffs. Doing so would only double the damage to Austrian consumers. From a Viennese perspective, the best response to a trade war is to remain a beacon of openness. The AEC suggests that instead of fighting fire with

fire, Austria should lead the charge for a “coalition of the willing” trade zone that resists the protectionist trends of the superpowers.

In short, Austria is suffering from “collateral damage” caused by a conflict it did not start. The AEC emphasizes that the only way for Austria to survive this era is to aggressively cut internal costs, such as corporate taxes and labor regulations, in order to remain competitive despite external trade barriers.

Changes in the country's economic policy priorities.

In Austria, the economic policy landscape has shifted significantly since the trade war intensified in 2025. The AEC observes a clear departure from the country's traditional support for open markets toward a more interventionist and state-led approach. This shift is driven by a desire for resilience, but it often results in policies we consider economically damaging.

The most prominent change is the launch of Austria's Industrial Strategy 2035 in early 2026. This plan allocates €2.6 billion to nine key technologies, including AI and quantum computing. From our perspective, this represents a classic attempt by the state to pick winners. By funneling taxpayer money into specific sectors, the government is distorting market processes and overriding private investors' choices. We argue that this strategy risks creating a ‘subsidy race’ within Europe that ultimately leads to capital waste rather than true innovation.

Digital sovereignty has moved from a theoretical concept to a central pillar of government action. Since late 2025, the Austrian public sector has aggressively pursued a policy to reduce dependence on non-European cloud providers. While the government frames this as a security necessity, the AEC views it as a move toward technological autarky. Migrating to sovereign platforms for public administration is often costlier and less efficient than utilizing global market leaders. This focus on ‘digital borders’ threatens to disconnect the Austrian tech ecosystem from global standards and slow the adoption of cutting-edge tools.

Protectionist momentum is clearly visible in the new procurement rules. The government has introduced the Made in Europe and Partner Countries principle for public tenders. This policy prioritizes local value creation over the best price or quality for the taxpayer. By embedding local content requirements into procurement law, Austria is effectively shielding domestic companies from global competition. We believe this protectionism will lead to higher costs for public projects and reduce the incentive for Austrian firms to stay competitive on the world stage.

In summary, Austria has reacted to the trade war by embracing strategic autonomy. This new momentum for industrial policy and protectionism is a direct response to global instability, but it ignores the fundamental benefits of the international division of labor. The AEC maintains that the government's attempt to plan for 2035 (i.e., Industrial Strategy 2035) is an example of the ‘pretense of knowledge.’ True resilience for a small nation like Austria comes from being a flexible and open hub for global trade, not from building regulatory and technological walls.

Changes in the country's trade policy priorities.

Since the onset of the trade war in April 2025, trade policy in Austria and the broader European Union has shifted from a stance of optimistic globalization to one of defensive diversification. The AEC views this not as a voluntary strategic choice, but as a desperate necessity forced by the collapse of the transatlantic trade order. For a small, export-oriented economy such as Austria,

which saw exports to the United States slump by over 14 percent in 2025, the priority has shifted toward securing alternative markets to prevent a deep industrial recession.

The most significant change in trade policy is the acceleration of agreements that had been stalled for decades. The threat of permanent U.S. tariffs has finally provided the political will to bypass domestic protectionist lobbies in Europe.

- The EU-India Free Trade Agreement (January 2026): This is perhaps the most concrete example of the strategic pivot. Signed in New Delhi, this agreement aims to double exports to India by 2032. For Austrian companies specializing in mechanical engineering and high-quality food products, this provides a vital relief valve. The AEC notes that while this deal is a win for diversification, its success depends on whether the EU can maintain low regulatory barriers rather than importing its own bureaucracy into the Indian market.
- The EU-Mercosur Interim Trade Agreement (May 2026): After nearly 20 years of deadlock, the EU finally moved to apply the trade chapters of the Mercosur deal provisionally. This opens markets in Brazil and Argentina for Austrian automotive components and machinery. By splitting the deal into an interim trade agreement, the EU was able to bypass the vetoes of individual national parliaments that had blocked it on environmental grounds, a move the AEC supports for its efficiency but views with concern because of its limited democratic oversight.

The policy priority has also shifted toward the Anti-Coercion Instrument. This new European “bazooka” allows for rapid counter-tariffs against economic blackmail. While the AEC is generally skeptical of any tool that increases trade barriers, it recognizes that in a world of “reciprocal tariffs,” having a credible deterrent has become a prerequisite for trade diplomacy.

However, the AEC observes a dangerous trend toward friend-shoring. Policy is increasingly dictated by geopolitical alignment rather than price or quality. While diversifying away from the United States is rational, doing so through state-managed “strategic partnerships” risks creating new, inefficient trade blocs.

For Austria, the focus has returned to its Central and Eastern European neighbors. Trade with Italy and the Czech Republic has remained a rare bright spot. The AEC believes that instead of simply looking for new “big” partners, the Austrian government should lead the charge for a “multilateral” free trade zone within Europe to remove the remaining internal barriers hindering Austrian SMEs.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

The first conflict centers on the use of the European Anti-Coercion Instrument. The Ministry of Economic Affairs and several leadership figures within the Austrian People's Party (ÖVP) support the immediate activation of this tool. They argue that Europe must show strength to discourage further U.S. tariff escalations. Opposing this view are the AEC and the Federation of Austrian Industries. These groups argue that counter-tariffs are effectively a second tax on Austrian businesses and consumers, which will only worsen the domestic recession. They advocate for keeping markets open even when the other side closes them.

The second area of disagreement involves the €2.6 billion Industrial Strategy 2035. The Social Democratic Party (SPÖ) and the Greens are the primary advocates for this plan. They argue that

state subsidies are essential to protect Austria's technological sovereignty in fields such as AI and quantum computing. In contrast, the New Austria and Liberal Forum (NEOS) and the AEC oppose this policy. They define such subsidies as a return to central planning that Austrian taxpayers cannot afford. They argue that the state is incapable of picking technological winners and that the focus should instead be on reducing corporate taxes and removing regulatory barriers for all firms.

The Federal Economic Chamber and a group of strategic diversifiers support the immediate and unconditional ratification of the EU-Mercosur and EU-India trade agreements. They view the Global South as the only sustainable alternative to a protectionist America. This shift is resisted by a faction of Atlanticists within the industrial sector that prefers making concessions to the U.S. administration. They argue that the U.S. market is too lucrative to replace and that a pivot to less-stable regions carries too much risk for Austria's manufacturing core.

The AEC advocates a unilateral commitment to free trade regardless of other nations' actions, while the government continues to move toward strategic autonomy.

Changes in the country's perceptions of the United States and China.

The Ministry of Economic Affairs and several leadership figures within the ÖVP support activating the European Anti-Coercion Instrument to discourage U.S. tariff increases, while the Federation of Austrian Industries and the Austrian Economics Center oppose it as a burden on domestic consumers. The SPÖ and the Greens support Industrial Strategy 2035 and its €2.6 billion budget for technological sovereignty, but NEOS opposes these subsidies. Following a 14.4 percent slump in exports to the United States, the Federal Economic Chamber supports a strategic pivot toward trade deals with India and Mercosur, though no group supports leaving the superpower markets entirely.

Business elites and Atlanticist traditionalists argue that the U.S. and Chinese markets remain irreplaceable for industrial inputs and profits, so they define diversification as a search for additional options rather than an exit from those markets.

The general public remains largely indifferent to technical trade debates and favors any policy that lowers inflation and energy costs, regardless of geopolitical alignment. These groups diverge because the government seeks to build a European fortress, while the business community seeks to expand its global reach to avoid being caught between superpowers. The AEC continues to support the removal of all barriers, arguing that the best way to handle the superpowers is to remain so open and efficient that they cannot afford to ignore the Austrian market.

Brazil

Mackenzie Center for Economic Freedom

Changes in the country's expectations and economic forecasts.

In Brazil, the trade war has evolved in a somewhat different way from what many policy observers initially expected. The dominant expectation after "Liberation Day" was that a more-protectionist U.S. trade stance would create strong and immediate incentives for retaliation, a sharper fragmentation of global trade, and perhaps a more active Brazilian industrial policy response. In practice, the situation has been more uneven.

What has happened, however, is a significant reduction in trade with the United States in some sectors, as well as a broader reorientation of expectations among policymakers and business leaders. The United States remains an important partner, but the political and commercial risks of dependence on the U.S. market have become much clearer. The impact has not been a complete rupture, but rather a gradual perception that Brazil needs more strategic autonomy and more diversified trade relationships.

What has been better than expected is that Brazil has avoided a fully confrontational response and has not adopted broad protectionist measures. This helped reduce the risk of escalation and preserved room for negotiation. What has been worse than expected is the persistence of uncertainty. Even when tariffs or restrictions do not immediately affect all sectors, they create planning difficulties for exporters, investors, and policymakers. The trade war has therefore been less dramatic than some predicted, but more persistent and corrosive than many hoped.

Changes in the country's economic policy priorities.

Brazil's economic policy priorities have shifted more in policy debate and strategic orientation than in concrete protectionist action. Protectionist measures have been proposed and discussed, and there is now more political space for arguments in favor of industrial policy, local production, and strategic autonomy. However, in practical terms, Brazil has not implemented a broad protectionist turn. The response has been more cautious and selective.

The main change is that the trade war has strengthened the view that Brazil should not rely excessively on any single external partner, particularly in strategic sectors.

The main change is that the trade war has strengthened the view that Brazil should not rely excessively on any single external partner, particularly in strategic sectors. This has increased interest in policies related to reindustrialization, innovation, infrastructure, and supply chain resilience. Nevertheless, the government still faces fiscal limits, institutional constraints, and disagreement among economic actors about how far industrial policy should go.

Digital sovereignty has gained more concrete momentum than traditional protectionism. Brazil has been more active in discussions about data governance, platform regulation, AI, cybersecurity, and digital infrastructure. The country has also pursued international cooperation on digital governance, including with the European Union. This does not necessarily mean a closed or nationalist digital policy, but rather an effort to ensure that Brazil has greater regulatory capacity and does not simply import rules, standards, and technologies from the United States or China. Overall, the shift is real, but it remains gradual and pragmatic rather than radical.

Changes in the country's trade policy priorities.

Brazil's trade policy priorities have clearly moved toward diversification and strategic hedging. The trade war reinforced a view already present in Brazilian foreign economic policy: Brazil should maintain relations with all major powers but avoid excessive dependence on any one of them. As a result, diversification has become not only an economic objective but also a geopolitical strategy.

The most important example is the Mercosur-European Union trade agreement, which has finally moved forward and entered into provisional application. For Brazil, this agreement is significant not only for market access but also for signaling a commitment to multilateralism and deeper

economic ties beyond the U.S.-China axis. It gives Brazil and Mercosur a stronger position in a world where large economies are increasingly using trade policy as a political instrument.

Brazil has also continued to deepen its economic relationship with China. China remains a central destination for Brazilian commodities and an increasingly important source of investment, technology, and infrastructure financing. At the same time, this relationship creates its own concerns, especially among industrial sectors worried about competition from Chinese-manufactured goods.

Therefore, Brazil's strategy is not simply to replace the United States with China. It is better understood as a search for optionality: expanding ties with the EU, China, other emerging economies, and regional partners while preserving room to negotiate with Washington. The trade war accelerated this diversification agenda and made it more politically salient.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

The sharpest disagreements in Brazil concern the role of industrial policy and the degree of protection that should be offered to domestic producers. One side argues that the trade war shows the limits of a purely liberal trade strategy. From this perspective, Brazil needs a more active state, stronger industrial policy, support for strategic sectors, and tools to defend domestic production from unfair competition or sudden external shocks. Supporters of this view often point out that the United States, China, and the European Union all use industrial policy instruments, subsidies, and regulatory tools to protect or promote their own industries.

The other side is more skeptical. It argues that protectionism may raise costs, reduce competitiveness, and benefit specific sectors without solving Brazil's structural problems. For these policymakers and economists, the best response is not to close the economy, but to improve productivity through tax reform, infrastructure, education, regulatory simplification, and integration into global value chains.

There is also disagreement about China. Some view closer ties with China as a pragmatic opportunity, especially given the scale of Chinese demand for Brazilian exports. Others worry that Brazil may become too dependent on commodity exports and increasingly exposed to competition from Chinese industrial goods.

In short, the debate is not only about tariffs. It is about Brazil's development model: whether the country should respond to global fragmentation with more state-led industrial strategy or with deeper competitiveness reforms and selective diversification.

Changes in the country's perceptions of the United States and China.

Perceptions of the United States and China have become more polarized and less aligned across different groups in Brazil. Among policymakers and much of the general public, views of the United States have become more critical, especially because the escalation of tariffs is associated with Donald Trump and with a broader perception of unilateralism. The United States is still seen as an important economic, technological, and diplomatic partner, but it is no longer viewed as a consistently predictable supporter of open markets and stable rules.

Business elites tend to be more cautious. Many companies still value access to the U.S. market, U.S. technology, investment, and financial networks. At the same time, they are concerned about

policy unpredictability and the possibility that trade measures could affect specific sectors. Their position is therefore less ideological and more pragmatic.

Views of China are also mixed. Policymakers and exporters often see China as an essential partner, especially for agriculture, mining, energy, and infrastructure. However, industrial sectors are more concerned about import competition, technological dependence, and Brazil's long-term position in global value chains.

As a result, there is a clear misalignment. The general public and many political actors are more openly critical of the United States, while business elites are careful not to alienate either Washington or Beijing. Brazil's emerging consensus is not pro-United States or pro-China, but rather pro-diversification and pro-autonomy.

Bulgaria

Applied Research and Communications Fund

Changes in the country's expectations and economic forecasts.

If one follows the debate and narratives, the trade war has evolved as expected, with tensions rising and uncertainty growing about global trade opportunities. One of the more positive unexpected effects has been the internal alignment and development of the EU's own economic security policies. One of the worse-than-expected effects has been the development of anti-American sentiment among electorates in Europe, straining transatlantic relations and potentially harming R&D, innovation, and technology cooperation.

Changes in the country's economic policy priorities.

A new party has emerged of a former president who won a full majority by campaigning on issues such as protectionism, industrial policy, and digital sovereignty. Even without this party, though, the country's economic policy had started moving in the direction of protectionist measures (e.g., buy local and pressure on global retailers), industrial policies, and pressure for scraping core EU green policies, such as carbon levies, and digital sovereignty, mostly as a reflection of more assertive EU policies.

Changes in the country's trade policy priorities.

As an EU member, Bulgaria is bound by EU rules. There have been new trade agreements, such as those with India and Mercosur, though both are still only on paper. Also, there has been more talk of protecting the EU from Chinese dumping, yet the reality is that the automotive imports have increased. There have been some examples of efforts to develop indigenous supply chains for renewables, independent of China, such as solar panels.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

Given the country's European membership, the strongest disagreements have been along the lines of how closely aligned Bulgaria should stay with what has been perceived as a more global and open policy by the EU than the United States. This has caused considerable friction with Brussels, often blamed for cheap imports that hinder local production.

Changes in the country's perceptions of the United States and China.

From informal communications with policymakers and business elites, it is possible to infer that there is a growing chorus of concern about the United States turning away from its previous policies

and pressuring countries to decouple from China. On the other hand, policymakers and business elites see China's increasing investment opportunities, while the United States has been slow to offer alternatives.

Canada

C.D. Howe Institute

Changes in the country's expectations and economic forecasts.

The negative impacts on the United States are less visible, or are taking longer than expected to materialize, making the Trump administration more inclined to double down than to compromise. A decline in two-way trade is hurting Canada badly, but the urgency to reach a solution the United States can live with is far lower than expected, perhaps because a large share of trade is still flowing freely under the USMCA.

Changes in the country's economic policy priorities.

Canada is seeking to de-risk from the United States through retaliatory tariffs where they make sense—for example, where importers can switch from U.S.-based suppliers to partners under the CPTPP or the CETA, Canada's free trade agreement with the European Union—and by expanding agreements with third countries. It is also building domestic supply chains, such as in nuclear energy, with EU partners, such as in defense, and even with China, such as in electric vehicles.

Digital sovereignty has become the policy priority of the day, but it is seen as something Canada can build in partnership with reliable allies such as France, the United Kingdom, or Germany, rather than on its own.

Changes in the country's trade policy priorities.

Canada has launched a major effort to expand non-U.S. trade, including a trade truce with China on electric vehicles and agricultural products; ratification of the United Kingdom's accession to the CPTPP; efforts to attract Korean, German, or Swedish investment in exchange for Canadian military purchases; and the resumption of trade talks with India. This shift is perhaps most visible in the “major projects” agenda, which seeks to enhance infrastructure, including energy and ports, and ease interprovincial trade barriers to facilitate an east-west orientation of trade rather than a north-south orientation between Canada and the United States.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

One debate is whether Canada should offer the United States a new framework in which both sides can discuss an extension of the USMCA, which the United States has been asking for, or let Washington come to Ottawa as part of the USMCA review. Another major disagreement concerns how Canada should use its energy leverage.

Changes in the country's perceptions of the United States and China.

There is dismay at the lack of economic logic behind the U.S. decision to target Canada, which is clearly and demonstrably hurting both sides, including through many Canadian tourists staying away. U.S. economic and strategic leadership is now seen as the bull in the China shop. Europe, CPTPP countries, China, India, and the UK are all seen as economic counterweights, though Canada remains far from viewing China as a benign actor.

Chile

Libertad y Desarrollo

Changes in the country's expectations and economic forecasts.

The overall impact has not been as bad as expected. The tariffs imposed on Chile were lower than those imposed on other countries with which it competes, and key goods for the Chilean economy, such as copper, were exempted.

Nevertheless, the ongoing disruption to global trade and the resulting economic slowdown have hindered domestic growth. For a country already facing 10 years of economic stagnation, the indirect effects of the trade war have been a problem, a challenge reinforced in recent weeks by the attack on Iran.

Changes in the country's economic policy priorities.

There has not been a shift in Chile's economic policy agenda, nor has the trade war raised protectionist or industrial policy agendas. Priorities remain focused on the domestic agenda. Nevertheless, the government, led by the Undersecretary of International Economic Relations, is currently negotiating with U.S. authorities to reduce the tariffs imposed on Chile, as other countries in the region have already done.

Changes in the country's trade policy priorities.

Trade policies have not changed dramatically, primarily because Chile already has a broad network of FTAs. The main priority, even before "Liberation Day," remained the expansion of agreements with countries such as India and those in Africa.

At the same time, the government is focusing on upgrading existing agreements. Although these efforts predated the trade war, they have certainly accelerated due to the new tariff environment. As a result, Chile is now more focused on diversifying its export markets to ensure economic stability amid global trade volatility.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

Disagreements regarding the trade war are primarily political rather than economic. The debate centers on the country's diplomatic stance: the left-wing opposition, which was in office in 2025, favors a firmer critique of U.S. policies and a stronger push for multilateralism. Meanwhile, the current right-wing government, which is close to Trump, seeks to restore ties with Washington without jeopardizing Chile's relationship with China, which remains its top trading partner.

Changes in the country's perceptions of the United States and China.

The United States' prestige has declined during the Trump administration, even among ideological allies.

The United States' prestige has declined during the Trump administration, even among ideological allies, including those with views close to the Republican Party. This change is partly due to aggressive U.S. trade policies. Meanwhile, the ubiquity of Chinese firms has made the public, especially younger citizens, more receptive to China's influence. While a decade ago there was a clear preference for the United States, that gap is closing. Policymakers and elites remain more cautious, but overall goodwill toward U.S. leadership has undeniably weakened.

Dominican Republic

Instituto Especializado de Investigación y Formación en Ciencias Jurídicas OMG (Instituto OMG)

Changes in the country's expectations and economic forecasts.

From the perspective of the Dominican Republic, the global trade landscape following the symbolic “Liberation Day” in April 2025 has evolved into a masterclass in pragmatic recalibration. As of 2026, the dominant narrative among Dominican policymakers and experts has shifted from existential panic to calculated “opportunistic resilience.”

Initially, the consensus within the Dominican policy community was one of extreme vulnerability. Experts feared that the country would become collateral damage in the escalating friction between the United States and China, particularly under a new regime of universal 10 to 20 percent tariffs. The forecast was that the Dominican Republic would experience a drastic decline in exports to the United States and a “hollowing out” of the manufacturing sector due to increased costs and regional instability.

The reality has been different. The trade war has not evolved as a zero-sum game of loss, but rather as a forced reconfiguration. By leveraging the CAFTA-DR framework and aggressive diplomatic lobbying, the Dominican Republic successfully secured critical exemptions for medical devices and high-end textiles, maintaining its preferential access to the U.S. market while rivals in Asia suffered.

The nearshoring explosion has been an economic factor that has performed better than expected. The most significant divergence from expectations has been the speed and scale of nearshoring. While policymakers hoped for a steady trickle of investment, the post-“Liberation Day” reality saw a flood. The country effectively positioned itself as the premier “safe harbor” for companies fleeing Asian supply-chain risks. Investment has also diversified; the reality has outperformed expectations as European and Latin American firms have increased their footprint in Dominican free zones, using the island as a tariff-protected springboard into the United States.

However, inflation and rising operating costs have been worse than expected. The scope of the impact on the domestic economy was underestimated. While exports remained robust, the domestic cost of living spiraled. As a small, open economy, the Dominican Republic experienced inflation caused by global tariffs. The cost of construction materials and essential consumer goods rose faster than expert models predicted, putting immense pressure on the middle class and slowing domestic infrastructure projects despite the export boom.

The trade war evolved from a feared threat into a competitive filter. The Dominican Republic has fared better than expected in FDI and logistics positioning, but worse than expected in domestic purchasing power. The current narrative is no longer about “surviving” the trade war, but about managing the internal social costs of becoming a successful, albeit expensive, regional hub.

Changes in the country's economic policy priorities.

Since the onset of the trade war and the subsequent “Liberation Day” shifts, the Dominican Republic’s economic policy priorities have undergone a seismic shift. The nation has transitioned from passive openness to strategic industrialization and digital sovereignty.

Before the recent global trade volatility, the Dominican Republic's priority was largely to maintain compliance with existing treaties such as DR-CAFTA. Today, the focus has pivoted toward a more directed industrial policy. The government no longer views nearshoring as a lucky coincidence, but as the central axis of national development. Specific tax incentives have been redesigned to attract high-tech industries, such as semiconductors and biopharmaceuticals, that are seeking a “safe harbor” outside the Asian sphere of influence. In this sense, the country's priority has shifted from mass-tourism attraction to becoming a logistics hub and an advanced manufacturing platform.

There is also renewed momentum to connect local industry with free trade zones, or *zonas francas*. The priority is now to ensure that more inputs are produced domestically, reducing the country's vulnerability to volatile external supply chains. This marks a shift away from reliance on cheap imports and toward a stronger emphasis on food and supply-chain security.

The technological tug-of-war between global superpowers has also forced the Dominican Republic to rethink its digital agenda. There is a new urgency around data sovereignty. The country has accelerated investment in national data centers and tightened cybersecurity regulations under the National Strategy 2030 to shield critical infrastructure from geopolitical cyber risks. The priority has therefore shifted from generic digitalization toward cybersecurity and data sovereignty.

A related priority is talent autonomy. Programs such as the National Artificial Intelligence Strategy aim to transform the country from a consumer of foreign technology into a regional node for technology services, ensuring that the workforce remains competitive in a post-trade-war economy.

Unlike many nations that have retreated into classic protectionism, such as high tariffs, the Dominican Republic has adopted what might be called a “protectionism of standards.” Quality requirements and sanitary regulations have become more stringent. This is not intended to block trade, but to ensure the country does not become a dumping ground for surplus production from nations embroiled in trade conflicts. The broader shift is from unrestricted trade openness toward selective and pragmatic trade diplomacy.

Changes in the country's trade policy priorities.

Since the trade war escalated and “Liberation Day” in April 2025 shifted global commerce rules, the Dominican Republic has fundamentally pivoted its trade policy. The focus has shifted from simple market access to strategic supply chain integration and geographic diversification. Efforts to diversify partnerships have not only accelerated but have become a matter of national security.

The most significant change has been the country's pivot toward becoming a regional hub for high tech and energy. The government realized that relying on tourism and basic agriculture was risky in a more volatile global economy. By 2026, the National Semiconductor Strategy, known as ENFIS, had moved from paper to practice. Under Decree 324-24, the Dominican Republic successfully negotiated its entry into the U.S. CHIPS Act ecosystem, focusing on assembly, testing, and packaging (ATP).

Trade policy now also includes electricity as a major export commodity. In 2026, the granting of a U.S. presidential permit for a 150-kilometer submarine cable to Puerto Rico marked a historic milestone. By constructing a dedicated 500-megawatt plant for this purpose, the Dominican Republic is transitioning from an energy importer to a critical utility provider for a U.S. territory.

While the United States remains the Dominican Republic's primary partner, the trade war has served as a catalyst for solidifying and expanding other alliances to reduce dependence. The Dominican Republic has used the CARIFORUM-EU Economic Partnership Agreement to expand beyond agricultural goods into medical devices and creative-economy services. In 2025, the European Union also became a key partner in financing the Dominican Republic's renewable-energy transition, which has now reached 2,700 megawatts of installed capacity. The agreement has also supported the Dominican Republic's ambition to become one of the EU's main suppliers of organic products, including bananas and cocoa, while strengthening its role as a growing hub for European medical-device firms seeking to bypass Asian logistics risks.

The Dominican Republic has also pursued a major strategic pivot with Guyana. Through multisectoral agreements, the two countries are seeking to secure energy and food supplies, including through joint ventures in oil refining and corn and soybean production. This effectively creates a "South-South" trade corridor to buffer against northern price shocks.

Negotiations have also intensified with Asian partners outside China, particularly South Korea and Japan. The Dominican Republic has sought technical cooperation and investment from South Korea to transform customs and port logistics digitally, aiming to become the most efficient "smart port" in the Caribbean.

Diplomatically, the Dominican Republic has adopted a "neutral but aligned" posture, choosing partnerships based on technological standards rather than ideology alone. It has aggressively marketed itself to aligned partners through a friend-shoring strategy. The 2025 memorandum of understanding with NVIDIA to launch the National AI Strategy is a clear example of choosing technology partnerships that align with Western standards while maintaining independent digital sovereignty.

The Dominican Republic has used the trade war as an opportunity to move beyond being just a "Caribbean destination" and toward becoming a critical node in the Western supply chain and energy grid.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

The debate within Dominican policy circles is how to navigate the "new Cold War" without compromising national sovereignty. The core disagreement is whether to remain a flexible, open economy that trades with everyone or to become a specialized, technology-heavy "Fortress Caribbean" tightly integrated into the North American supply chain.

While the government has leaned into a pro-Western industrial strategy, significant friction exists among thought leaders. The sharpest disagreements center on three primary axes.

- The first is the "China dilemma": pragmatism versus alignment. Many business leaders and economists argue that the Dominican Republic cannot afford to alienate China, especially since it remains the country's second-largest trading partner and a primary source of affordable consumer goods and raw materials. They advocate for a form of neutrality similar to Singapore's. Conversely, key policymakers within the Ministry of Foreign Affairs and the Presidency argue that strategic alignment with the United States is the only way to secure long-term benefits from the CHIPS Act and nearshoring initiatives. They believe that bringing Chinese technology into critical infrastructure, such as 5G

networks and ports, would jeopardize the Dominican Republic's status as a trustworthy partner to Washington.

- The second disagreement concerns energy: sovereignty versus integration. While the Hostos Project to export electricity to Puerto Rico is a flagship government initiative, it has sparked an internal rift. Some energy experts and industrial groups argue that the country should focus exclusively on lowering the “Dominican cost,” or the high electricity rates paid by local businesses. They fear that prioritizing infrastructure for export will divert capital and technical focus away from persistent inefficiencies in the domestic distribution network. Supporters of the regional hub strategy argue that becoming an energy exporter creates a new revenue pillar for the state and grants the Dominican Republic unprecedented geopolitical leverage. They view the interconnection as a way to subsidize domestic upgrades through export profits.
- The third disagreement concerns industrial policy: picking winners versus broad liberalization. There is a sharp divide over the National Semiconductor Strategy. Critics argue that the Dominican Republic lacks the highly specialized human capital required for the semiconductor industry and that picking winners through state subsidies represents a risky gamble. They suggest that resources would be better spent on traditional strengths, such as tourism and the food industry. Proponents maintain that if the country does not evolve into high-tech assembly now, it will be trapped in a middle-income trap, eventually losing its low-cost manufacturing edge to even cheaper labor markets.

Finally, there is disagreement over fiscal strategy in an inflationary environment. Hardliners advocate temporary protectionist measures on basic food staples to protect the poor. Economic liberals warn that such measures would violate DR-CAFTA and could invite retaliation from the United States, the Dominican Republic's largest market.

Changes in the country's perceptions of the United States and China.

The views of policymakers, business elites, and the general public are increasingly diverging, driven by their specific economic interests. The state is prioritizing geopolitical security, while the market is seeking cost efficiency.

For government officials, the perception of the United States has shifted from that of a “big brother” to that of a critical infrastructure partner. There is a heightened sense of urgency to align with Washington's standards to secure high-value projects such as the Hostos Energy Interconnection and semiconductor ATP integration. Policymakers now view China more through a security-first lens. While they appreciate Chinese efficiency in infrastructure, there is a visible cooling toward Chinese technology in critical areas, including 5G, ports, and energy, to avoid friction with the U.S. State Department.

The Dominican Republic's business elite is where the most significant divergence occurs. While business leaders applaud the influx of nearshoring investment, they are increasingly frustrated by the high cost of U.S. raw materials and the inflationary pressure of tariffs. Many industrial leaders still perceive China as the “factory of the world” and fear that total alignment with the United States will leave them uncompetitive. They see China not as a geopolitical threat, but as a vital supplier of the low-cost components that keep Dominican factories running. They are the strongest advocates for a dual-track trade policy.

Among the general public, perceptions are dictated by inflation and migration. The image of the United States remains generally positive due to the massive flow of remittances and the cultural ties of the Dominican diaspora. However, there is growing resentment regarding imported inflation; many blame U.S. trade policies for the rising cost of electronics, cars, and food. Public perception of China has improved as Chinese brands, particularly electric vehicles and smartphones, have become the only affordable alternatives in a high-tariff world. To the average citizen, China is seen as a provider of accessible technology, whereas the United States is seen as the traditional, albeit increasingly expensive, partner.

Ecuador

Cámara de Innovación y Tecnología Ecuatoriana (CITEC)

Changes in the country's expectations and economic forecasts.

In Ecuador, the dominant narrative after “Liberation Day” was that the trade war would escalate into a prolonged and highly disruptive conflict, particularly for smaller economies dependent on stable access to the U.S. market. That expectation was only partially confirmed.

On the one hand, the initial shock was real. U.S. tariff measures created immediate uncertainty and reinforced the perception that market access could become more politically driven. This pushed policymakers and the expert community in Ecuador to accelerate efforts to secure a more predictable bilateral framework with the United States. On the other hand, the conflict did not evolve exactly as anticipated. The most sweeping tariff measures were later limited by U.S. legal decisions, and although alternative trade actions followed, the escalation did not reach the most extreme scenarios initially forecast.

One aspect that turned out better than expected was Ecuador's ability to translate this uncertainty into a concrete strategic outcome. The signing of the Agreement on Reciprocal Trade with the United States in 2026 marked a significant step forward, granting improved access for a substantial portion of Ecuador's non-oil exports and strengthening disciplines in areas such as trade facilitation, services, and digital trade. For a country that historically lacked a comprehensive bilateral trade framework with the United States, this represents a meaningful gain in terms of market stability and long-term positioning.

However, what has been worse than expected is the persistence of uncertainty. Even as some initial tariff measures were softened or reconfigured, the broader environment remains volatile. The United States has maintained leverage through alternative legal and policy tools, meaning that businesses still face shifting conditions, temporary measures, and the ongoing risk of new restrictions. In that sense, the trade war has become less dramatic but more structurally uncertain.

Another important divergence relates to scope. Early discussions in Ecuador focused primarily on tariffs, but the reality has proven much broader. The bilateral agreement goes beyond goods trade and introduces significant commitments in regulatory cooperation and digital trade. This includes a particularly sensitive issue: cross-border data flows.

A key component of the agreement is the expectation that Ecuador will provide legal certainty for personal data transfers to the United States and work toward recognizing it as a “safe” jurisdiction for data protection. This is especially relevant given Ecuador's recent efforts to strengthen its own

data-protection regime. As a result, trade policy is now directly linked to complex debates around privacy, regulatory alignment, and digital governance.

The trade war has been less severe in its immediate economic impact than initially feared, but more complex and persistent in its implications.

In summary, the trade war has been less severe in its immediate economic impact than initially feared, but more complex and persistent in its implications. While Ecuador has achieved progress through a bilateral agreement, it now faces a new generation of challenges that extend beyond tariffs into regulatory and digital domains.

Changes in the country's economic policy priorities.

Since the start of the trade war, Ecuador's economic policy priorities have shifted less toward classic protectionism and more toward strategic alignment, regulatory modernization, and digital positioning.

First, rather than adopting broad protectionist measures, Ecuador has prioritized securing market access and reducing external vulnerability. The clearest example is the 2026 Agreement on Reciprocal Trade with the United States, which reflects a pragmatic strategy: Instead of closing its economy, Ecuador has deepened integration with its main export markets. This marks a shift from reactive trade defense to proactive bilateral engagement.

Second, there has been a strengthening of targeted industrial policy focused on competitiveness and investment attraction rather than state-driven heavy protectionism. This includes renewed attention to free trade zones, regulatory simplification, and incentives for export-oriented sectors, particularly in services and technology. The emphasis is on enabling conditions—improving the business environment, reducing regulatory friction, and aligning standards with key partners.

Third, the most significant shift has been in the digital and regulatory agenda. Ecuador increasingly recognizes that competitiveness depends on data flows, digital services, and trust frameworks. A key element of the bilateral agreement is the expectation that Ecuador will ensure legal certainty for cross-border data transfers and move toward recognizing the United States as a “safe” jurisdiction for data protection. This has placed data governance and digital sovereignty at the center of policy discussions. However, Ecuador's approach is not restrictive; it is better described as “open but compliant,” balancing strong domestic data protection with international interoperability.

Additionally, regulatory diplomacy has risen in prominence as a policy tool. Institutions such as the Cámara de Innovación y Tecnología Ecuatoriana have taken a more active role in shaping technical standards, engaging in legislative processes, and ensuring alignment with global frameworks.

Importantly, Ecuador has not engaged in broad global trade retaliation. In fact, the only case resembling a “trade war” initiated by Ecuador during this period has been its tensions with Colombia, where trade restrictions were imposed on the grounds of insufficient Colombian investment in border security. This situation reflects a more localized and security-driven use of trade measures rather than a systemic shift toward protectionism.

In summary, the trade war has not triggered a protectionist turn in Ecuador. Instead, it has pushed the country toward deeper international alignment, targeted competitiveness policies, and a strong emphasis on digital regulation and cross-border data flows. The most important transformation is not at the level of tariffs, but in the regulatory and digital architecture of the economy.

Changes in the country's trade policy priorities.

Since the start of the trade war, Ecuador's trade policy priorities have shifted from a relatively passive, multilateral approach to a more pragmatic, bilateral, and diversification-oriented strategy.

First, there has been a clear prioritization of securing and deepening access to key markets, particularly the United States. The 2026 Agreement on Reciprocal Trade is the most concrete example, improving access for a significant share of Ecuador's non-oil exports while expanding cooperation in services, digital trade, and regulatory practices. This reflects a strategic pivot toward stabilizing Ecuador's relationship with its main trading partner in a context of global uncertainty.

Second, Ecuador has accelerated efforts to diversify trade partnerships. A key pillar remains the strengthening of ties with the EU, leveraging and deepening the existing agreement to ensure stable export conditions. Beyond that, Ecuador has advanced new negotiations, including a trade agreement with Canada, which represents a strategic move to expand access to North American markets beyond the United States, reduce dependency, and attract investment under more predictable rules.

In Asia, Ecuador has also taken a significant step through the Strategic Economic Cooperation Agreement with South Korea. This agreement signals a clear pivot toward high-value Asian markets, opening opportunities not only for goods exports but also for technology transfer, investment, and integration into more sophisticated value chains.

Third, Ecuador's trade policy has expanded into nontraditional partnerships and global connectivity platforms. A notable example is its engagement with the Dubai Chamber of Commerce to develop an innovation corridor and facilitate business matchmaking. This reflects a broader strategy to connect Ecuadorian companies with emerging hubs in the Middle East and diversify beyond traditional Western markets.

At the regional level, dynamics have been more complex. While Ecuador continues to coordinate within the Comunidad Andina, there have also been tensions with Colombia, where Ecuador introduced trade restrictions citing insufficient investment in border security. This illustrates how trade policy is increasingly being used to address broader concerns beyond economics, such as security.

Finally, trade policy has expanded beyond tariffs into regulatory and digital domains. Agreements, particularly with the United States, include commitments on cross-border data flows and data-protection frameworks, positioning digital trade as a central pillar of Ecuador's international strategy.

In summary, Ecuador has responded to the trade war by deepening key bilateral ties, accelerating selective diversification, and expanding into new regions and regulatory areas. The country is no longer relying on a narrow set of partners, but is building a more diversified and strategically aligned trade network across North America, Europe, and Asia.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

The sharpest disagreements among Ecuadorian policymakers and thought leaders on how to respond to the ongoing trade war are not about its importance, but about the strategic direction the country should take in a more fragmented global economy. These debates center on three main fault lines: international alignment, the role of the state, and digital governance.

A first major divide concerns how closely Ecuador should align with the United States. On one side, government officials, export-oriented sectors, and parts of the business community argue that deepening ties with the United States is essential. They view the 2026 Agreement on Reciprocal Trade as a critical tool to secure market access, reduce uncertainty, and anchor Ecuador within a stable economic framework. Given that the United States remains Ecuador's main trading partner, this group prioritizes predictability and regulatory alignment. On the other side, academics, legal experts, and some policymakers warn that this approach may limit Ecuador's policy autonomy. Concerns are particularly strong in areas such as dispute resolution, industrial policy, and data governance, where commitments to recognize the United States as a "safe jurisdiction" for data transfers raise questions about sovereignty and regulatory independence.

A second disagreement concerns whether Ecuador should maintain an open-economy model or adopt a more active industrial policy. Open-market advocates argue that the country should continue to lower barriers, attract foreign investment, and expand trade agreements, including with partners such as the European Union and South Korea. From this perspective, diversification and integration into global value chains are the best responses to external shocks. In contrast, others argue that the trade war has exposed structural weaknesses, such as reliance on primary exports and limited domestic value addition, and that Ecuador should adopt more proactive policies. These include targeted incentives for strategic sectors, stronger support for local industries, and more assertive use of trade tools. This tension is reflected in debates over free trade zones, subsidies, and the broader role of the state in economic transformation.

The third, and perhaps most forward-looking, disagreement relates to digital trade and data governance. As trade agreements increasingly include provisions on cross-border data flows, Ecuador faces a choice between deeper integration and stronger regulatory control. The private sector and technology ecosystem generally support an open approach, emphasizing interoperability, participation in global digital markets, and alignment with international standards. However, regulators and legal experts stress the importance of protecting personal data and maintaining national oversight. This debate has intensified following the strengthening of Ecuador's data-protection framework and the commitments under the U.S. agreement, which link trade policy directly with digital governance.

Finally, there is a more tactical disagreement regarding diversification strategy. While many support expanding partnerships, such as negotiations with Canada and engagement with new regions, some caution that rapid diversification without sufficient institutional capacity could dilute Ecuador's focus and negotiating power.

The central debate is strategic rather than ideological; whether Ecuador should respond to the trade war by deepening integration with key global partners or by preserving greater autonomy and strengthening domestic capabilities. In practice, current policy reflects a hybrid approach, but the balance between these visions remains actively contested.

Changes in the country's perceptions of the United States and China.

Since the escalation of tariffs, perceptions of both the United States and China in Ecuador have become more pragmatic, segmented, and, in some cases, more cautious. Rather than producing a uniform shift, the trade war has led views to diverge across policymakers, business elites, and the general public.

Among policymakers, the United States continues to be seen as a strategic anchor, particularly for trade stability and regulatory alignment. The signing of the 2026 Agreement on Reciprocal Trade reinforced the perception that closer ties with the United States are essential for securing market access and reducing exposure to global volatility. However, this perception is no longer uncritical. The use of tariffs and trade tools as instruments of political leverage has introduced a layer of caution. Policymakers increasingly view the United States as both a necessary partner and a source of structural uncertainty, particularly given its willingness to adjust trade rules unilaterally. In contrast, China is seen as an indispensable economic partner, especially in financing and infrastructure, and as a destination for certain exports, but also as a complex actor with different regulatory standards and geopolitical implications. As a result, policymakers tend to pursue a balancing strategy, avoiding overdependence on either power.

Among business elites, perceptions are more clearly differentiated by sector. Export-oriented industries, especially those focused on agriculture and non-oil exports, tend to favor stronger ties with the United States, given its role as a high-value and relatively predictable market. For these actors, the recent agreement is seen as a positive step toward stability. However, there is also growing awareness of the risks associated with regulatory dependency, particularly in areas such as compliance and digital trade. On the other hand, sectors linked to infrastructure, energy, and large-scale investment often view China more favorably, given its capacity to mobilize financing and execute projects at scale. That said, even within the business community, there is growing caution about debt exposure, contractual terms, and the long-term strategic implications of Chinese partnerships. Overall, business elites are not ideologically aligned with either country; instead, they adopt a transactional and opportunity-driven perspective.

Among the general public, perceptions are less technical but increasingly influenced by narratives of security, migration, and economic stability. The United States is often viewed positively due to historical ties, migration links, and its role as a destination for Ecuadorian exports and remittances. However, the visibility of trade tensions and shifting U.S. policies has introduced some skepticism about its reliability. China, meanwhile, is often perceived as a distant but powerful economic actor associated with infrastructure and investment, but also with concerns around transparency, environmental impact, and sovereignty. Public opinion is therefore more mixed and less structured, often shaped by media narratives rather than detailed policy understanding.

In terms of alignment, these groups are partially aligned but increasingly nuanced. There is a broad consensus that Ecuador must engage with both powers, but disagreement over how far and under what conditions. Policymakers emphasize balance, business elites prioritize opportunity, and the public reflects a mix of trust and caution toward both countries.

Germany

German Economic Institute

Changes in the country's expectations and economic forecasts.

Reality was considerably worse than expected, particularly regarding the erratic nature of U.S. tariff policy and the uncertainty it created. The ability to threaten trade-related countermeasures was more restricted than expected by Trump's blunt security threats regarding NATO and Ukraine.

Changes in the country's economic policy priorities.

In Germany, there is still hesitance about using tariffs or industrial policy, even though discussions are increasing over whether and how to change this approach. Digital sovereignty has become a larger issue in light of the U.S. national strategy toward the EU and Germany.

Changes in the country's trade policy priorities.

The EU has, fortunately, concluded several new trade agreements. However, company efforts toward de-risking still appear limited and hesitant.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

The main disagreements concern policy toward China and the question of whether, and to what extent, Germany and the EU should use retaliation, countervailing duties, and industrial policies.

Changes in the country's perceptions of the United States and China.

The United States is viewed more critically, but transatlantic thinking remains deeply embedded in German political and business circles. China may be viewed somewhat less critically in some circles, but others warn against a new alignment with Beijing. In other words, views diverge more sharply regarding China than regarding the United States.

Ghana

IMANI Centre for Policy and Education

Changes in the country's expectations and economic forecasts.

As of April 2026, President Trump's "Liberation Day" policy, initiated in April 2025, had imposed a 10 percent universal baseline tariff on U.S. imports, including goods from Ghana, significantly affecting trade. While earlier reports indicated a 15 percent tariff on specific items such as cocoa, these reciprocal tariffs were later modified by executive order in November 2025. At that time, the U.S. government announced a reduction in tariffs on several agricultural products, including cocoa, coffee, tea, and spices, providing some relief to Ghana's export-driven economy.

Changes in the country's economic policy priorities.

Ghana has accelerated policies designed to protect local industries and reduce reliance on imports, aiming to turn trade challenges into opportunities for local growth.

The government is aggressively pushing to replace imports with locally produced goods in sectors such as cement, pharmaceuticals, and agro-processing. For example, the Ministry of Trade and Industry has tightened inspections to ensure compliance with quality standards, fostering confidence in "Made-in-Ghana" products.

Industries are also being encouraged to source locally. Cement producers, for example, are adopting local raw materials, such as calcined clay, through LC3 technology to reduce reliance on imported clinker.

While foreign investment is encouraged, the Ghana Union of Traders Association has historically guarded the retail sector against foreign encroachment, creating a hybrid landscape in which protectionism applies primarily to specific, low-level trade activities.

Ghana has also moved from merely adopting digital tools to pursuing digital sovereignty, to ensure data security and nurture a homegrown technology ecosystem. The National AI Strategy, launched in April 2026, aims to ensure that Ghana is a “designer” and “governor” of technology rather than a passive consumer. The government is also focusing on building a national fiber-optic network and strengthening the Cyber Security Authority to protect national data.

The “Digital Reset” agenda reflects a broader shift toward developing local digital skills and enterprises, including the “One Million Coders” initiative.

Changes in the country’s trade policy priorities.

Since the intensification of global trade tensions, particularly the 2018 U.S.-China trade war and renewed U.S. tariffs in 2025, Ghana’s trade policy has shifted toward aggressive regional integration, import substitution through industrialization, and diversification of trade partners to reduce reliance on volatile external markets.

Efforts to diversify trade partnerships have accelerated, with a major pivot toward intra-African trade under the African Continental Free Trade Area (AfCFTA) and new strategic engagements with the UAE and the United Kingdom to strengthen economic resilience.

Ghana has embraced aggressive regionalism through AfCFTA implementation. As host of the AfCFTA Secretariat, Ghana has accelerated efforts to integrate into the regional market and move away from overreliance on raw commodity exports to the United States and China.

The government has also strengthened import substitution and industrialization through the “One District, One Factory” initiative, focusing on local manufacturing to reduce imports of refined goods and food items.

Faced with global uncertainties, Ghana has increased scrutiny of imports, reduced import duties on specific raw materials for local factories, and strengthened quality standards, according to the Ghanaian embassy in Japan.

Ghana has also placed greater emphasis on value-added exports. The Ghana Export Promotion Authority has prioritized processed cocoa, garments, and agricultural products to increase nontraditional export revenue, which reached \$5.06 billion in 2025. Here are some concrete examples:

- Ghana-UAE Comprehensive Economic Partnership Agreement: As of February 2026, Ghana is fast-tracking negotiations with the UAE to deepen economic ties, attract investment from the Gulf, and diversify trade beyond traditional partners, according to *Public Sector Magazine*.
- UK-Ghana Trade Partnership: In early 2026, the United Kingdom reaffirmed its commitment to deepening trade with Ghana, specifically focusing on the automotive,

digital, and agriculture sectors, and aiming to secure duty-free and quota-free access for Ghanaian goods.

- Ghana-China zero-tariff deal: Following rising U.S. protectionism, Ghana reached an agreement in principle with China, announced in October 2025 to grant Ghanaian products zero-tariff access to the Chinese market.
- EU-Ghana defense and trade pact: Ghana signed a defense pact with the EU, the EU's first such pact with an African nation, accompanied by trade initiatives aimed at creating reliable supply chains for critical minerals.
- Export trade house in Kenya: To operationalize AfCFTA, Ghana established an export trade house in Nairobi in May 2023 to boost trade in processed goods, such as cocoa powder and cosmetics, with East Africa.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

As of early 2026, the sharpest disagreements among Ghana's policymakers and thought leaders regarding the response to ongoing global trade conflicts—particularly those affecting U.S.-China relations, Middle East instability and its impact on oil prices, and regional trade tensions—center on whether to embrace protectionism or free trade, how to prioritize economic diversification versus immediate foreign-exchange inflows, and how quickly the government should respond to geopolitical risks.

Changes in the country's perceptions of the United States and China.

Ghanaian policymakers, business elites, and the general public are currently in a state of pragmatic alignment, moving away from Western-centric economic reliance toward deeper “South-South” partnership with China.

Perceptions of China have become highly positive among government officials, who view China as a reliable, noninterfering, and strategic development partner.

Perceptions of China have become highly positive among government officials, who view China as a reliable, noninterfering, and strategic development partner. Following U.S. tariff hikes, China has actively promoted itself as a partner that supports industrialization, culminating in a zero-tariff agreement covering 100 percent of Ghanaian exports to China, set to take full effect in 2026.

The imposition of U.S. tariffs has led to concerns among Ghanaian business leaders regarding trade volatility and export risks, particularly in the agricultural and oil sectors. While the United States remains a key partner through initiatives such as the African Growth Opportunity Act (AGOA), this uncertainty has prompted a shift in focus toward alternative markets.

Greece

Laboratory of Industrial and Energy Economics - National Technical University of Athens

Changes in the country's expectations and economic forecasts.

Greece paid relatively limited attention to the trade war and new U.S. tariffs, largely because its direct exposure to the U.S. market is modest, at roughly 5 percent of exports. As a result, Greece was relatively insulated from the immediate effects of “Liberation Day.” Some voices warned that

the tariffs could trigger significant declines in exports and weaken Greek competitiveness, but these concerns did not materialize in a substantial way. In practice, the trade conflict remained driven largely by threats and uncertainty, while business conditions continued broadly as usual.

The main effects for Greece were therefore not through bilateral trade with the United States, but through second-round effects linked to the broader European economy, especially shipping and tourism. Even then, estimated GDP losses remained modest, at roughly 0.1 to 0.2 percentage points, broadly consistent with the Union Bank of Switzerland (UBS) and OECD baseline scenarios. Investment from the Recovery and Resilience Facility, resilient tourism, and fiscal buffers supported continued growth. This validated the core Greek assessment that the country had limited direct exposure to the U.S. tariff shock. At the same time, the episode reinforced Greece's broader strategic orientation: deepening its position within the European Union while strengthening economic and geopolitical connections with the Middle East and North Africa.

Changes in the country's economic policy priorities.

Greece has not turned protectionist in response to the trade war. Rather, the episode has modestly re-weighted existing policy agendas—industrial policy, digital sovereignty, resilience, and “strategic extroversion”—and accelerated them in pragmatic, EU-aligned ways rather than through unilateral measures. Before the trade war, Greek industrial policy was largely horizontal, centered on tax incentives, permitting reform, infrastructure, and broader competitiveness, rather than on clearly defined sectoral priorities.

Since “Liberation Day,” there has been a somewhat sharper prioritization around the productive transformation of the Greek economy and the stimulation of innovation in strategic sectors. However, the trade war has not fundamentally changed Greece's industrial policy agenda. The greater shift has been a stronger emphasis on European instruments and EU priorities, which are increasingly seen as opportunities to enhance Greece's profile and growth potential. That said, actual progress and concrete initiatives in this direction remain mixed and, in some areas, debatable.

Changes in the country's trade policy priorities.

Greece has not changed its formal trade policy instruments, which remain largely set at the EU level. Nor is there much concrete evidence that trade negotiations, trade agreements, or commercial policy initiatives have been redirected specifically because of the U.S.-China trade war. In most cases, negotiations and economic diplomacy have continued along existing tracks.

That said, Greece appears to have reprioritized where it invests diplomatic, commercial, and administrative capacity. Diversification and resilience have become more prominent themes, particularly in response to external shocks, U.S. tariff volatility, and broader uncertainty in the euro area. This does not amount to a major shift in trade policy, but rather a more operational emphasis on strengthening Greece's economic position through EU-aligned diversification and external engagement.

At the same time, Greece and the United States remain actively engaged in trade and energy partnerships. Recent examples include a memorandum of cooperation on liquefied natural gas (LNG) supply and the emerging Chevron deal for petroleum exploration in the Ionian Sea. In this sense, the trade war has not displaced the bilateral economic relationship. If anything, it has

reinforced the importance of selective cooperation in strategic sectors, especially energy, while Greece continues to manage trade policy primarily through the European Union.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

The trade war has not gained significant momentum in Greece's national policy debate, and there is broad agreement that trade wars are generally harmful. To the extent disagreements exist, they are less about tariffs themselves and more about adjacent questions: how defensive Greece's economic strategy should be, how far the state should go in shaping industrial outcomes, whether diversification should be treated as a near-term stabilizer or a longer-term strategic objective, and how to balance geopolitical alignment with commercial realism. In this sense, Greece broadly agrees on the direction of travel but differs on speed, instruments, and risk tolerance.

That said, the trade war has been overshadowed by other foreign policy debates. The United States has faced substantial criticism in Greece over the Iran war, while domestic discussion has focused more heavily on whether Greece's position is effectively for or against Israel in the context of the Iran and Palestine situations. As a result, trade tensions have remained a secondary issue in the national policy conversation.

Changes in the country's perceptions of the United States and China.

Following "Liberation Day," Greek perceptions of the United States and China have become more cautious, transactional, and risk-aware, although the issue has not dominated public debate. In practice, the United States is currently criticized more for the war in Iran and its alliance with Israel than for trade policy. China, by contrast, is not especially in the spotlight at the moment. Still, among policymakers, business elites, and parts of the public, there is a growing recognition that great-power rivalry has become a persistent feature of Greece's external environment.

Among policymakers, perceptions have shifted most clearly. The United States continues to be viewed as a reliable security ally, but also as a less predictable and potentially more disruptive economic partner. Perceptions of China have also become more skeptical. Earlier enthusiasm, particularly during the debt crisis, was linked to Chinese capital inflows and infrastructure investment. More recently, concerns have grown around asymmetric dependence, widening trade deficits, and strategic exposure in critical assets such as ports and logistics. Greece has therefore increasingly aligned with the EU's "de-risking" approach, seeking to limit new dependencies while honoring existing agreements. China is now viewed less as an alternative to the West and more as a major power whose economic engagement can carry strategic costs.

Business elites tend to take a more pragmatic view. For many firms, the United States remains an attractive source of investment, technology, and strategic partnerships, even if tariffs and policy volatility create uncertainty for some sectors. Frustration is directed more toward unpredictability than toward the bilateral relationship itself. With China, business leaders, especially in shipping and logistics, continue to value its role as a market and production hub. Overall, the business community favors flexibility and diversification rather than rigid alignment with either side.

The general public is more ambivalent. Favorability toward the United States has softened, driven less by tariffs than by broader geopolitical concerns, especially Iran and Israel. Views of China have also grown more cautious, even as it is currently less central to the national debate. Earlier goodwill linked to investment and job creation has faded somewhat, replaced by greater concern about foreign influence over infrastructure and Greece's exposure to great-power competition.

Hungary

Centre for Next Technological Futures

Changes in the country's expectations and economic forecasts.

Tariffs clearly harm trade enormously, but the world is still very far from a full-fledged trade war. Therefore, reality has diverged significantly from expectations of an anticipated trade war.

Large companies compete with one another, not simply national economies. These companies can therefore respond relatively quickly to tariffs imposed on nation-states by restructuring their value chains. The key question is where a country sits within different global value chains.

It is important to remember that in the modern globalized economy, globally organized value chains, often coordinated by large companies, compete with one another—not simply national economies. These companies can therefore respond relatively quickly to tariffs imposed on nation-states by restructuring their value chains. The key question is where a country sits within different global value chains. Tariffs have a relatively low impact on countries integrated into high-value-added processes, while countries trapped in low-value activities are more severely and harmfully affected.

Changes in the country's economic policy priorities.

There have not been any significant changes in the country's economic policy priorities. Even before “Liberation Day,” the main priority of industrial policy was openness to foreign investors, and this has remained the case afterwards. Nevertheless, digital sovereignty has entered the policy agenda, though without any new policy measures.

Changes in the country's trade policy priorities.

The country, as a small and open economy, has maintained open, highly diversified trade relations for many decades, and the “trade war” has had no significant effect on them.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

There has been little discussion of this topic, and trade openness and openness to foreign direct investment from around the world remain the basic policy line.

Changes in the country's perceptions of the United States and China.

Looking back over the past four decades, there have been periods when U.S., European, and, more recently, Chinese investors invested on a relatively large scale in Hungary. As a result, U.S., European, and Chinese investments are now relatively well balanced. Another result of this decades-long development is that U.S., European, and Chinese investors compete domestically, benefiting both the economy and consumers.

The real question is not tariffs, but how the domestic component of the economy is linked to foreign investment and, second, how foreign investors can bring new technologies and higher-value-added production processes into the country.

India

The Dialogue

Changes in the country's expectations and economic forecasts.

For India, the first year of the trade war evolved from a hope for “strategic exceptionalism” into a hard-nosed lesson in transactional diplomacy. While New Delhi initially expected its role as a counterweight to China to shield it from the “Liberation Day” tariffs, the reality was a 50 percent cumulative duty that forced a rapid pivot toward a February 2026 de-escalation deal.

For India, the first year of the trade war evolved from a hope for “strategic exceptionalism” into a hard-nosed lesson in transactional diplomacy.

The situation has been better than expected in terms of India's export resilience, particularly in electronics, and its ability to finalize a protective free trade agreement with the EU as a hedge. However, it has been worse than anticipated, with the administration's use of tariffs as geopolitical leverage during regional conflicts resulting in investment paralysis for Indian micro, small, and medium-sized enterprises (MSMEs).

Ultimately, the year solidified India's shift toward a “multi-aligned” trade strategy.

Changes in the country's economic policy priorities.

India's economic policy has shifted toward a more cautious, self-reliant stance to manage ongoing trade volatility. Instead of broad retaliation, the government has focused on “strategic shielding,” using recent budgets to lower import duties on key raw materials so that Indian factories can stay competitive even with higher U.S. tariffs.

There is also a clearer push for digital sovereignty, with new data-protection rules and local cloud initiatives designed to reduce dependence on foreign platforms. By fast-tracking trade deals with the European Union and the United Kingdom, India is actively diversifying its partnerships to ensure that the economy is not overly exposed to policy shifts from a single country.

Changes in the country's trade policy priorities.

Since the trade war began, India has shifted toward a more balanced trade strategy to reduce its reliance on any single market. Rather than waiting for a resolution with the United States, New Delhi has accelerated its diversification efforts, most notably by finalizing a long-awaited free trade agreement with the EU in early 2026.

India also signed a new trade deal with the UK and is fast-tracking negotiations with the Gulf Cooperation Council and Australia to open more stable export routes. These strategic pivots, along with new partnerships for critical minerals in South America, show that India is prioritizing a wider network of allies to protect its economy from global policy shifts.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

In India, the primary debate among policymakers centers on how to handle the country's economic relationship with China while managing U.S. trade pressures. One group argues for a “pragmatic thaw,” suggesting that India must ease restrictions on Chinese investments and on the entry of technical experts to help local factories grow and remain competitive globally. Others remain more

cautious, warning that such a move could undermine national security and slow the push for domestic self-reliance.

There is also a secondary disagreement over tariff strategy: Some leaders advocate lowering India's own import duties to more effectively join global supply chains, while others believe that maintaining protective barriers is necessary to support smaller local businesses struggling with rising costs.

Changes in the country's perceptions of the United States and China.

Since the trade war escalated, Indian perceptions of the United States have shifted from seeing it as a predictable strategic partner to a more transactional one, leading many to view the relationship with greater caution. Meanwhile, views of China remain complicated. While security concerns persist, there is a growing practical recognition among business leaders that Chinese components are essential to India's manufacturing goals.

These groups are somewhat diverging: The general public and policymakers often maintain a more skeptical, security-first stance toward China, whereas business elites are increasingly pushing for a "China plus one" strategy that still allows for technical cooperation to keep Indian industry competitive.

Italy

Competere

Changes in the country's expectations and economic forecasts.

The trade war has not followed the most simplistic forecasts. In Italy, many expected an immediate export shock and a clear winners-and-losers scenario. The reality has been more complex. Some sectors have suffered, but the broader damage lies in uncertainty, higher transaction costs, and the gradual erosion of trust in rules-based trade.

What has been better than expected is the resilience of Italian firms, especially those with strong brands and diversified markets. What has been worse is the normalization of tariffs as a political instrument. The danger is not only economic disruption, but also the idea that trade can be managed through permanent coercion rather than competition, innovation, and agreements.

Changes in the country's economic policy priorities.

Since the start of the trade war, Italy has not moved toward full protectionism but toward a more defensive openness. The main shift has been a greater emphasis on resilience, export diversification, industrial policy, and the protection of strategic supply chains. Supporting "Made in Italy" remains central, but the policy priority is no longer only expanding trade; it is reducing vulnerability.

Industrial policy has gained momentum, especially around energy costs, manufacturing, critical technologies, and competitiveness. Digital sovereignty has also become more relevant, mainly through the EU framework on AI, data, and cybersecurity.

In short, Italy still depends on open markets, but the trade war has shifted policy from free-trade optimism toward strategic openness and economic security.

Changes in the country's trade policy priorities.

Trade policy priorities have clearly shifted from market expansion to diversification and economic security.

For Italy, this means using the EU trade agenda to reduce dependence on the United States and China while opening alternative markets for “Made in Italy” exports. This acceleration is evident in several EU moves: the EU-Indonesia CEPA negotiations were concluded in September 2025, the EU-India FTA negotiations in January 2026, and the EU-Australia FTA negotiations in March 2026.

The strategic pivot is therefore toward “open strategic autonomy”: more trade agreements, but also greater attention to supply chains, critical raw materials, food security, and industrial resilience.

The strategic pivot is therefore toward “open strategic autonomy”: more trade agreements, but also greater attention to supply chains, critical raw materials, food security, and industrial resilience. For Italy, diversification is not optional. It is essential to defend exports, support manufacturing, and keep open markets available when transatlantic relations become less predictable.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

Everyone agrees that the old trade optimism is over. The real divide is between strategic openness and defensive protectionism. The sharpest disagreement is between those who want a tougher EU response, including retaliation, and those who fear escalation.

In Italy, many policymakers and exporters prefer negotiation, de-escalation, and diversification because the country depends heavily on open markets, and the United States remains a key destination for “Made in Italy” exports.

A second divide concerns industrial policy. Some see the trade war as proof that Europe needs stronger public intervention and strategic autonomy. Others warn that this could become protectionism in disguise, increasing costs and weakening competitiveness.

A third disagreement concerns China: reducing dependence and countering unfair practices, but without losing access to an important market.

Changes in the country's perceptions of the United States and China.

Perceptions have shifted toward a more pragmatic, less ideological direction.

The United States is still seen as Italy's key political, security, and economic partner, but less as a fully predictable trade partner. Among policymakers and business elites, there is growing concern that U.S. trade policy has become more transactional and less anchored in shared rules.

China is viewed with greater caution, especially on unfair competition, industrial dependence, and strategic technologies. At the same time, many firms still see China as an important market and commercial partner.

These groups are not fully aligned. Policymakers tend to frame the issue in terms of security, alliances, and strategic dependence. Business elites are more focused on market access, costs, and supply chains. The general public is more ambivalent: skeptical of China, often sympathetic

to the United States, but increasingly worried about the economic consequences of both powers using trade as a political weapon.

I-Com, Institute for Competitiveness

Changes in the country's expectations and economic forecasts.

Italy's export-driven SMEs were expected to suffer significantly from global fragmentation. Instead, many firms proved adaptable, diversifying into new markets such as Southeast Asia and the Gulf. Overall, Italian exports showed resilience in 2025, increasing by 3.3 percent in value compared with 2024. Despite the introduction of tariffs that year, exports to the United States rose by 7.2 percent. First-quarter results in 2026 seem to confirm these trends, though the energy crisis following the current Middle East conflict threatens Italian economic competitiveness, which remains highly dependent on imported fossil fuels.

The better-than-expected performance so far partly reflects that, contrary to widespread concerns, even among Italian experts, global trade has not collapsed and supply chains have adjusted rather than fully fragmented. However, looking ahead, exporting firms face persistent uncertainty. The growing use of industrial policy measures is also putting Italy's already constrained public finances under strain. Tariffs, subsidies, and regulatory divergence continue to shift, complicating long-term planning.

Changes in the country's economic policy priorities.

Policy priorities in Italy, as in the rest of the EU more generally, have shifted structurally in two main directions: diversification of trade flows through a series of agreements between the EU and key partners, such as Mercosur, India, and Australia; and a more sovereign approach promoting "Made in Europe," including through public procurement, digital sovereignty, and subsidies.

Changes in the country's trade policy priorities.

As already noted, efforts to diversify trade partnerships have accelerated in the European Union, which is responsible for trade policy for member states, with Italy's full support. After long-stalled negotiations and amid significant criticism, the EU-Mercosur trade agreement was signed in January 2026. However, ratification has been delayed, with the European Parliament referring key aspects to judicial review, though in the meantime, the European Commission is expected to proceed with provisional application. Also in January 2026, the EU-India FTA was concluded and signed, and is now awaiting ratification. In addition, FTAs with Australia and Indonesia are nearing conclusion, alongside the modernization of existing agreements with Chile (particularly focused on critical minerals), and Mexico.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

Some policymakers and experts called for a more muscular European response to Donald Trump's policies, criticizing both the Italian government and industrial associations for backing the European Commission's softer stance. They viewed the EU-U.S. agreement signed in Scotland, at a Trump-owned property, as a sign of weakness, both substantively and symbolically.

In their view, EU interests would have been better served by a more assertive approach, including a tit-for-tat negotiating strategy and the threat of higher tariffs on the United States if Trump had followed through on his original threats.

Changes in the country's perceptions of the United States and China.

Trade tensions have increasingly intersected with security policy, driven by both the more assertive approach of the current U.S. presidency and China's growing competitive edge in key supply chains, such as clean technologies. This has constrained Italy's traditional balancing approach among major trade partners, although, at a different level, transatlantic relations have long been seen—and continue to be seen—as a cornerstone of freedom, prosperity, and security.

For different reasons, perceptions of both China and the United States have hardened over the past year, though a clear distinction should be drawn between the current U.S. presidency and U.S. society and the economy at large. At the same time, the need for closer cooperation with fellow European countries and other like-minded partners, including Canada, Australia, Latin America, Japan, and South Korea, has gained momentum. At present, this structural shift is broadly supported by policymakers, elites, and the general public.

Japan

Nomura Research Institute

Changes in the country's expectations and economic forecasts.

The trade war has progressed far more rapidly and on a much larger scale than Japan had anticipated. It is believed to be the first time the United States has simultaneously proposed trade deals to so many countries. On the other hand, in terms of impact, including the more conciliatory arrangements reached with China, the overall effect has been less significant than expected.

Changes in the country's economic policy priorities.

Japan had already been implementing industrial policies, but these have become more closely aligned with the Trump administration's priorities. For example, shipbuilding had not previously been a focal point of Japan's industrial policy; however, under policies formulated after the establishment of the Trump administration, it has been designated as one of 17 key sectors, with related development in robotics and AI also being promoted.

Changes in the country's trade policy priorities.

Cooperation has been strengthening with other countries—led by Canada—that advocate for a rules-based international order. This can be seen as an effort to form a third pole in response to the G2 structure of the United States and China. For instance, initiatives such as cooperation between the EU and the CPTPP, including Canada, are advancing, with Japan also participating.

Japan is also expanding its defense cooperation beyond the United States. While it had consistently maintained a negative stance toward arms exports in the postwar period, it has recently taken steps to further relax restrictions on such exports. For example, in April, Japan concluded a contract to sell 11 frigates to Australia.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

There is growing uncertainty over whether the United States remains a reliable ally. Some argue that, given Japan's continued dependence on the United States for defense, it should also prioritize the United States in trade. Others contend that Japan should deepen cooperation with countries beyond the United States, such as ASEAN members and the EU. Regarding China, there appears to be a general consensus that it is a rival in both defense and economic domains.

Changes in the country's perceptions of the United States and China.

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There is growing uncertainty over whether the United States remains a reliable ally.

North Macedonia

Center for Research and Policy Making

Changes in the country's expectations and economic forecasts.

Initially, many in the region viewed the trade war as a “Trump against China/EU” matter. Nonetheless, its scope broadened into a complex, enduring situation that affected all trading partners through secondary tariffs. What started as a short-term disagreement evolved into a more fundamental and enduring issue, compelling North Macedonia not only to weather the trade conflict but also to proactively reform its economic, energy, and digital trade policies, including a commitment to buy U.S. liquefied natural gas (LNG) as part of the 2026 trade agreement—a step that extended beyond the initial focus on tariffs. Preliminary expert evaluations indicated a sudden drop in North Macedonia's exports to the EU, its primary trading partner, due to the indirect impact of U.S. tariffs on European manufacturing, particularly in the automotive and metals industries. However, the effect was characterized more by significant uncertainty and lagged consequences than by an immediate collapse.

By May 2025, although a slowdown was observed, the “re-escalation” of international trade barriers had proved more complex, as manufacturers successfully adjusted their supply chains. The risk to the Macedonian economy was mainly indirect—driven by weaker EU demand—but the policy response included unanticipated, vigorous bilateral discussions with the United States to obtain exemptions or improved terms, differing from expectations of a solely pan-European solution, despite concerns that smaller economies would be entirely overwhelmed. North Macedonia, along with several other countries, effectively engaged with the U.S. administration. By February 2026, a Framework for a Reciprocal, Fair, and Balanced Trade Agreement had been established, aiming to maintain 15 percent tariffs while pursuing zero percent tariffs on certain essential Macedonian exports. Despite initial forecasts of a significant decline, North Macedonia's automotive parts manufacturing industry demonstrated resilience through flexible approaches and continued integration with European supply chains, though with reduced profit margins. Rather than simply reacting to shocks, Macedonian officials intensified efforts to align with EU import tariffs, lowering tariffs on essential materials such as lithium-ion batteries to enhance competitiveness in the energy sector.

Changes in the country's economic policy priorities.

Macedonia's economic focus has gradually shifted toward industrial strength, strategic diversification, and digital independence amid rising global trade conflicts and geopolitical instability. Despite being a small, open economy, the government has transitioned from a general

market liberalization strategy to more focused, strategic measures aimed at safeguarding essential sectors and aligning with broader European security and digital norms.

Consequently, Macedonia has shifted from a broad policy of general support to a specific industrial strategy (2018–2027) aimed at enhancing higher-value-added manufacturing and technological advancement.

Current Macedonian policy emphasizes “essential economic sectors” such as automotive parts, chemicals, and electronics to enhance global competitiveness instead of merely offering low-cost labor.

Current Macedonian policy emphasizes “essential economic sectors” such as automotive parts, chemicals, and electronics to enhance global competitiveness instead of merely offering low-cost labor. North Macedonia's economic strategy has transitioned to enhance industrial competitiveness and strengthen local supply chains, aimed at alleviating global uncertainties and protectionist impacts. Priorities emphasize industrial policy (aiding local companies), digital transformation to mitigate the informal economy, and boosting export-driven manufacturing, especially in the automotive and tech industries. There is a renewed focus on fostering greater spillover effects from FDI into the local economy to diminish susceptibility to global supply chain disruptions. Consequently, the emphasis has shifted from just attracting FDI to enhancing the integration of foreign companies with domestic suppliers. This involves aiding local businesses and upgrading infrastructure to boost efficiency and exports. Digitalization is a primary emphasis, featuring strategies aimed at diminishing the informal economy and enhancing administrative efficiency. The “Strategy for the Formalization of the Informal Economy 2023-2027” emphasizes digital public services and an enhanced legal framework. The pathway to a Circular Economy outlines practical measures for transforming essential industries such as mining, construction, and textiles. The primary aim of the government is to strengthen the legal and regulatory framework to promote competitiveness and achieve the 2030 Sustainable Development Goals.

Digital sovereignty has surged significantly, as evidenced by the introduction of the SmartMK 2030 National ICT Strategy at the end of 2025. The approach emphasizes “secure and interconnected systems” and advanced cybersecurity to protect national digital resources. A new Ministry of Digital Transformation (formerly the Ministry of Information Society and Administration, MISA) was created to consolidate digital governance and align with the EU Digital Single Market. Key goals include achieving full 5G coverage and digitizing all public services to improve administrative efficiency and economic resilience.

Instead of extensive protectionism, Macedonia has implemented reciprocal trade measures and strategic adjustments to address external disruptions. To address heightened trade tensions, the U.S. and North Macedonia established a Framework for Reciprocal, Fair, and Balanced Trade in February 2026 to resolve retaliatory tariff disputes and eliminate customs duties on certain U.S. industrial and agricultural products. To reduce risks from the U.S.–China trade war, policy now clearly promotes diversifying export markets beyond conventional partners to lessen “trade reliance.”

Changes in the country's trade policy priorities.

North Macedonia's trade strategy has moved toward greater diversification and regional cooperation to reduce risks from global trade fluctuations and dependence on the EU, including through the

establishment of a 2026 framework with the United States and continued emphasis on the “Open Balkan” initiative. Although the European Union remains its main trading partner, the country has intensified efforts to diversify by strengthening relations with the United States and bolstering regional collaboration. After a 33 percent tariff was imposed on certain exports, North Macedonia and the United States established a 2026 Framework for an Agreement on Reciprocal, Fair, and Balanced Trade, which includes identifying specific products eligible for zero percent tariffs and enhancing energy collaboration. A significant strategic shift entails broadening energy sources beyond conventional reliance on the region. A new agreement includes the purchase of U.S. LNG facilitated by a new gas interconnection with Greece. North Macedonia, Serbia, and Albania have focused on the “Open Balkan” initiative, reducing border delays and aligning regulations, which acts as a buffer against wider European economic shifts. The government’s strategy also points to a gradual exploration of new markets outside the EU, including Africa and Latin America, driven by the need to diversify and identify new sources of growth.

North Macedonia agreed to remove all tariffs on U.S. industrial and agricultural products. In exchange, the United States lowered its tariff rate from 33 percent to 15 percent and is identifying certain “strategic products”—estimated at around 63 to 64 items—that will face zero percent tariffs. North Macedonia has also pledged to maintain a lasting moratorium on customs duties for electronic transmissions to support the global digital economy.

Despite global trade conflicts, EU integration remains the country’s main strategic direction. Although diversification efforts have intensified, trade remains highly concentrated. By 2025, EU member states continued to account for 60.1 percent of overall trade volume. The five leading trading partners—Germany, Great Britain, Greece, Serbia, and China—accounted for about 47.3 percent of total trade. The government is currently implementing “Trade Policy Strategy 2.0” to address the country’s significant structural reliance on a narrow range of foreign businesses and goods.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

The most pronounced conflicts among North Macedonia’s decision-makers and intellectuals concerning the trade war response—especially the U.S. tariffs on Macedonian products in 2025 and 2026—revolve around proactive alignment with the United States versus steadfast alignment with the EU, the importance of diversifying trade relationships, and strategies to address the economic consequences of a possible global trade slowdown. Macedonia’s reaction to the global trade war—particularly the 33 percent tariffs first imposed by the United States in April 2025—has generated intense internal debates regarding national sovereignty, economic equity, and strategic direction. The core tension centers on balancing traditional ties with the European Union, North Macedonia’s principal trading partner, and adopting a more pragmatic approach toward the United States.

The pro-U.S. pragmatists, led by the prime minister, promote active alignment with the United States to secure favorable treatment. In February 2026, they finalized the aforementioned Framework for an Agreement on Reciprocal, Fair, and Balanced Trade, which entails removing duties on all U.S. industrial and agricultural products in return for lowering U.S. tariffs to 15 percent, and to zero percent for certain strategic items.

The EU integrationists, including critics and certain thought leaders, caution that this “unconditional trust” in Washington could estrange the EU. They contend that weakening

alignment with the EU's Common Foreign and Security Policy to satisfy the United States could further hinder the country's already difficult EU accession process.

The country's president has voiced concerns regarding a move toward “parallel international systems” and “pragmatic opportunism.” The president contends that smaller nations such as North Macedonia are the most vulnerable when global agreements are neglected in favor of regional or bilateral alliances, advocating a return to a rules-based system rather than bilateral trade “arrangements.”

Changes in the country's perceptions of the United States and China.

Views of the United States and China in North Macedonia have evolved toward a more pragmatic, albeit divided, perspective amid rising tariff disputes and the upcoming 2024 U.S. election. Although policymakers have remained closely aligned with the United States on security, business leaders are increasingly concerned about the economic consequences of tariff conflicts. Overall, the public remains optimistic about Chinese economic investment, despite doubts regarding Belt and Road Initiative (BRI) projects.

A growing divide exists between the Euro-Atlantic priorities of the political elite and a public that increasingly views China's global influence and vision for a multipolar world more favorably. A distinct divide also exists between political leaders—who advocate a firm, pro-American security strategy—and business elites, who prioritize the economic implications of a U.S.-China trade conflict that could restrict access to both European and Asian markets.

The current administration in North Macedonia has upheld a strongly pro-U.S. stance. Despite the imposition of the 33 percent tariff, officials have described the United States as an essential strategic ally for security and democratic reform. Macedonian authorities regard China with growing distrust, describing it as the “missing element in their economic puzzle,” as Chinese “financial influence” could endanger critical infrastructure.

Business leaders are growing more concerned about the “secondary consequences” of trade wars. Macedonian manufacturers, frequently integrated into European supply chains, are concerned that U.S. tariffs on Europe will adversely affect the local economy, especially for businesses exporting parts to EU firms. Macedonian companies are encountering challenges from both directions: direct economic effects from counter-tariffs and secondary harm from diminished EU industrial activity.

Despite concerns about the quality of Chinese infrastructure projects, such as the Kicevo-Ohrid highway, which has faced significant delays, many businesses continue to see opportunities in the BRI to diversify infrastructure financing and boost exports, even though there have been no substantial direct investments from China.

Pakistan

Islamabad Policy Research Institute (IPRI)

Changes in the country's expectations and economic forecasts.

The trade war has largely evolved as anticipated, characterized by heightened uncertainty, increased tariff pressures, and the realignment of global supply chains. However, its impact on Pakistan has been less severe than initially feared. While Pakistan was originally expected to face a 29 percent tariff from the United States, subsequent negotiations reduced this rate to 19

percent, giving the country a relative competitive advantage over some regional counterparts. Consequently, what was initially perceived as a significant risk has been partially transformed into a constrained opportunity.

Pakistan has thus avoided the projected “doom-and-gloom” scenario of a substantial loss in competitiveness in the U.S. market. Nevertheless, exporters continue to face elevated costs, heightened risks, and increasing pressures related to quality, productivity, and regulatory compliance.

Changes in the country's economic policy priorities.

Pakistan's economic priorities have shifted toward export competitiveness, tariff reform, investment promotion, and industrial development. The objectives of the National Tariff Policy 2025–30 are to make the tariff structure more predictable and conducive to investment by lowering duties on inputs, phasing out additional customs and regulatory duties, and supporting green and emerging industries.

These developments indicate that Pakistan has not adopted a protectionist stance; rather, its policy trajectory reflects a move toward enhancing the international competitiveness of domestic industry. Similarly, progress in AI and digital policy is evident in Pakistan's National AI Policy 2025, which emphasizes innovation, secure AI ecosystems, infrastructure development, skills enhancement, and strategic partnerships.

Changes in the country's trade policy priorities.

Pakistan's trade policy has become more pragmatic and diversified. The country has intensified negotiations with the United States, resulting in tariff reductions and enhanced cooperation in economic, energy, and investment domains.

At the same time, Pakistan has sustained its engagement with China across a range of sectors, including the China-Pakistan Economic Corridor (CPEC), infrastructure, agriculture, industrialization, mining, renewable energy, and electric vehicles. Since 2015, both countries have also agreed to further strengthen trade and investment ties. Notably, Pakistan has avoided aligning exclusively with any single bloc; instead, it is pursuing a balanced relationship with both the United States and China, while seeking to leverage trade disruptions to access new markets and attract foreign investment.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

The most substantive debate is between two schools of thought. The first contends that Pakistan should capitalize on the opportunity to engage with the United States, liberalize trade, attract investment, and prioritize export-led growth. The second cautions that excessive liberalization may expose domestic industries to intensified competition before they are adequately prepared. Proponents of this view argue that tariff reductions could erode necessary industrial protection if not accompanied by complementary reforms in energy, productivity enhancement, and industrial policy.

Overall, Pakistan is no longer operating in a purely reactive mode; rather, the policy discourse has shifted toward strategies for enhancing competitiveness.

Changes in the country's perceptions of the United States and China.

There is a growing sense of pragmatism in Pakistan's approach to both the United States and China. The government increasingly views the United States as a key partner in trade, investment, energy, and market access, particularly in light of the recent tariff reduction. Business leaders similarly identify significant opportunities in the U.S. market, given Pakistan's substantial export base, especially in sectors such as textiles.

At the same time, China continues to be regarded as Pakistan's principal partner in infrastructure development and long-term strategic cooperation, particularly through initiatives such as CPEC, as well as broader investment and industrial collaboration. Across stakeholders, there is broad agreement on maintaining a balanced approach: avoiding alignment with any single bloc, sustaining strong ties with China, and concurrently revitalizing economic relations with the United States.

Peru

Macroconsult

Changes in the country's expectations and economic forecasts.

U.S. trade policy has, so far, had a limited impact on Peru. The sectors initially most exposed were agriculture, mining, and textiles. However, as the U.S. administration adjusted its tariff policy, the effects on these sectors gradually moderated. To date, no significant impacts have been observed.

Changes in the country's economic policy priorities.

Since the onset of the U.S.-China trade war, Peru's economic policy priorities have not shifted toward protectionism; instead, they have largely reinforced an established framework centered on trade openness, macroeconomic stability, and investor confidence.

Changes in the country's trade policy priorities.

Peru has responded on two fronts:

- On the U.S. side, it chose negotiation over retaliation, pursuing "aligned partner" status under the United States-Peru Free Trade Agreement (PTPA) framework, a strategy that yielded results when Washington lifted tariffs on Peruvian avocados and blueberries in November 2025, acknowledging Peru's role in filling U.S. off-season supply gaps.
- On diversification, Peru signed a trade deal with Indonesia, giving 56 percent of Peruvian exports immediate duty-free access to a market of 270 million consumers; launched negotiations with the UAE in December 2024; and activated the Guatemala FTA in April 2025. The physical backbone for this Asia pivot is Chancay Port, which, since its November 2024 inauguration, has cut Lima-Shanghai shipping time nearly in half and has already moved \$777 million in trade by May 2025.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

The sharpest disagreements center on four tensions. First, whether pursuing "aligned partner" status with Washington makes sense when Peru already runs a trade deficit with the United States,

making reciprocal tariffs economically incoherent. Second, how to manage China's deepening ties to Chancay: closer engagement with China could risk the PTAAP deal, but distancing Peru from China-linked infrastructure would be costly. Third, whether the trade war represents an opportunity or a threat: the cautious camp warns that the real damage could emerge in 2026 through tighter financing and eroding business confidence, rather than from the tariff rate itself. Fourth, whether Peru can effectively execute its diversification agenda, given that across Latin America, diversification has often remained more of an aspiration than a reality, constrained by infrastructure gaps and red tape.

Changes in the country's perceptions of the United States and China.

The public has warmed to China faster than elites. A Datum survey found Peruvians nearly split on their preferred trade partner before the tariff escalation, with 42 percent favoring the United States and 40 percent favoring China. Since then, U.S. global favorability has fallen below China's, and public commentary on Chancay Port has been largely positive, focused on jobs and trade.

The business and policy elite are more calculating. Export sectors still need access to the U.S. market, while infrastructure-oriented businesses have embraced Chinese investment. Policymakers refuse to frame the issue as a binary choice, instead officially positioning Peru as leveraging both relationships simultaneously.

Poland

CASE Center for Social and Economic Research

Changes in the country's expectations and economic forecasts.

It temporarily exceeded expectations. The popular belief was that it was a threat that would be resolved quickly. However, it is not exactly a trade war, but rather an unpredictable process driven by the decisions of the central actor. While the situation is currently in a semi-stable intermediate phase, no one is making firm forecasts.

Changes in the country's economic policy priorities.

Support for Trump divides the Polish political scene, with the populist right openly pro-Trump. While Poland is mostly affected through EU value chains, rather than through direct trade with the United States, forecasts are closely tied to the performance of the German economy, where the impact is not negligible. While the EU governs trade policy, some protectionist measures are being introduced in the context of public procurement. In this area, the notion of "local content" is now overused, and official guidelines have been introduced to screen firms in public procurement. However, these measures appear only partially coherent, as they are based less on the "nationality" of the value chain than on ownership.

Changes in the country's trade policy priorities.

Not at the country level, but the EU is clearly pushing to close long-negotiated deals. Recently, this has applied to the Deep and Comprehensive Free Trade Area (DCFTA) with Mercosur and a trade agreement with India. In addition, the inflow of cheap Chinese goods as a result of trade disruptions has led the EU to restrict imports of low-value packages, targeting major Chinese e-commerce platforms such as Temu and AliExpress.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

Currently, there are two key areas of debate. First, Poland faces choices over where to procure military equipment—from the EU, the United States, or third countries, such as South Korea. As protectionist policies align with growing U.S. skepticism about NATO, the current government has strengthened European ties, while the right wing continues to favor the United States. Second, a similar debate is taking place over nuclear technology. Poland is planning to build its first nuclear power plant, and the choice is largely between French and U.S. technology.

Changes in the country's perceptions of the United States and China.

The right-wing parties and the current president of Poland firmly support Donald Trump and the United States, as they have also supported Viktor Orbán in Hungary. The current center-left coalition is quite openly critical of U.S. policies. However, China is also perceived with growing suspicion.

Business elites generally support the previous status quo of the liberal international order and prefer limited disruption. For Polish businesses, trade relations with the EU have always been the most important. As for China, many Polish companies import final goods from China, while a growing number also offshore activities there.

THINKTANK

Changes in the country's expectations and economic forecasts.

Looking back at the period following “Liberation Day,” the trade war has evolved with a complexity that few Polish experts fully anticipated. Initially, the dominant narrative in Warsaw was one of strategic caution, with forecasts suggesting that Poland might serve as a neutral “safe haven” for decoupled supply chains. Expectations were that the trade war would remain a bilateral U.S.-China issue. In reality, it has expanded into a systemic “polycrisis,” in which the global cost of tariffs has been strongly affected by higher oil prices resulting from the recent Gulf war.

Experts initially predicted that Poland would experience an immediate influx of labor-intensive manufacturing migrating from Asia to the Central and Eastern Europe (CEE) region to bypass trade barriers. At the same time, much of the investment currently arriving in Poland was planned during the 2024–2025 period of uncertainty. Consequently, the recent “Trump shock” has validated these defensive strategies rather than initiating them, meaning the surge in FDI is not a sudden spike but a steady, pre-planned migration of capital. Contrary to expectations of a manufacturing jobs boom, these new investments are overwhelmingly capital-intensive and automated. While FDI has increased, these factories use robotics and AI to such an extent that they create far fewer jobs than public discourse originally promised, leading to a “jobless re-industrialization” that policymakers are now struggling to address.

Better than expected: Poland's resilience in the services and digital sectors. Despite global volatility, the Polish ICT sector has thrived, proving that “digital proximity” is as valuable as geographic proximity. Worse than expected: the “secondary effects” of the trade war, particularly the stagnation of Germany's automotive sector—Poland's primary export market. The depth of the crisis in Germany has acted as a significant drag on Polish growth, a risk that was initially downplayed by those focusing solely on direct U.S.-China trade flows.

Changes in the country's economic policy priorities.

Poland's economic policy has undergone a visible shift from neoliberal openness toward strategic autonomy.

- Industrial policy: There is renewed momentum behind “new industrialism.” The government has focused on using domestic and EU funds, including Poland's Krajowy Plan Odbudowy (National Recovery and Resilience Plan) resources, to subsidize strategic sectors such as semiconductors and heat pumps.
- Digital sovereignty: This has become a legislative priority. The government is now pushing for “cloud sovereignty” and domestic AI development to reduce dependence on both U.S. hyperscalers and Chinese hardware. This is strongly aligned with the current EU strategy of building European digital sovereignty.
- Protectionism: While Poland remains a staunch advocate of the EU Single Market, it has supported more robust EU-wide trade defense instruments. Domestically, “economic patriotism” is being promoted through programs that prioritize local content, especially in infrastructure projects. As a short-term result of the trade war, combined with the broader “polycrisis,” the government has also undertaken price-protection measures to stabilize oil prices and control inflation, though these measures have had a negative impact on public finances.

Changes in the country's trade policy priorities.

Trade policy has shifted from “efficiency first” to “resilience and security first.” Poland has significantly accelerated efforts to diversify its trade partnerships to mitigate risks from uncertainty, volatility, and protectionism. Several strategic pivots illustrate this shift:

- The Indo-Pacific pivot: Poland has deepened bilateral trade ties with South Korea and Vietnam. The relationship with Seoul, initially built on defense procurement, has expanded into nuclear energy and high-tech manufacturing cooperation.
- Central Asian corridors: Efforts to bypass Russian transit routes have led to new logistics agreements with Kazakhstan and Uzbekistan, focusing on the “Middle Corridor” for goods coming from Asia.
- New negotiations: Poland has been a vocal participant in EU-level negotiations for “green trade agreements” with countries such as Canada and Norway, prioritizing critical raw materials, including lithium and rare earths, that are necessary for the green transition, thereby reducing reliance on Chinese supply chains.

A further strategic pivot increasingly discussed in Poland, as an EU member state, concerns plans to build joint European military structures and defense-industrial capabilities.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

The Polish policy community is far from monolithic, with several primary disagreements emerging:

- Atlanticists vs. Europeanists: Atlanticists argue that Poland should align with U.S. trade restrictions on China to secure security guarantees. Europeanists, however, warn that following Washington too closely could alienate Poland from its most important economic

partners in the EU, including France and Germany, which may seek a more nuanced “de-risking” approach. The situation remains dynamic.

- The “cost of green” debate: There is a sharp divide over the Carbon Border Adjustment Mechanism (CBAM). Some see it as a necessary tool to protect Polish industry from “dirty” imports; others argue that it increases the cost of raw materials, hurting the competitiveness of Polish exporters.
- Agricultural interests: The entry of non-EU products, including from the Mercosur deal or Ukraine, remains the most explosive topic. Policymakers are split between those seeking to protect the traditional agrarian base and those who see lower-cost food imports as a necessary tool to combat persistent inflation.

Changes in the country’s perceptions of the United States and China.

The tariff war has led to a dramatic divergence in perceptions across different social strata in Poland.

- United States: The United States remains the “security guarantor of choice.” However, among business elites, there is growing frustration with the Inflation Reduction Act (IRA), which is seen as a protectionist measure that “siphons” European investment to the United States. The Polish public remains overwhelmingly pro-American, still viewing the United States primarily through a security lens rather than a trade lens.
- China: Perceptions have cooled significantly. Policymakers increasingly view China as a systemic rival, particularly due to its “no limits” partnership with Russia. Business elites are more pragmatic; while they fear Chinese dominance in electric vehicles, they still view China as an indispensable supplier.
- Alignment: While there is broad security-first alignment between the government and the public regarding China, a gap could emerge between small and medium-sized enterprises, which fear rising costs and trade barriers, and political leaders, who may be more willing to trade economic growth for geopolitical alignment.

Singapore

Hinrich Foundation

Changes in the country’s expectations and economic forecasts.

The trade war has evolved in two ways. Based on the available evidence, neither appears to have been expressly intended by the architects of Liberation Day. The first is a setback to the clear and present need to strengthen values-based alignment and cooperation that includes the United States. The second is a smaller-to-negligible actual impact on ameliorating the trade imbalances these policies were intended to address.

For most people, companies, and governments, expectations diverged from reality—except, perhaps, for those most ardently wedded to an incomplete understanding of the meaning of “reciprocity.” What has been better is the advancement, despite rather than because of these policies, of key aspects of longstanding U.S. policy, particularly in digital trade, and the implicit growing recognition that the United States, if it wants to achieve its objectives, must again lead. The burden hangs heavier on those who wish to lead. It is fair to ask others to share the burden. It

is also fair to identify where others have not only failed but continue to honor international commitments only in the breach.

What has been worse is the as-yet-unconvincing path back to recognizing that how the United States asks and what it asks of others still matters. What has been worse is that the objective still appears to be for one nation to win, rather than for a community to succeed. What has been worse is that we still, as a human race, have not yet regained full ownership and the true meaning of “reciprocity” as policy.

Changes in the country's economic policy priorities.

Singapore is eminently flexible. It adapts, and it is good at doing so. That flexibility is built into its governing DNA. Its core policies remain, but public sentiment has shifted against the United States. This is a problem Singapore will have to manage.

Changes in the country's trade policy priorities.

Trade partnerships have increased, as has the willingness to engage. Whether these initiatives progress effectively remains to be seen. It would probably be better to name them only after clearer empirical evidence shows that they have made sufficient headway.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

Policymakers have, on the whole, been more united, not less, in their response.

Changes in the country's perceptions of the United States and China.

I would refer to the Lee Kuan Yew School of Public Policy and Singapore's Institute of Southeast Asian Studies on the matter.

Spain

Fundalib

Changes in the country's expectations and economic forecasts.

Expectations and economic forecasts changed in ways that cut in both directions. The Spanish consensus in April 2025 was close to catastrophist: a severe export shock, a collapsing dollar, and a German recession pulling the periphery down with it. None of that really happened. Spain exports very little directly to the United States, the Turnberry deal capped tariffs at 15 percent rather than the 30 or 50 percent that had been threatened, and Europe kept its retaliation measured. The macroeconomic numbers turned out softer than almost anyone predicted.

That softer outcome has obscured what is actually the more serious story. Three things have been worse than expected.

- First, the tariffs have persisted. When the U.S. Supreme Court struck down the International Emergency Economic Powers Act (IEEPA) tariffs in February, the administration simply turned to other legal authorities. That is how protectionism tends to behave: it creates its own beneficiaries, and those beneficiaries do not go away when the legal scaffolding does.
- Second, trade has been weaponized for issues that have little to do with trade, including Iran basing rights, NATO spending targets, digital regulation, and even domestic political disputes with individual member states. Madrid was not prepared for how aggressively

Washington would use tariffs as a general-purpose coercion tool, and the precedent is troubling.

- Third, and probably most damaging in the long run, uncertainty has done more harm than any specific tariff. Companies postpone investment decisions they never fully make up. That cost does not show up cleanly in quarterly data but will be visible in capital stock and productivity for years.

The better-than-expected news is mostly institutional. The WTO still functions, the EU-U.S. framework restored some predictability, and retaliation stayed limited. The system bent without breaking—but bent systems are not the same as healthy ones.

Changes in the country's economic policy priorities.

The trade war has given cover to interventionist instincts that were already present in Madrid and Brussels before Liberation Day. That is the real story of the past year, more than any specific measure.

The Sánchez government's first response was a tariff-aid decree built mostly on public loan guarantees—roughly €5 billion in Instituto de Crédito Oficial's (ICO) backing plus direct sector aid. Calling it relief is generous; it is mostly deferred debt repackaged as solidarity. The opposition voted against it, and they had a point, even if the politics were not pure. Since then, the same template has been repeated: every external shock becomes a reason to expand discretionary support for politically favored sectors.

Madrid argues for emancipation from American Big Tech while handing Huawei contracts for sensitive judicial data. That is not sovereignty. It is swapping one dependency for another.

At the EU level, the Draghi agenda has absorbed the trade war as added justification. The Multiannual Financial Framework (MFF) 2028–2034 discussions are clearly moving toward a larger, more-centralized industrial state, a bigger defense envelope, and a consolidated Competitiveness Fund. Digital sovereignty has probably gained the most rhetorical momentum, although the incoherence is obvious: Madrid argues for emancipation from American Big Tech while awarding Huawei contracts to handle sensitive judicial data. That is not sovereignty. It is swapping one dependency for another.

What has not happened is the more important point. Spain's real economic problem is on the supply side: the self-employed social security contribution, the tax wedge on capital and labor, a regulatory state that punishes risk, and courts that take years to enforce a contract. None of that has moved. The trade war has pushed these issues off the agenda entirely. Spain is responding to an external shock by doubling down on its internal weaknesses, and the political coalition now invested in that approach will make it difficult to reverse.

Changes in the country's trade policy priorities.

Diversification has accelerated, and Mercosur is the headline example. For Spain, it is one of the few genuinely liberalizing moves to come out of Brussels in years, and it is broadly positive. That said, it took 25 years to sign an agreement whose economic logic was never really in doubt, which says something about the EU's institutional efficiency.

The picture is also more paradoxical than the official story admits. Brussels has loaded the interim agreement with bilateral agricultural safeguards, and the European Parliament's referral to the Court of Justice has added new legal uncertainty just as provisional application begins. More broadly, the EU keeps signing free trade agreements while raising its non-tariff wall higher—through the Carbon Border Adjustment Mechanism (CBAM), the deforestation regulation, due diligence directives, and the foreign subsidies regulation. New trade routes are opened while the cost of using them rises. Latin American governments have been unusually blunt about the contradiction.

Beyond Mercosur, the EU-India talks have moved seriously for the first time in years, the modernized EU-Mexico agreement is advancing, and CPTPP has come back into the Brussels conversation. Spain has pushed a Latin America-first framing, which is economically sensible and consistent with its diplomatic tradition.

The honest read is that the trade war has accelerated diversification on paper but not in substance.

The honest read is that the trade war has accelerated diversification on paper but not in substance. The EU is building a web of bilateral deals wrapped in regulatory conditionality. The rhetoric is free trade; the practice is managed trade. That is better than autarky, but it is not the liberal order Europe claims to defend, and it is worth saying so rather than treating every new signature as a win.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

The Spanish debate is more fragmented than it looks, and the usual left-right axis does not map neatly onto it.

The Spanish Socialist Workers' Party (PSOE) is stridently anti-Trump but deeply dirigiste at home. Its defense of free trade is, in practice, a defense of European industrial planning. The right-wing People's Party (PP) is anti-tariff in principle but tactically cautious, unwilling to hand Sánchez easy wins. Vox is openly protectionist on agriculture, hostile to Mercosur, and economically nationalist in general, which puts the party broadly in sympathy with the logic of Trump's tariffs, even when it has to criticize their incidence on Spanish exporters. Sumar and Podemos oppose the tariffs but also oppose Mercosur on environmental and agrarian grounds, which is its own contradiction.

The deepest disagreement, however, is not really about tariffs. It is about the lesson to draw from them. One camp reads the trade war as proof that Europe was too open, too dependent, and too naïve. The other reads it as proof that European prosperity rests on the open, rules-based system, and that the right response is to defend it, not imitate the country attacking it. Every secondary fight—Mercosur safeguards, Huawei, the Anti-Coercion Instrument, and trade-defense linkages—follows from that divide.

Changes in the country's perceptions of the United States and China.

The shift in Spanish sentiment has been sharp and, from a classical-liberal perspective, somewhat unhealthy. Public support for the United States in the U.S.-China rivalry has collapsed from 35 percent to 11 percent in a year, 61 percent of Spaniards expect Trump's second term to hurt Spain, and his personal favorability now polls below Xi Jinping's. For a NATO ally, that is a

remarkable inversion. The March 2026 episode over the Morón and Rota bases crystallized a mood that had been building for months: Sánchez's defiance polled well across almost every demographic.

Business elites are more divided than the public. Firms with significant U.S. exposure—banks, infrastructure, pharmaceuticals, and professional services—are publicly measured, but likely privately nervous. Firms tied to Chinese supply chains in automotive, renewables, and consumer goods may be comfortable with the Asian pivot. Spanish SMEs, which employ most of the country, are largely insulated and mostly disengaged from the debate.

Policymakers are the most fragmented group. PSOE has essentially accepted a multipolar framing and acted on it: four prime-ministerial trips to Beijing in four years, 19 bilateral agreements signed in April, and the Huawei contracts. PP remains favorable to the United States, but critical of Trump. Vox is internally divided. The security and defense establishment is uncomfortable with both tracks and says so privately more than publicly.

The drift that should worry classical liberals most is the growing assumption, visible across the spectrum, that Europe's real choice is which great power to align with. That is the wrong question. The right one is whether Europe is willing to rebuild an independent, rules-based trading order on its own account—and, on current evidence, it is not.

Sweden

STUNS

Changes in the country's expectations and economic forecasts.

The United States is rapidly losing its position as a global leader. Across the board, people and policymakers are turning inward and focusing more on European counterparts. Some are also more open to China than they had been in the years before Trump. The trade war has been less economically catastrophic than feared, but more unpredictable and administratively damaging than expected, increasing transaction costs and “insurance” costs.

As for intellectual property and international trade, both are heading in the wrong direction.

Changes in the country's economic policy priorities.

Not significant changes as a nation. But the EU has joined forces against the United States collectively. As a nation, there has been no meaningful change.

Changes in the country's trade policy priorities.

Ties to the United States have weakened. Industry players now typically maintain plan B and plan C options because the United States is no longer considered reliable. This could hurt the United States as a global leader for more than a decade. Diversification is indeed taking place, but quietly, company by company, and is considered a form of risk management.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

No noticeable disagreements.

Changes in the country's perceptions of the United States and China.

China is more often considered the more reliable partner. Before Trump's second term, Europe was highly bearish on China. Now, views are more divided.

Changes in the country's expectations and economic forecasts.

Taiwan's experience diverged significantly from early pessimistic forecasts following the announcement of U.S. "reciprocal tariffs." While policymakers initially anticipated a contraction in global trade and spillover damage to export-dependent economies, 2025 data show a strong countertrend driven by AI demand. Taiwan's GDP grew by approximately 8.6 percent in 2025, the fastest pace in roughly 15 years, while exports surged 34.9 percent year-on-year to \$640.8 billion, a historic high. This growth was heavily concentrated in semiconductors and AI-related hardware, led by TSMC, which offset persistent weakness in traditional manufacturing sectors such as chemicals and metals.

However, expectations diverged in two key ways. First, growth proved highly uneven, with gains concentrated in advanced-technology sectors rather than broadly distributed across the economy. Second, trade reorientation accelerated faster than anticipated: the United States became Taiwan's largest export market, accounting for 31 percent of total exports, surpassing China and Hong Kong at 27 percent. At the same time, exports to China still grew 13.2 percent to \$170 billion, underscoring the limits of decoupling. Rather than suppressing demand, tariffs reshaped it geographically and technologically. The more enduring—and underappreciated—impact has been structural fragmentation, with firms adapting to a bifurcated global system characterized by higher compliance costs and dual supply chains.

Changes in the country's economic policy priorities.

Taiwan's economic policy has shifted toward a model of "security-driven growth" anchored in advanced technology. The strong export performance in 2025 reinforced the government's emphasis on semiconductors, AI, and other strategic industries, with rising public and private investment closely tied to external demand.

Strategic alignment with the United States has deepened, particularly in the context of industrial policy coordination under frameworks such as the CHIPS and Science Act. This alignment is reinforced by trade negotiations that have linked tariff adjustments with Taiwanese investment commitments in the United States. At the same time, supply chain diversification remains a priority. While exports to ASEAN grew by 35.6 percent in 2025, China remains a major market, highlighting the limits of rapid restructuring.

More broadly, economic policy is now explicitly framed through a national security lens, encompassing outbound investment screening, technology protection, and supply chain resilience.

Changes in the country's trade policy priorities.

Taiwan's trade policy has shifted from traditional market access toward strategic positioning within a fragmented global economy. The most significant change is the pivot toward the United States, which in 2025 became Taiwan's largest export destination, accounting for 31 percent of total exports. Export growth to the United States has been particularly strong, driven by demand for AI-related products and supported by ongoing engagement under the U.S.-Taiwan Initiative on 21st-Century Trade. Taiwan has also accumulated a large and growing trade surplus with the United States.

Taiwan's trade policy has shifted from traditional market access toward strategic positioning within a fragmented global economy.

At the same time, Taiwan has not disengaged from China. Although China and Hong Kong's share of exports has declined structurally to 27 percent, exports to China still increased by 13.2 percent in 2025, reflecting continued economic interdependence. Diversification efforts have instead focused on Southeast Asia and other emerging markets, with ASEAN exports rising by 35.6 percent—the fastest growth in over a decade.

A notable shift is the increasing linkage between trade and investment. Emerging arrangements with the United States tie market access and tariff relief to large-scale Taiwanese investment in U.S. manufacturing and technology sectors. This marks a move away from conventional free trade agreements toward a model of “investment-for-access” bargaining.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

The most contentious domestic debates center on TSMC's investment in the United States and its broader implications. One major line of disagreement concerns whether overseas expansion strengthens or undermines Taiwan's strategic position. Critics argue that large-scale investment in the United States risks weakening Taiwan's “silicon shield” and accelerating industrial hollowing out, a concern reflected in public discourse and media commentary.

Supporters counter that core R&D and the most advanced production nodes remain in Taiwan, and that overseas expansion is necessary to maintain market access, reduce tariff exposure, and strengthen strategic ties with key partners. A related debate concerns economic versus security logic: Some experts argue that failure to invest in the United States risks losing major clients to competitors such as Intel and Samsung, while others warn that outward investment could erode Taiwan's domestic value-added base.

Changes in the country's perceptions of the United States and China.

Perceptions of the United States and China in Taiwan have evolved in ways that reflect both changing trade patterns and domestic political dynamics. For policymakers in the ruling Democratic Progressive Party (DPP), the United States is increasingly viewed as an indispensable economic and security partner, reinforced by its position as Taiwan's largest export market and a key driver of AI-related demand. For the more pro-Beijing opposition Kuomintang (KMT), which now controls parliament, the United States is increasingly viewed as an unreliable and erratic power, while China is more likely to be seen as offering Taiwan a path to prosperity.

Business elites adopt a more pragmatic stance. While the United States is seen as a critical growth engine, particularly given the surge in exports linked to AI demand, China remains an essential market, with exports reaching \$170 billion in 2025. As a result, firms continue to pursue diversification rather than full decoupling, maintaining exposure to both markets.

Public opinion is more ambivalent and increasingly polarized. While skepticism toward China has deepened due to security concerns, there has also been a rise in “U.S. skepticism,” particularly in response to tariffs and perceived pressure on Taiwan's semiconductor industry. The result is a three-way divergence: policymakers emphasize strategic alignment with the United States, businesses pursue risk diversification, and the public expresses mixed and sometimes conflicting

views. This divergence complicates policy coherence as Taiwan navigates an increasingly complex geopolitical and economic landscape.

Chung-Hua Institution for Economic Research (CIER)

Changes in the country's expectations and economic forecasts.

In terms of scope and impact, Taiwan's management of Trump's trade policies has largely unfolded as expected. However, the extent to which Trump's policies have indirectly benefited Taiwan was unexpected, particularly because Taiwan has historically been unable to sign trade agreements with many countries. The impact of Trump's wars against Iran was also entirely unexpected.

Changes in the country's economic policy priorities.

Protectionist measures have not gained momentum. Rather, industrial policy and digital sovereignty agendas have become more salient. The Taiwanese government is proposing policies centered on "trusted" industries, arguing that Taiwanese ICT products can be trusted in ways that Chinese products cannot.

Changes in the country's trade policy priorities.

Taiwan is shifting more toward the United States. Trump is also attracting more Taiwanese investment to the United States following the U.S.-Taiwan trade agreement.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

Disagreements have been mostly around whether Taiwan should engage with China more.

Changes in the country's perceptions of the United States and China.

Many Taiwanese dislike Trump, but they still view the United States as Taiwan's best partner.

United States

Bay Area Council Economic Institute

Changes in the country's expectations and economic forecasts.

The erratic nature of the trade wars has created an environment of uncertainty and will affect the alignment of trading partners in the coming years. We can see the direction, but it's too soon to tell how all this will settle.

Changes in the country's economic policy priorities.

In the United States, the shift has been noted in rising protectionism and industrial policies.

Changes in the country's trade policy priorities.

The United States is increasingly isolating itself even as other countries build new relationships that bypass it.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

There are major disagreements, but not between Republicans in Congress and the White House.

Changes in the country's perceptions of the United States and China.

The United States' reputation as a reliable partner has been severely damaged, particularly in Canada and Europe.

Changes in the country's expectations and economic forecasts.

Many stakeholders, including ITIF, anticipated broader pushback against Trump's tariffs. China indeed retaliated by choking the global supply of critical minerals, but the expectation that other economies, including middle powers, would impose retaliatory tariffs on U.S. exports remains largely unmet. Some see this as a success of the U.S. authorities' negotiation ability, but that's an incomplete view. While some countries lacked the effective leverage to retaliate, others opted not to based on the lack of anticipated gains from doing so. Instead, as ITIF predicted, countries have decided to accelerate the reduction of their reliance on U.S. exports and technologies, expanding trade agreements with others and creating supply chain circuits that bypass the United States.

The most significant damage caused by "Liberation Day" has been the harm done to the United States' position as the leader of the global economic system and its reputation as a reliable trading partner.

The most significant damage caused by "Liberation Day" has been the harm done to the United States' position as the leader of the global economic system and its reputation as a reliable trading partner. The indiscriminate application of tariffs to allies and adversaries alike has eroded U.S. favorability abroad, while the deals struck to address them—negotiated without congressional approval—carry no binding force and can be reversed unilaterally. The turbulence and tension caused by "Liberation Day" has diminished the United States' global standing among partners and beyond, encouraging countries to rethink their economic relationships and redirect trade flows around the United States.

The economic output did not decline as expected. There were even voices in the second quarter of 2025 predicting a potential recession in the U.S. economy that year. The truth is that the U.S. economy is not as export-dependent as some other, notably smaller, countries might be. The United States has a large internal market. Indeed, trade represents roughly 11 percent of U.S. GDP, and the AI boom has offset potential losses in the short term.

Changes in the country's economic policy priorities.

Since "Liberation Day," U.S. economic policy has shifted decisively toward protectionism, with tariffs on nearly all trading partners reaching levels not seen since the 1930s. Though the Supreme Court struck down Trump's IEEPA-based tariffs in February 2026, the administration has swiftly moved to rebuild the architecture under alternative legal authority (although this effort has met legal challenges that have largely been successful so far). This suggests high tariffs have become central to U.S. economic strategy and will continue to play an important role in the coming years. It remains to be seen where the "political economy" of American tariffs lies: 6 in 10 Americans say they disapprove of Trump's tariffs, so that will certainly be a pivotal issue in the next U.S. presidential election. While the Biden administration relied primarily on industrial policy to strengthen U.S. competitiveness and manufacturing, the Trump administration has relied largely on tariffs and trade deal negotiations.

Another angle that has shifted is the U.S. position against China. The second Trump administration is not seen as "as hard on China," particularly compared with its first iteration. The second Trump

administration has thus far failed to articulate a coherent and holistic geostrategic U.S. approach to the economic and strategic competition with China.

Changes in the country's trade policy priorities.

“Liberation Day” marked a shift in U.S. trade policy toward a more fragmented environment. Rather than maintaining open markets to encourage international trade, the Trump administration has opted for an approach of bilateral agreements, homing in on a set of prioritized industries. The framework agreement with the United Kingdom, for instance, promised a lower tariff rate of 10 percent in exchange for expanded market access and other favorable concessions for U.S. exporters in agriculture, pharmaceuticals, and aerospace.

The post-Liberation Day trade deals also include a new emphasis on economic security, requiring trading partners to align on export controls, investment screening mechanisms, intellectual property, and more.

Disagreements in the country's policy community about how to respond to the ongoing trade war.

The disagreements within the government coalition are evident between two distinctive groups. First, those who follow “America First” principles, advocating a more protectionist stance and holding a deep belief that the United States doesn’t need to rely on trade partners. Others in the administration, more pragmatic, are relying more on a narrative of “promoting U.S. exports” and “integrating into global markets” rather than contesting the tariffs themselves.

Additionally, various constituents advocate distinguishing between allies and the People’s Republic of China, criticizing U.S. trade policies that indiscriminately target both with the same approach.

Changes in the country's perceptions of the United States and China.

Perhaps a more divergent view among trade perceptions of China concerns how to approach U.S. semiconductor export control policies. There are at least three groups: those who push for blanket export controls on chips and semiconductor manufacturing equipment, those who advocate for targeted, narrowed restrictions on advanced chips and semiconductors, and those who advocate for “flooding the zone” and allowing nearly all U.S. chip technologies to access the Chinese market.

Vietnam

Smart Green Transformation Center (GREEN-X)

Changes in the country's expectations and economic forecasts.

To some extent, the trade war has unfolded as expected. President Trump sought to reshape the global trading system to contain China more effectively. However, exports from both Vietnam and China have grown far more than anticipated, which has been a positive surprise. At the same time, the war in the Middle East is placing additional strain on the global economy and could push the trade war in a more dangerous direction.

Changes in the country's economic policy priorities.

Since the onset of the trade war, the government has introduced new economic priorities, including trade diversification, accelerated digitalization of the economy, and a stronger focus on strategic industries.

Changes in the country's trade policy priorities.

The trade war began a decade ago. Since “Liberation Day,” however, Vietnamese exporters have proactively diversified their markets toward Latin America, Africa, and the Middle East. Vietnam has also concluded two free trade agreements: the Vietnam–Israel FTA, which entered into force on October 15, 2024, and the Vietnam–UAE FTA, effective from February 3, 2026. In addition, Vietnam is currently negotiating a Vietnam–EFTA agreement with Switzerland, Norway, Iceland, and Liechtenstein.

Changes in the country's perceptions of the United States and China.

The prevailing view is that excessive dependence is unsustainable. Vietnam must maintain balanced and constructive partnerships with all countries, particularly the United States and China.

CONCLUSION

Country cases show that the Trump administration's tariffs have had a paradoxical effect. They have given Washington short-term leverage in some bilateral negotiations, especially with countries seeking improved access to the U.S. market or deeper security and technology ties. But they have also accelerated a global search for optionality. Canada, Japan, Taiwan, and several European economies remain closely tied to the United States, yet they are now more actively hedging against U.S. policy volatility. Emerging and middle-income economies such as Brazil, India, Ghana, Pakistan, Ecuador, and the Dominican Republic are not simply choosing sides; they are using the disruption to diversify partners, upgrade domestic capabilities, and bargain for better terms from all major powers. Even countries still favorably disposed toward Washington increasingly distinguish between the United States as a long-term economic and security partner and U.S. trade policy under Trump as a source of uncertainty.

The United States remains indispensable, but it is no longer treated as fully predictable. China remains unavoidable, but it is rarely viewed as risk-free.

The United States remains indispensable, but it is no longer treated as fully predictable. China remains unavoidable, but it is rarely viewed as risk-free. In that middle space, most countries are pursuing the same underlying objective—to preserve access to both markets where possible, build domestic resilience where necessary, and avoid being trapped on the wrong side of a hardening U.S.-China divide.