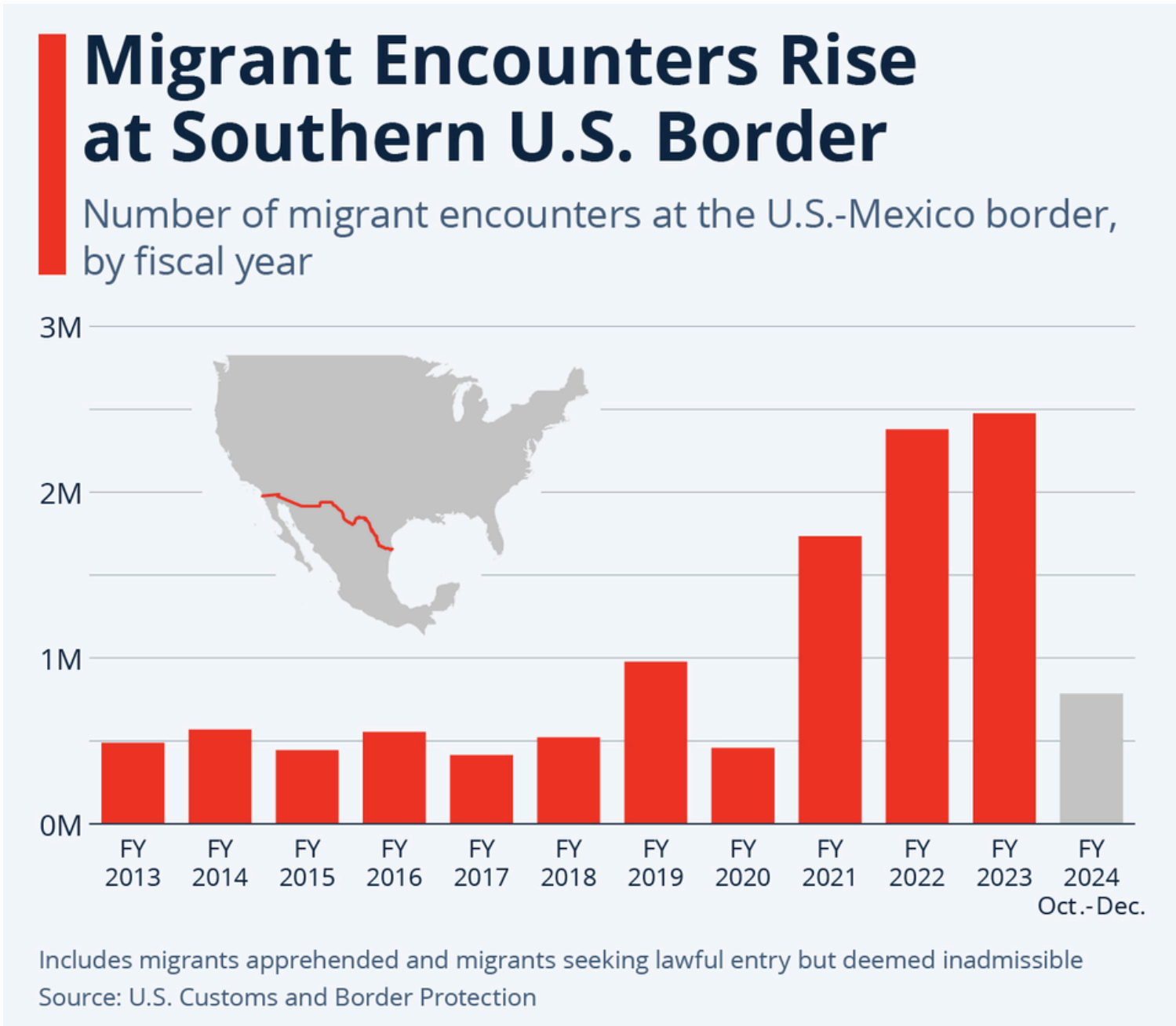


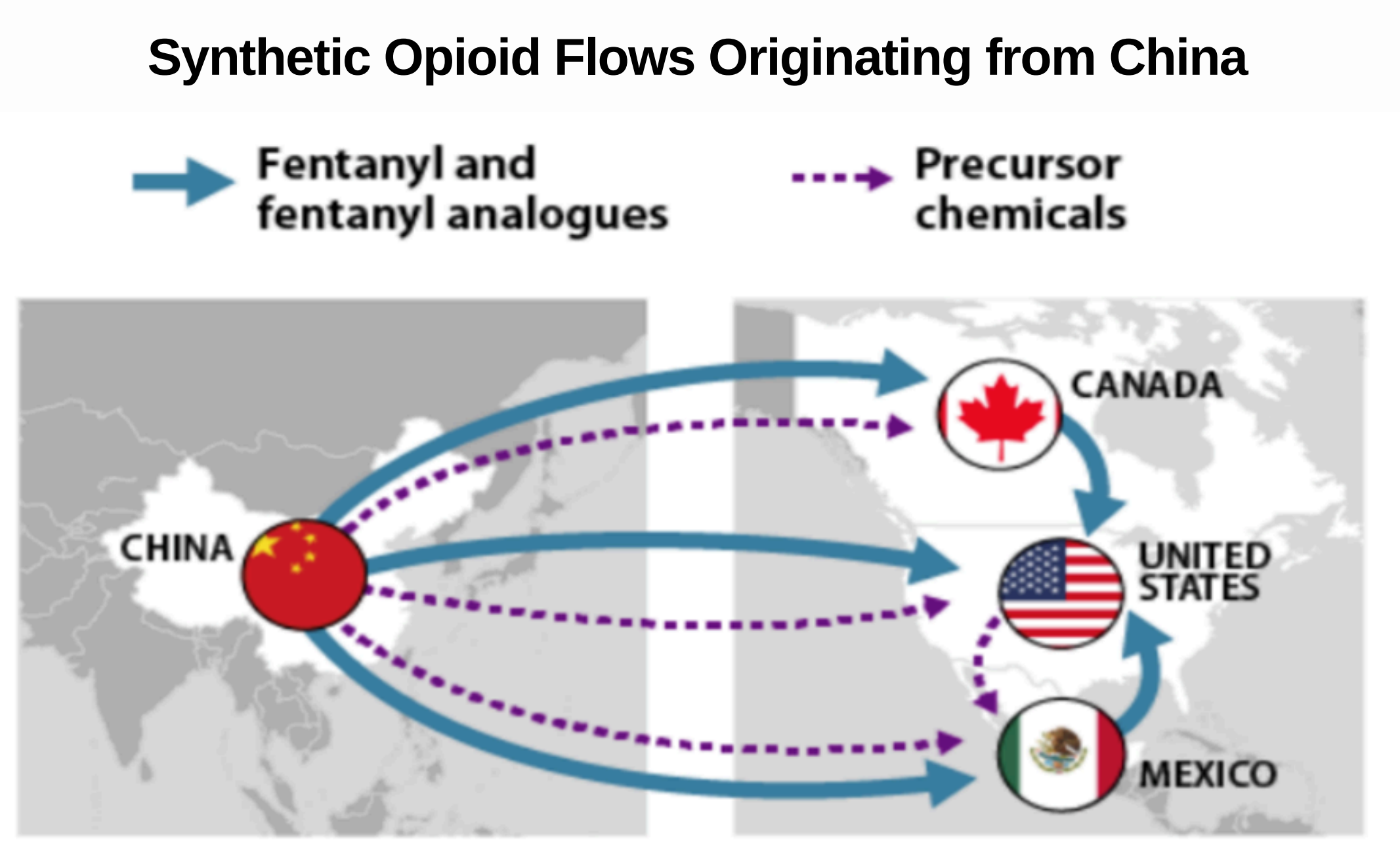
Insights Unwrapped

Is the U.S. at War with Its Trading Partners?

Illegal Immigration and Drug Trafficking: The Root Causes of Trade Tariffs



Source: Statista

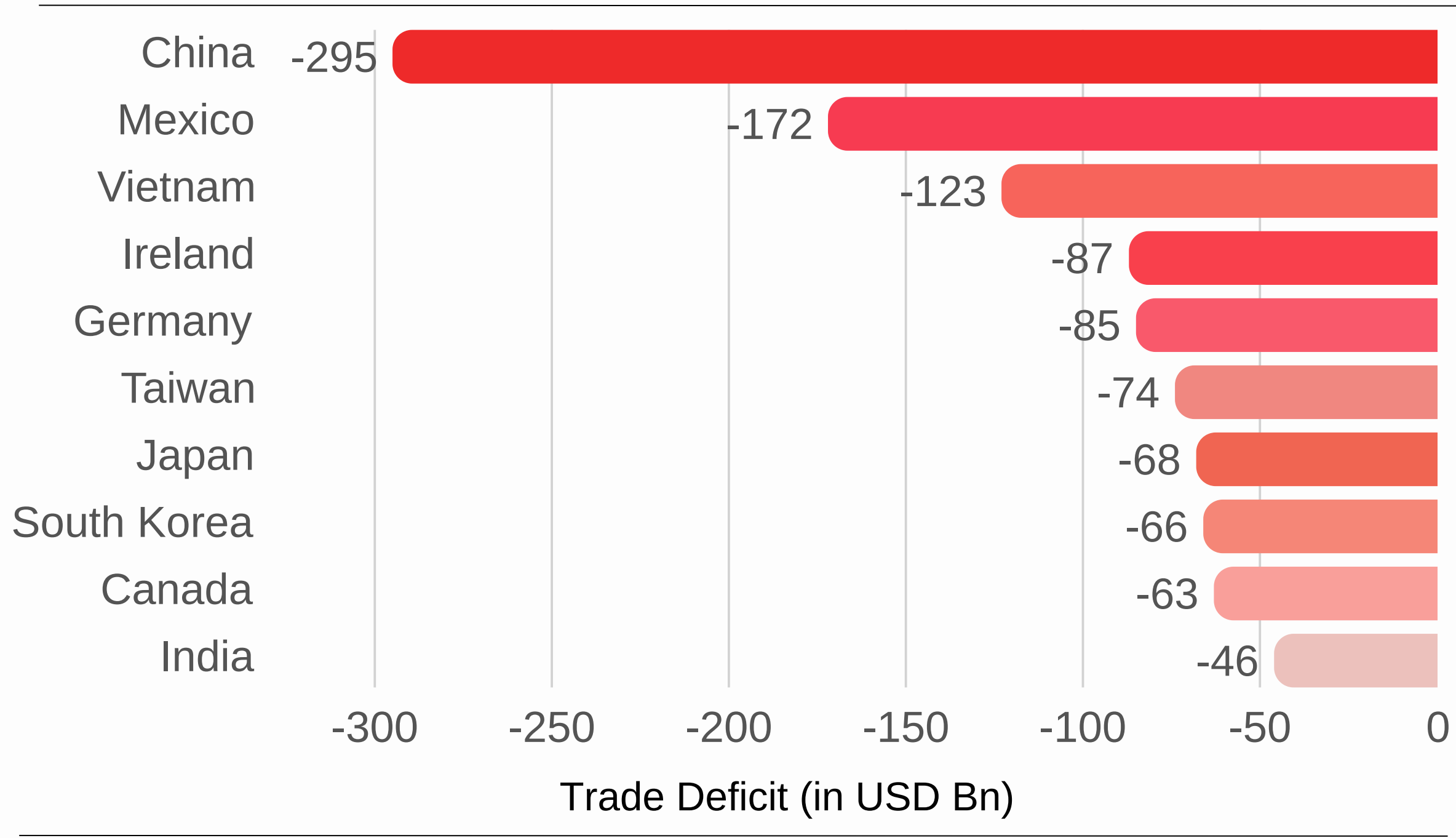


Source: filtermag.org

The International Emergency Economic Powers Act (IEEPA) in the US has been evoked because of the illegal immigrants and the inflow of drugs, including deadly fentanyl.

US Trade Deficit with Various Countries

**Large US Trade Deficit by Country in 2024 (in USD Bn)-
Cumulative Jan-Dec'24**



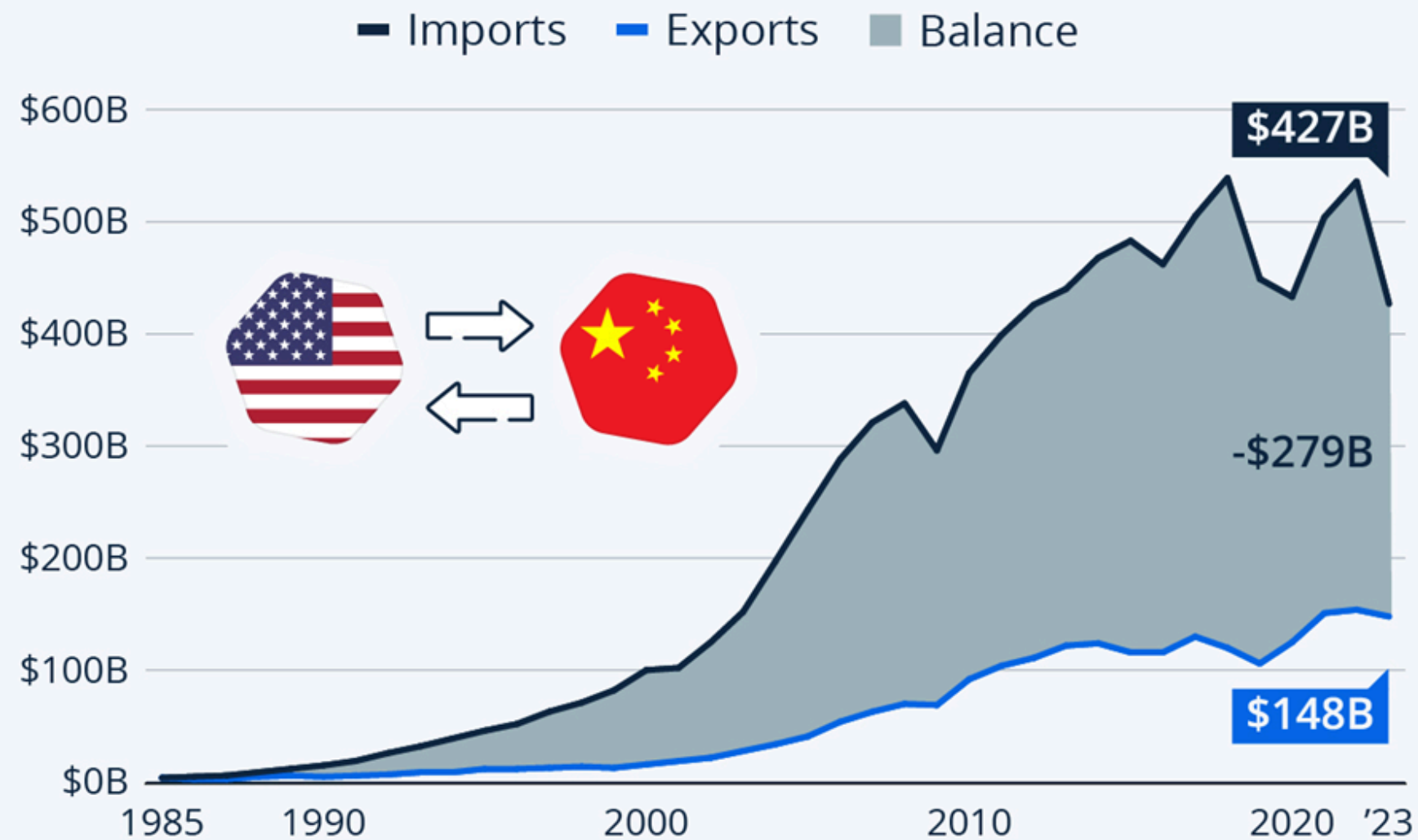
In 2024, the United States' total imports (seasonally adjusted) were \$3,267 Bn, while total exports stood at \$2,065 Bn, resulting in a trade deficit of \$1,202 Bn.

China accounts for a quarter of the U.S. total trade deficit, followed by Mexico at 15%

Source: United States Census Bureau, Data as of December 31, 2024

U.S. Trade Deficit With China Narrows to Lowest Since 2010

U.S. trade in goods with China since 1985

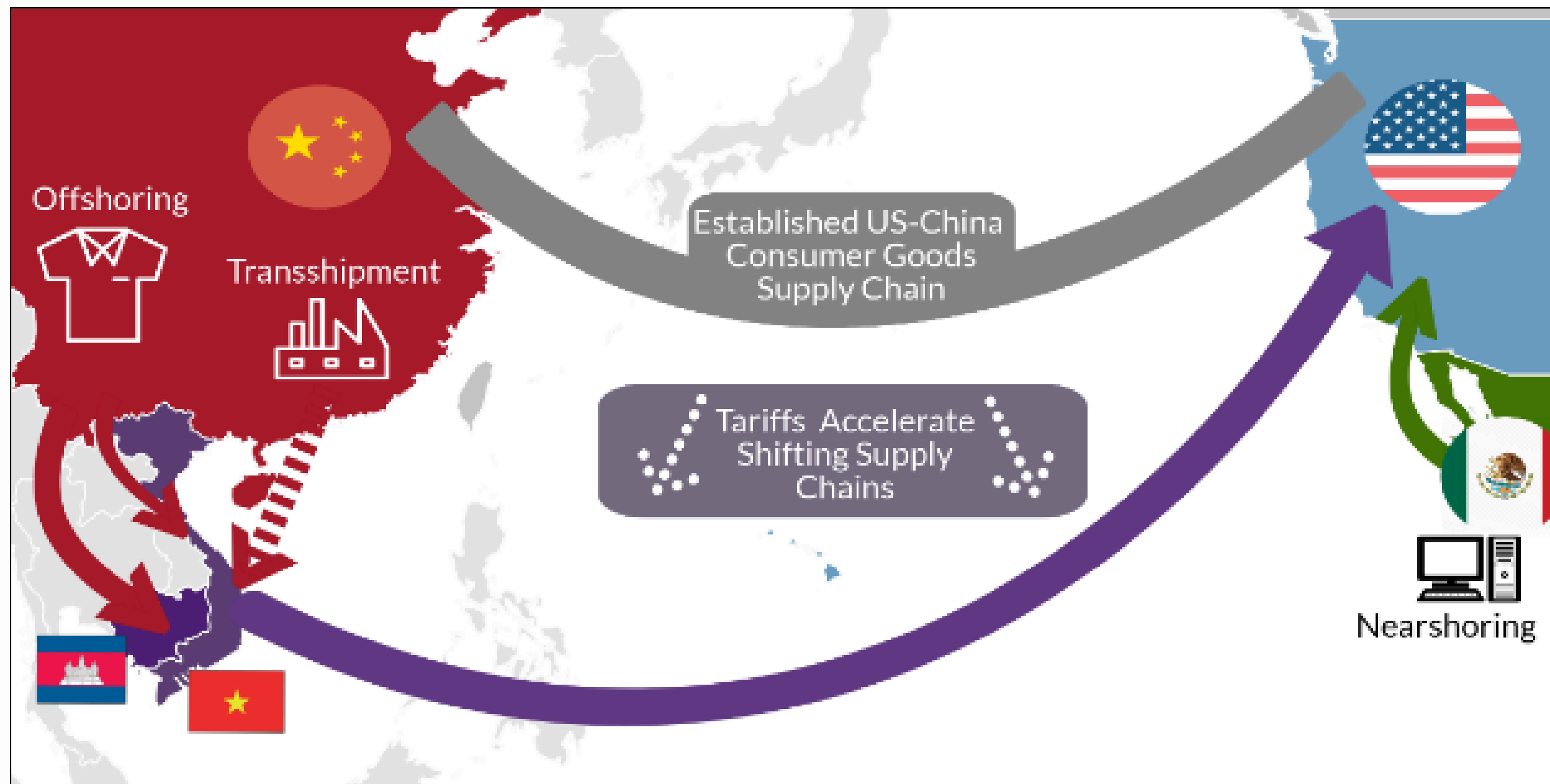


Source: U.S. Census Bureau

China's \$295 Bn trade surplus with the U.S. (in year 2024) is set to face significant pressure from tariffs, particularly impacting electronics and consumer goods. Key Chinese exports include machinery, electronics, chemicals, auto parts, and produce.

Reciprocal tariffs are expected to reduce China's purchases of key U.S. goods, such as energy, chemicals, agricultural products, and medical supplies. Boeing's last major order from Chinese airlines was in 2017, and its sales slump is expected to persist. (Source: Gavekal Dragonomics).

Accelerating Supply Chains

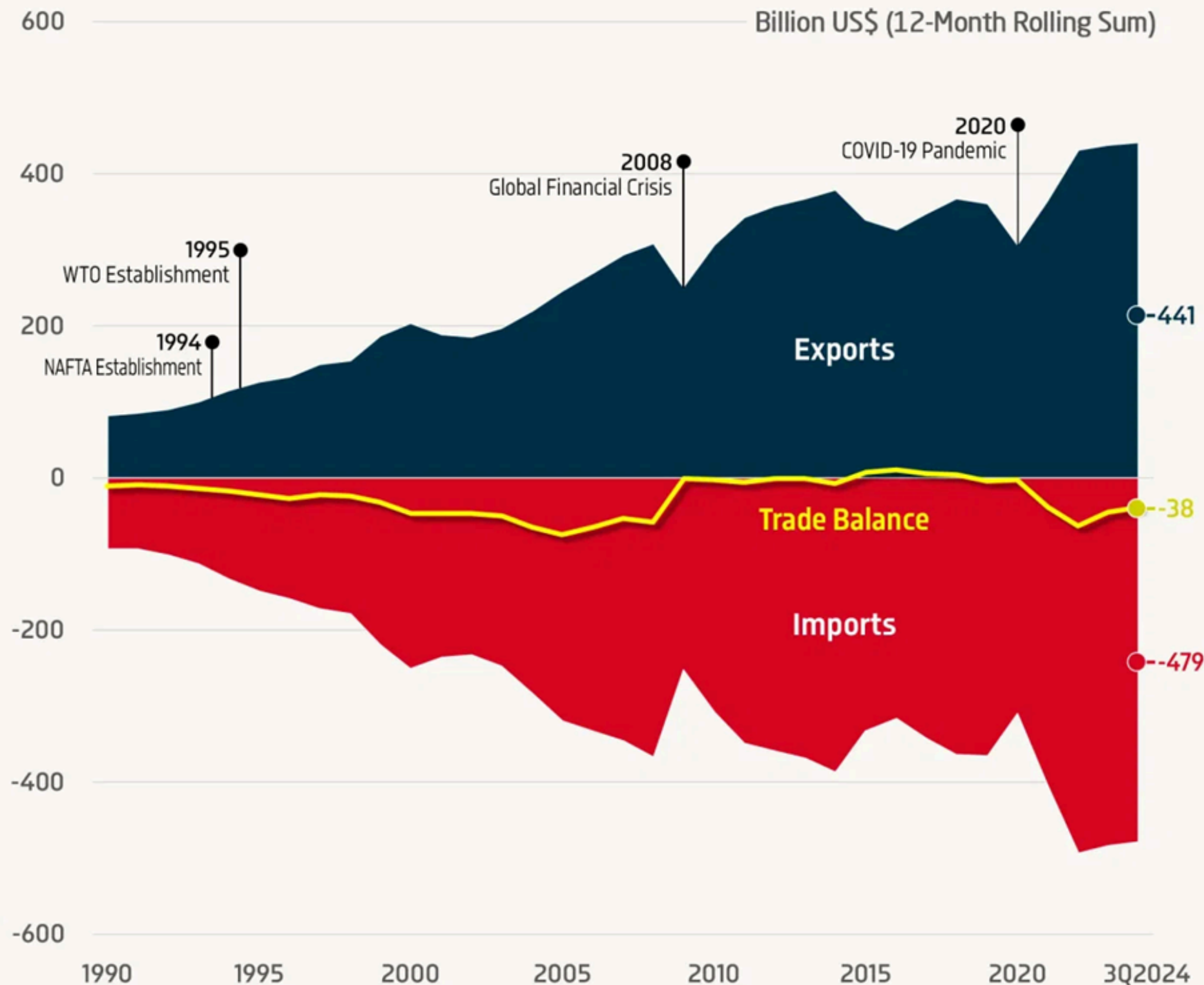


Chinese exporters have been consciously diversifying export destinations and expanding production capacity in other emerging markets to counter tariff measures.

They are now less dependent on the U.S. and better equipped to handle tariff escalations compared to 2018. (Source: JP Morgan)

Can Canada Afford to Retaliate?

**U.S.-Canada Goods and Services Trade (TTM, Sept. 2024):
\$441B Exports, \$479B Imports, \$38B Deficit**



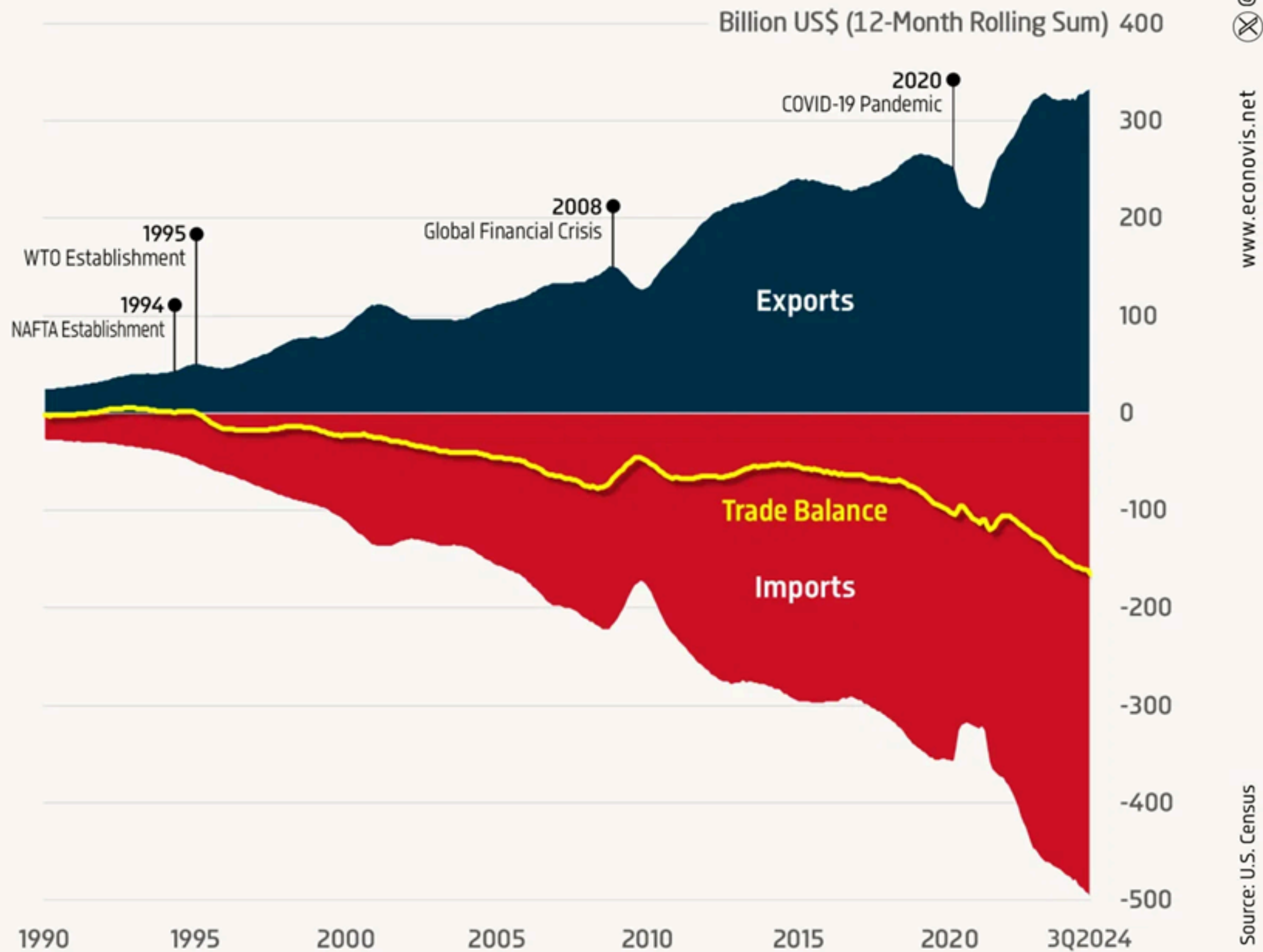
Canadian merchandise exports to the U.S. have climbed to around 77% of total exports, a level not seen since 2006- highlighting the strong dependence of the Canadian economy on trade with the United States.

Canada is the largest supplier of energy to the United States. (Energy products from Canada are set to face a lesser 10% tariff).

In 2024, the U.S. recorded a \$63 Bn trade deficit with Canada. Between 2009 and 2020, the trade balance remained nearly even.

Tariffs on Mexico will hurt the US more!

**U.S.-Mexico Goods Trade in Sept. 2024 (TTM):
\$333B Exports, \$498B Imports, \$165B Deficit**



In the event of a 25% tariff on Mexican products, the US families would need to spend an additional \$10 Bn annually on automobiles and auto parts, \$7 Bn on computers, and over \$800 Mn on refrigerators (Source: fastmarkets.com)

(Vehicles and auto parts are Mexico's largest export to the United States, valued at \$157 Bn in 2023).

Trump's trade proposals would inflict "significant collateral damage on the US economy," costing consumers at least \$500 billion a year, or 1.8% of gross domestic product (GDP), according to research by the Peterson Institute for International Economics.

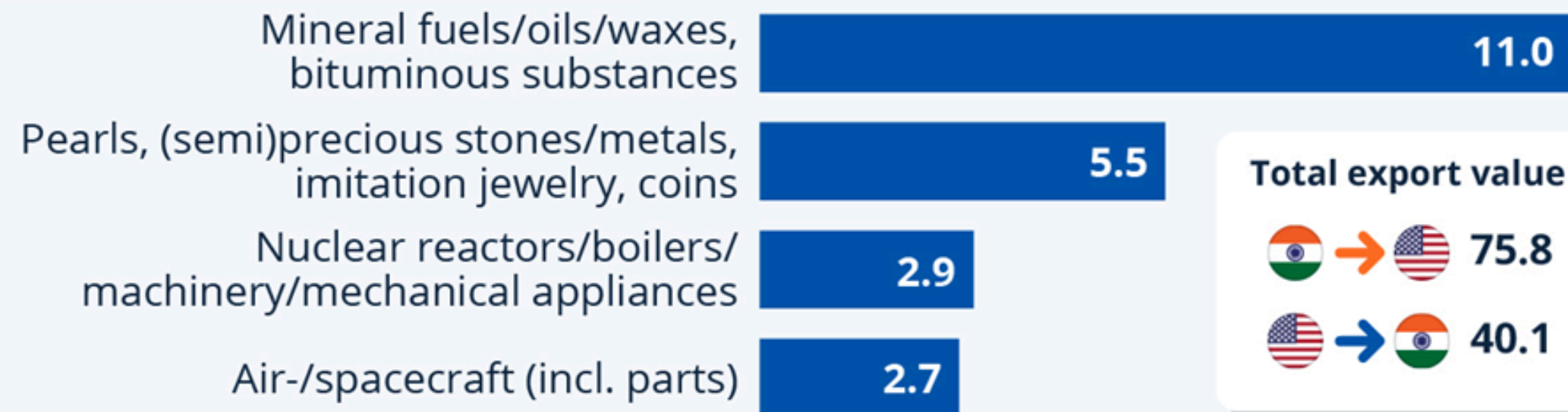
India- U.S. Trade Surplus and the Balancing Act

Top traded commodity types between India and the United States in 2023 (in billion U.S. dollars)

Exports from India to the U.S.



Exports from the U.S. to India



Source: UN Comtrade

Total export value



Nearly 20% of India's exports go to the U.S., making it one of India's largest trade surplus partners, with a \$45 billion surplus in 2024. India aims to maintain strong trade ties with the U.S. while remaining an attractive hub for manufacturers.

As part of this effort, India's latest budget includes tariff cuts, notably on Harley-Davidson motorcycles- a longstanding concern for Trump.

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