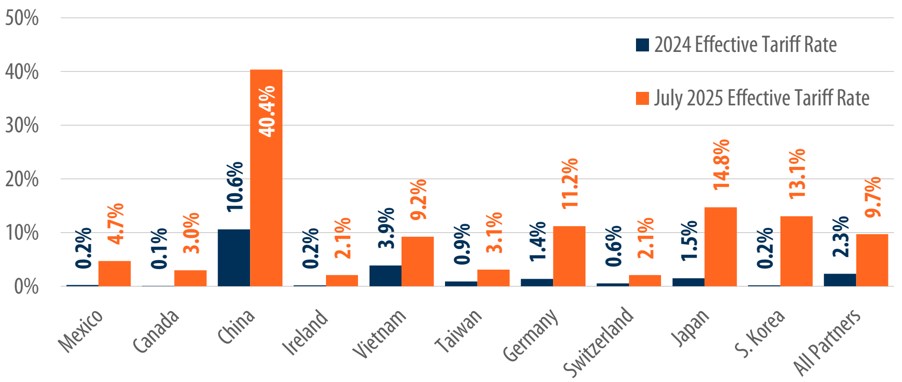
November 6, 2025

The New Tariff Era

As the Supreme Court hears the V.O.S. Selections, Inc. v. Trump case this week challenging key parts of President Trump's tariff framework, a ruling—expected early next year—could at least temporarily suspend many of those tariffs. In this week's "Three on Thursday," we take a closer look at the current role of tariffs in U.S. economic policy. Now well into his second term, the president has broadened tariff measures across nearly all trading partners, turning customs duties into both a source of federal revenue and a strategic policy tool amid rising geopolitical tensions and shifting global alliances. At the same time, the patchwork of country-specific tariff schedules has grown increasingly intricate, with new adjustments aimed at strategic sectors and major competitors. The result: the total effective tariff rate has climbed to its highest level in more than 50 years, with imports from China bearing the largest share of the burden. The three charts below illustrate how this new tariff era is taking shape for the time being.

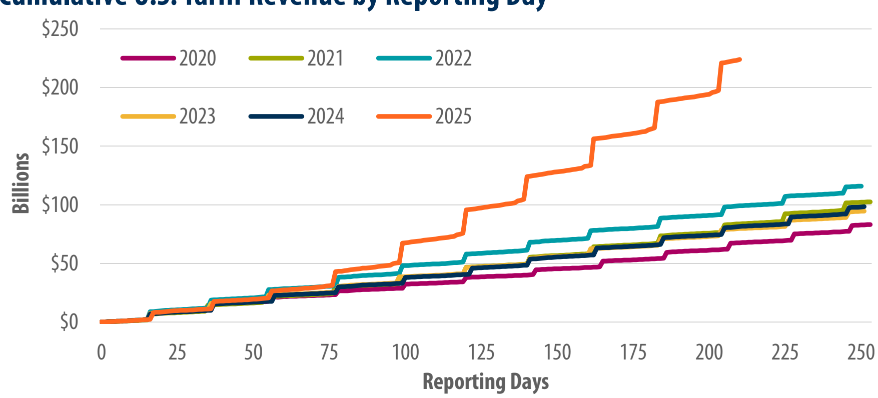
Effective Tariff Rates for Top U.S. Trade Partners



Source: U.S. International Trade Commission, Fitch Ratings, First Trust Advisors. 2025 Effective Tariff Rate as of 7/31/2025 (most recent data available).

The tariff landscape has shifted dramatically since 2024. It's important not to get lost in the headline rates often cited in the news, but instead to focus on the *effective* tariff rates—the true measure of what importers are actually paying. Take Canada, for example: while its nominal U.S. base tariff rate stands at 35%, most Canadian goods are exempt under the United States-Mexico-Canada Agreement (USMCA), leaving an *effective* tariff rate of just 3.0%. Effective rates are calculated by dividing total customs duties collected by the value of imports, and they've climbed sharply across the board. As of July, every major U.S. trading partner faced higher effective tariffs than a year earlier, with China topping the list at 40.4%, up from 10.6% in 2024.

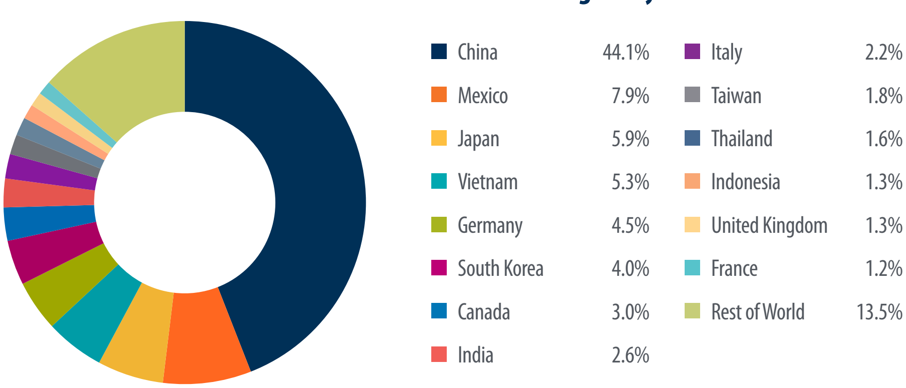
Cumulative U.S. Tariff Revenue by Reporting Day



Source: U.S. Treasury, First trust Advisors. Daily Data 1/2/2020 – 10/31/2025.

President Trump has long sought to restore tariffs as a major source of federal revenue—and that effort is now showing up clearly in the data. With higher rates applied more broadly across global trading partners, customs duties (which consist largely of tariffs) have surged. As of Oct 31st, revenue from customs duties totaled $223.9 billion year-to-date, up from $81.6 billion over the same period last year—a 174% increase. October alone generated a record $34.2 billion. If current rates remain in place, customs duties are on pace to approach $300 billion for all of 2025.

Estimated Share of Total Customs Duties YTD Through July 2025



Source: U.S. International Trade Commission, Bloomberg, First Trust Advisors. Monthly data 1/31/2025 - 7/31/2025 (most recent data available).

It's important to remember that tariffs aren't paid by countries—they're paid by companies and consumers. In most cases, U.S. importers absorb the cost directly, or it's passed along to consumers through higher prices. Given China's high effective tariff rate and its position as one of United States' largest sources of imports (currently the third largest exporter YTD), we estimate that goods from China have accounted for nearly 44% of all customs duties collected this year. In a distant second is Mexico, which sends the largest volume of goods to the U.S. but faces much lower effective tariff rates.