



A podcast about the economics of trade & policy  
with Chad P. Bown

## Episode 208. It's been one year since Trump's "Liberation Day" tariffs

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Transcript

(lightly edited)



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**Chad Bown:** On April 2nd, 2025, President Donald Trump announced a new 10% tariff on nearly every country in the world. And some special countries would get even higher tariffs, some as high as 50%. This was what the president called "Liberation Day." One year on from Liberation Day, it is time to take stock.

You are listening to an episode of *Trade Talks*, a podcast about the economics of trade and policy. I'm your host, Chad Bown, the Reginald Jones Senior Fellow at the Peterson Institute for International Economics in Washington.

In this episode, we are going to talk about what has happened to US trade and policy since Liberation Day, as well as what comes next. To help us make sense of it all, I will be joined by a very special guest.

**Aime Williams:** Aime Williams from the *Financial Times*.

**Chad Bown:** Aime Williams is a reporter in Washington at the *Financial Times*. Aime has been covering trade, climate, and US foreign policy in Washington for the FT since 2018, including all last year. Hi, Aime.

**Aime Williams:** Hi, Chad.



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## THE EPISODE

**Chad Bown:** Okay, Aime. To start us off, why don't you remind us of where you were on Liberation Day a year ago, and your memory of what happened.

**Aime Williams:** Very sadly, I was not physically present in the Rose Garden itself, where the memorable press conference took place, but I was watching from home.

And that was the day, you'll recall, that President Trump stood up with those blue and yellow boards, and he had a big list of all the countries in the world and a tariff rate next to the country name. And that represented the tariff that he had decided the US would now put on all imports from those countries. The lowest tariff that any country got was 10%, but some were really, really very high, and amounted to effective trade embargoes.

In the following days, markets reacted to this incredibly badly. The stock market globally went into a route, but more worryingly, perhaps to the Trump administration, US Treasuries started to sell off quite sharply.

Trump, possibly noticing this, decided he would pause the country-specific part, and everyone would get a 10% tariff for 90 days, until US officials could strike trade deals with US trading partners.

Over the coming days, Trump administration also brought out a list of products that would be exempt from what Trump was calling "reciprocal tariffs." These included pharmaceuticals, some metals, and chips and other electronic products.

## WHY THE PRODUCT EXCEPTIONS FROM TRUMP'S TARIFFS MATTERED

**Chad Bown:** It turns out that the structure and the exemptions that the Trump administration made for those Liberation Day tariffs were really, really important. Let me give you two examples why.

Take, for example, probably the most famous product, the iPhone, exempted from the Liberation Day tariffs. But the iPhone hadn't been exempted from earlier tariffs that President Trump had imposed in February and March of 2025 on China.

The first two actions that he had done when he came back into power was to impose across-the-board tariffs on everything the United States was importing from China under the concern



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that China wasn't doing enough to deal with the fentanyl problem in the United States. Well, this was the first time that US tariffs were actually hitting products like the iPhone. And because the Liberation Day tariffs exempted the iPhone, suddenly Apple could start to source it from other places.

When you look at the data, it's amazing how quickly imports from China of the iPhone, the smartphones, drop off. It was something like 80% of all smartphones imported into the United States in 2024 were coming in from China. By the end of 2025, it was only about 40%.

Instead, Apple started importing them from India. And this was a major new supply chain that it had built up over the last couple of years, despite the fact that there was no economic reason to do so – the United States had never put tariffs on iPhones in the previous administration.

And by the end of the year, two out of every five smartphones coming into the United States were suddenly coming in from India.

So, smartphones are one example, but it wasn't just smartphones. You saw similar patterns in the data for laptops and computer monitors, video game consoles. Suddenly a lot of these consumer electronics that hadn't been hit with tariffs in the first Trump administration now were being sourced from alternative countries. In those latter cases, it was often Vietnam.

The second example of where things really mattered on the tariff exemption front in 2025 has to do with artificial intelligence.

The semiconductors needed for the data centers that are being built all over the United States at the moment are frequently designed by American companies, like Nvidia and AMD, but they're being manufactured in Taiwan at fabs that are run by TSMC.

After the semiconductors come out of those factories, they're then put onto printed circuit boards and racks and go into servers, oftentimes by contractors like other Taiwanese companies such as Foxconn. And over the course of 2025, and even preceding that, you just see a boom in US imports of all of these types of inputs that go into building out these data centers from both Taiwan and also from Mexico.

None of those products were hit with the Liberation Day tariffs as well. They were all on the Annex 2 exemption list.

And so, when you dig deep into the data, despite the fact that there were these massive tariff increases by the United States in 2025, US imports from the world continued to increase.



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And a lot of that was driven by products that were exempted, that weren't hit with those Liberation Day tariffs.

## **GLOBAL RESPONSES**

**Chad Bown:** Okay, Aime, so that's what happened to some of the US trade flows in light of all the tariffs that were applied in 2025.

Let's turn to trading partners and how they responded to those Liberation Day tariffs.

**Aime Williams:** One fear with all these Trump tariffs was that there would be retaliation and retaliatory tariffs from US trading partners. The whole thing would blow up into a tit-for-tat trade war, and it would be a disaster for global trade.

We saw this in the first Trump administration when China, Russia, Turkey, Canada, Mexico, and the European Union all retaliated and really tried to take Trump on.

This time, almost nobody retaliated. Leaders tried to approach Trump more softly, come in and ask for deals, not poke the bear, not hit the US with tariffs back. The only two countries who really retaliated in any serious way were Canada and China.

Canada, first of all, threatened to retaliate with a big package, but they ended up pulling back with a second package of retaliatory tariffs when they saw that it was hurting their own economy and not really persuading Trump to back off. If anything, it was making him angrier.

China retaliated with tariffs. US retaliated to the retaliation with tariffs. Both sides ratcheted those up to as high as 145% in April 2025, but around a month later, they met and pulled them back down to around the 20% mark.

**Chad Bown:** Even so, those Chinese retaliatory tariffs and other decisions that Chinese government made really did have a massive impact on US exports to China over the course of 2025.

Overall, US exports to China fell by over 25% in 2025, and it was really across the board: manufacturing, energy and agriculture.

Agriculture was really hard hit. Soybean exports fell by nearly \$10 billion in 2025 to the lowest levels that they had been since the first trade war back in 2018.



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But it wasn't just soybeans. Corn, cotton, beef, wheat, sorghum – you look at the data, all of these sectors suffered in 2025.

In December, the Trump administration announced an \$11 billion bailout package for the US farm sector to compensate them, just like they did during the first trade war back in 2018.

Though there is more than just losses of sales to China happening in the agricultural sector this time around. Of course, you've got increasing input costs. The war in Iran is now leading to higher fertilizer prices. This is just a tough time writ large for American farmers.

But the trade war with China really hasn't helped.

**Aime Williams:** But the main painful retaliation came in the form of China's export restrictions on rare earth permanent magnets, which nearly shut down the US auto industry.

Jim Farley, Ford's chief executive, said in June that he's had to shut down US factories. That's ultimately what led the Trump administration to back down and deescalate with China in May and June of 2025.

## **NEW TRADE DEALS**

**Aime Williams:** Since that April day, lots of small trade deals between the US and trading partners have been announced, as foreign officials scrambled to come to Washington and try and strike some kind of agreement with the Trump administration that would see off the worst excesses of the US tariffs. We've had around 20 deals. Some of them have texts, some of them don't. Some of them are relatively detailed and some of them are much less so.

For the major economies, the US talks about China as being a deal, but it's less of a deal and more of a trade truce or a de-escalation. There's a Trump-Xi meeting that has been given a date but keeps getting pushed back. Now it's set for mid-May after it was delayed because of Trump's war in Iran.

The other major deal coming up this year is the U.S.-Canada-Mexico renegotiation process. Deals with those two countries are not likely to be settled outside of that review process, which is underway now and is expected to close in the summer of 2026.



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**Chad Bown:** With the European Union, President Trump negotiated a deal with European Commission President Ursula von der Leyen in Turnberry, Scotland, that involved the EU reducing its tariffs toward a lot of American exports.

And that was on track until early this year, at which point President Trump decided to threaten more tariffs on Europe for their failure to support his potential acquisition of Greenland. That slowed down the ratification process within Europe, but we did have, at the end of March, finally, the European Parliament passing a vote on that deal. And while it has a few more bureaucratic steps to go through, it looks like the US-EU agreement is likely to get to a final vote by June.

For other major economies – e.g., Japan and Korea – their deals with the United States seem to involve much more than just tariffs, but investment commitments in the US economy.

Now, of course, Japanese and Korean companies are already major investors in the US manufacturing sector in particular, from car companies like Toyota, Honda and Hyundai, to Samsung for semiconductors or LG Energy for batteries.

These countries already are doing a lot in the US market, but President Trump wants them to do more.

As part of these agreements and negotiations with these countries, they have made commitments in the hundreds of billions of dollars of what apparently their companies are going to be doing in a number of critical sectors in the United States over the next couple of years.

My Peterson Institute colleagues, Greg Auclair and Adnan Mazarei, are tracking these investment pledges, and we'll have more on these in future episodes. But this is definitely something that's new and something to watch out for.

**Aime Williams:** The investment pledges that the US struck with Japan and Korea have been relatively contentious in the capitals of both of those countries.

There's still a lot of uncertainty over who gets to decide where the companies invest, and there's a feeling that the Trump administration is really calling all the shots here.



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## EARLY EVIDENCE ON THE OTHER MOTIVATIONS FOR TRUMP'S TARIFFS

**Chad Bown:** Now let's turn to some of the other motivations that the president gave early on in his administration about why he wanted to impose all of these tariffs.

One important argument was he thought they would help reduce the US trade deficit, or the fact that the United States imports a lot more stuff, in particular, a lot more goods, than it exports to the rest of the world.

Well, in 2025, despite all the tariffs, the US goods trade deficit with the world actually increased. So, the increase in US imports was more than the increase in US exports.

There is a question about whether trying to reduce the size of a trade deficit is a sufficiently important economic goal that should be targeted.

But even aside from that, the evidence so far is that the tariffs did not appear to help achieve that goal in 2025.

**Aime Williams:** There's also government revenue. The US, of course, is running a huge fiscal deficit at the moment and is looking for other sources of government revenue.

The US did collect around \$264 billion in tariff revenue in 2025, which is about \$185 billion more than it did the previous year. However, it was still quite a small part, only about 5% of US government revenue of \$5.2 trillion overall.

With the Supreme Court decision on February 20th, which ruled many of Trump's tariffs illegal, it looks like the federal government will have to give back most of the tariff revenue it collected.

There's currently a case going on at the Court of International Trade where government lawyers are arguing over exactly how these refunds will work, and there are arguments going on about how easy or difficult it will be for companies to collect those tariffs back.

A cynical person might say the government is slightly slow-walking that process, but I am not a cynical person.

**Chad Bown:** Some of the statements by the judge in that case too are worth following.

**Aime Williams:** He is taking no prisoners. He does not care how hard it is to give these tariffs back. He wants it done.



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**Chad Bown:** The overall impact on the US economy in 2025 was not devastating.

US GDP growth in 2025 was 2.1 percent. Inflation was 2.7 percent, which is higher than the Fed would want it to be, and there is economic evidence that the tariffs didn't help there.

But it hasn't been as bad, in part because of all of the exemptions and reductions in the tariffs that the administration actually imposed over the course of 2025.

## **FUTURE TRADE POLICY**

**Chad Bown:** Okay, Aime, to wrap up this episode, maybe let's talk about what comes next.

**Aime Williams:** As we mentioned, the Supreme Court has decided that Trump cannot use emergency economic powers to impose tariffs immediately and for almost whatever reason he wants on US trading partners.

Many of his tariffs, including the reciprocal tariffs that we saw on Liberation Day and the tariffs on China over fentanyl have been struck down.

The same day, though, that the Supreme Court handed out that ruling, Trump moved to impose tariffs of 10% for 150 days under Section 122 of the Trade Act of 1974. And he applied that 10% tariff onto all US trading partners.

Since then, the administration has announced dozens of country-specific Section 301 investigations, which regular listeners will know, triggers a months-long investigation by USTR, which will likely come up with some tariffs at the end.

It also has a host of investigations underway under Section 232, which is a national security act that allows Trump to put tariffs on specific sectoral goods.

It's already looking at pharmaceutical goods, chips, aerospace parts, critical minerals, and there are other sectors as well that could be tariffed by the Trump administration in the coming months.

**Chad Bown:** For me, what I'm going to be looking out for is very much this question of will the Trump administration basically seek to replicate the pattern of tariffs that they had in place in 2025 just under these different legal authorities?



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And why that's important, at least when it comes to the US-China trading relationship, is it really did seem to impact the rate of decoupling of the United States from using China as a source for its imports.

Back in 2018, something like 22% of US imports were coming in from China. By the end of last year, that number had fallen to 9% and 4 percentage points of that reduction of the Chinese import share happened in 2025 alone.

The United States imposed much higher tariffs on China for a lot of these products, like we talked about for the iPhone, than it did on lots of other countries, creating incentives for some of those supply chains to move.

A big question is whether the administration is going to try to use these Section 301 tariffs, maybe Section 232 tariffs, to try to replicate the sort of discrimination across countries for these key products that they had in place in 2025, but that then went away with the Supreme Court's decision.

The other thing that jumped out at me from looking closely at the data on the US-China trade relationship in 2025, is it really does seem as though we are at a place where the easy-to-extract supply chains are the ones that have already been moved out of China, and the really difficult-to-move supply chains are the ones that are left.

Aime mentioned China's weaponization of rare-earth permanent magnets with their export restrictions in May and June of 2025 that nearly shut down the US automobile industry. Well, China has market dominance over a number of sectors, other types of critical minerals, some low-end semiconductors that they also weaponized later on in the year.

Those sorts of supply chains just seem really, really difficult to create alternative sources outside of China.

It's going to require more than tariffs for countries like the United States to try to get there, and the policies that the administration imposes going forward in the rest of 2026, I think, are going to have a major impact on whether additional progress happens there or not.

And I guess the final thing that we should talk about in 2026 compared to Liberation Day 2025 is we are now in a new state of the world. With the launch of President Trump's war in Iran, there are all sorts of new types of supply chains that are likely to be disrupted for reasons that have nothing to do with tariffs.



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We're seeing things happening already, of course, in energy markets, for oil, as products face a difficulty in getting through the Strait of Hormuz. It will also impact fertilizer and other types of products like that.

And as higher energy costs filter into other areas of the economy and raise prices for chemicals and other energy intensive industries, we may have all sorts of unforeseen circumstances pop up that are quite different from how 2025 played out.

With all that, Aime, thank you very much.

**Aime Williams:** Thank you for having me.

## **GOODBYE FOR NOW**

**Chad Bown:** Before I sign off for this episode, I did want to make one other quick announcement, and that is I have a new book. With my old *Trade Talks* co-host Soumaya Keynes, I've written a book titled *How to Win a Trade War*.

It will be published next month, in May, but you can pre-order it today from wherever you like to buy books. Bookshop.org has offered 15% off the book from now until the end of May, using the promo code HTWATW15. HTWATW is "How to Win a Trade War" 15.

I will put all this information in the show notes.

And that is all for *Trade Talks*. A huge thanks to Aime Williams at the *Financial Times*.

Do read Aime's ongoing coverage of trade, tariffs, US foreign policy, and everything else coming out of Washington.

A big thanks as well to Isabel Robertson, our audio producer, thanks to Melina Kolb, our supervising producer, and thanks to Sam Elbouez and Sarah Allen on digital.

*Trade Talks* is back and for good this time with lots of new episodes in the pipeline. My hiatus from *Trade Talks* was because Soumaya and I were writing that book. Again, *How to Win a Trade War*, you can pre-order it today.

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