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Americans Foot the Bill for Tariffs, Study Finds

BY TOM FAIRLESS

FRANKFURT—Americans, not foreigners, are bearing almost the entire cost of U.S. tariffs, according to new research that contradicts a key claim by President Trump and suggests he might have a weaker hand in a re-emerging trade war with Europe.

Trump has repeatedly claimed that his historic tariffs, deployed aggressively over the past year as both a revenue-raising and foreign-policy tool, will be paid for by foreigners. Such assertions helped reinforce the president's bargaining power and encourage foreign governments to do deals with the U.S.

Trump's claims have been supported by the resilience of the U.S. economy, which recorded relatively brisk growth and moderate inflation last year, even as growth in Europe and other advanced economies remained sluggish.

The new research, published Monday by the Kiel Institute for the World Economy, a wellregarded German think tank, suggests that the impact of tariffs is likely to show up over time in the form of higher U.S. consumer prices.

The findings don't mean that the tariffs are a win for Europe—on the contrary. German exports to the U.S., which have rocketed in recent years, have contracted sharply in the past year.

The German research echoes recent reports by the Budget Lab at Yale and economists at Harvard Business School, finding that only a small fraction of the tariff costs were being borne by foreign producers.

By analyzing $4 trillion of shipments between January 2024 and November 2025, the Kiel Institute researchers found that foreign exporters absorbed only about 4% of the burden of last year's U.S. tariff increases by lowering their prices, while American consumers and importers absorbed 96%.

The tariffs had a significant effect on trade volumes: Facing higher U.S. tariffs, Indian exporters maintained their prices but reduced the volume of shipments to the U.S. by 18%-24% relative to the European Union, Canada and Australia, the report found.

Rather than acting as a tax on foreign producers, the tariffs functioned as a consumption tax on Americans, the report said.

"There is no such thing as foreigners transferring wealth to the U.S. in the form of tariffs," said Julian Hinz, an economics professor at Germany's Bielefeld University who co-authored the study.

The $200 billion in additional U.S. tariff revenue last year "was paid almost exclusively by Americans," Hinz said.

U.S. inflation remains moderate even after Trump last year raised tariffs at the most aggressive pace for decades. The Harvard Business School research suggests that only around 20% of the tariffs had fed into higher consumer prices six months after their introduction, with the bulk eaten by U.S. importers and retailers.

The economic impact of Trump's trade policy is proving critical again as the U.S. president uses the threat of higher tariffs on Europe as leverage to push through an annexation of Greenland. The threatened tariffs, if applied, could lower economic output in the eurozone by between 0.2% and 0.5%, according to a report published on Monday by Capital Economics.

Why haven't foreign producers cut their prices to sell more goods in the lucrative U.S. market? The German researchers suggest several possible reasons: The exporters might have found buyers in other countries, or they might think final tariff levels will change and they will maintain price levels in the meantime.

The scale of tariffs, at 50% or more in places, might mean it is better not to sell at all given the impact on profit margins. U.S. importers might also have longstanding relationships with foreign suppliers that they can't change quickly.

Who bears the cost of U.S. tariffs could change over time, however. Overseas exporters might absorb more of the tab as U.S. companies find new competing sources of products, Hinz said.

