

The paradox of booming global trade post-Liberation Day

The year 2025 delivered an apparent contradiction at the heart of the global economy. On the one hand, global trade volumes surprised to the upside, expanding at around 16%, well above the 4% long-term average and materially outpacing global GDP growth of 3%. On the other hand, the world’s largest economy implemented the most aggressive tariff increases seen in decades, culminating in the sweeping “Liberation Day” measures announced by the US in April. At face value, these two developments appear irreconcilable. Conventional trade theory would suggest that sharply higher tariffs, particularly when imposed by a systemically important importer like the US, should weigh heavily on global trade flows. Yet reality proved more complex.

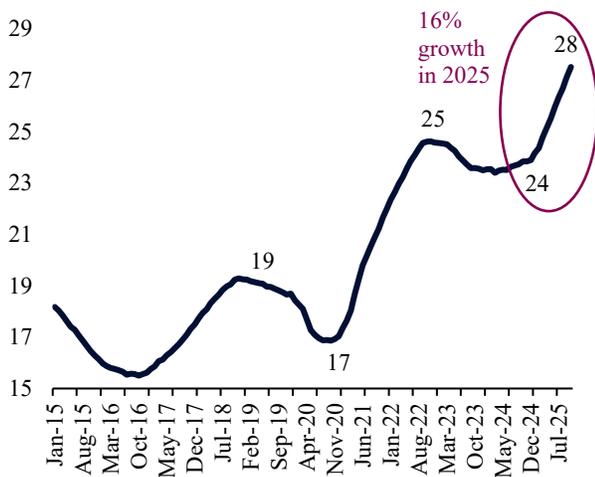
First, the threat of tariffs triggered a powerful front-loading cycle, particularly in the US. Well before the full implementation of the new tariff regime, US importers moved aggressively to pull forward shipments in order to lock in lower duty rates. This behaviour is visible across customs data, inventory accumulation, and port activity. US goods imports surged in late 2024 and early 2025, especially in tariff-exposed categories such as machinery, electronics, and intermediate manufacturing inputs. Import growth temporarily decoupled from domestic demand, reflecting precautionary stockpiling rather than end-use consumption.

This pattern is not unprecedented. Similar front loading dynamics were observed during the 2018-19 US-China trade war, when tariff announcements consistently led to short-term spikes in bilateral trade flows ahead of implementation deadlines. In 2025, however, the scale was larger and more geographically diversified, as firms sought to hedge against not only higher tariffs but also uncertainty around exemptions, retaliatory measures, and future policy escalations. Ironically, this defensive behaviour boosted measured global trade volumes, masking the longer-term drag that higher tariffs may yet impose.

Second, effective tariff burdens were materially lower than headline rates imply, reflecting exemptions, delays, and corporate adaptation. Statutory US tariff rates rose sharply following Liberation Day with an announced tariff rate at around 14.8%. However, the effectively charged tariff revenues point to a significantly lower burden closer to 11%. A wide array of product-level exemptions, phased implementation schedules, bilateral carve-outs, and discretionary waivers diluted the immediate impact on trade costs. In practice, the gap between announced tariffs and collected duties widened, underscoring the political and administrative constraints of enforcing sweeping protectionist measures in a highly interconnected economy.

Equally important, multinational firms proved adept at mitigating tariff exposure. Modern global supply chains are flexible by design. Firms reconfigured sourcing, rerouted shipments through third countries,

Total global trade
 (USD Tn, sum of last twelve months)



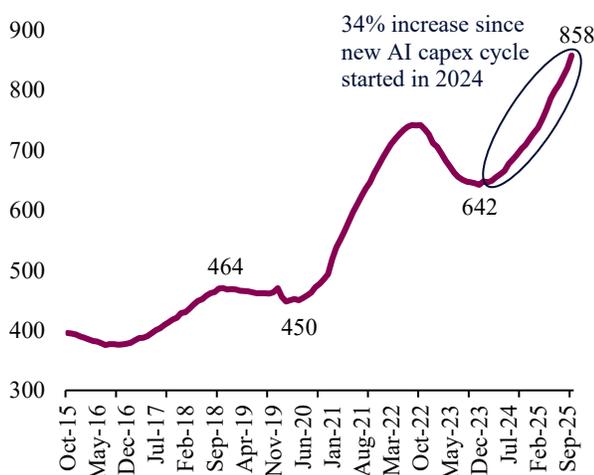
Sources: Haver, IMF, QNB analysis

In our previous commentaries published after Liberation Day, we argued that global economic integration was unlikely to be reversed, despite the magnitude of the US tariff shock. Subsequent data have reinforced this view. Rather than collapsing, global trade accelerated through 2025, forcing a reassessment of how tariffs can interact with modern supply chains, corporate behaviour, and other macro-financial drivers. Four factors help explain why trade proved far more resilient than headline policy signals would suggest.

adjusted product classifications, or absorbed costs through internal pricing strategies. Jurisdictional arbitrage, transfer pricing, and intra-firm trade further reduced the pass-through of tariffs into final prices and volumes. The result was a far smaller disruption to global trade flows than policymakers had anticipated, highlighting the limited effectiveness of tariffs as a tool in a world of fragmented production networks.

intensive and globally fragmented, relying on specialised suppliers across continents. Taiwanese exports, for example, which are at the crux of AI capex due to its position as an advanced chip manufacturer, surged more than 34% since the new capex cycle started in 2024. As a result, the AI capex boom acted as a powerful, tariff-insensitive driver of trade volumes, reinforcing exports from technologically sophisticated manufacturing hubs even as headline protectionism intensified.

Booming exports from Taiwan
 (USD Bn, sum of last twelve months)



Sources: Haver, IMF, QNB analysis

Third, the acceleration of the global AI investment cycle generated an unusually strong impulse to trade. The rapid scaling of data centres, semiconductor fabrication, advanced electronics, and supporting infrastructure triggered a surge in cross-border flows of capital goods, intermediate inputs, and high-value components. Unlike traditional consumer-led trade cycles, AI-related investment is highly import-

Fourth, supportive macro-financial conditions, such as a notable USD depreciation, provided a powerful offset to trade policy headwinds. A broad-based depreciation of nearly 10% for the USD in 2025 improved external competitiveness across a wide range of exporting economies, particularly those whose monetary and FX policies are anchored by the USD, such as many Eastern Asian emerging economies. As their local currencies either appreciated modestly or remained tightly managed against the USD, exporters benefited from improved pricing power in global markets.

All in all, the experience of 2025 underscores a critical lesson: the paradox of strong global trade growth alongside sharply higher US tariffs reflects front-loading behaviour, lower effective tariff burdens, high AI-related capex and supportive USD depreciation, rather than a genuine revival of protectionist effectiveness. Moving forward, trade growth should slow down as the effects of frontloading fade and the USD stabilizes. However, a new global investment cycle centered around AI should favour continued trade growth above the 4% long-term average.

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