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Emerging analysis

Vulnerability of low- and middle-income countries to the impacts of aid cuts and US tariff increases

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Key messages

This paper assesses the vulnerability of 119 low- and middle-income countries (L&MICs) to the potential economic impacts of aid cuts and US reciprocal tariff shocks. We define vulnerability as the combination of exposure (e.g. dependency on aid and US markets, trade and financial openness) and resilience (e.g., monetary and fiscal policy buffers, climate change risk) to the impacts of said shocks. Based on 18 indicators of exposure and resilience, Burundi, South Sudan and Lebanon will be the most vulnerable to the economic repercussions of aid cuts and US tariffs, followed by Mozambique, Pakistan, São Tomé and Príncipe, Somalia, Sudan and Ukraine.

We provisionally estimated the possible direct impacts of aid cuts and US reciprocal tariffs in L&MICs. We find that L&MICs (excluding China) may lose $39 billion (0.2% of GDP) in 2025 as a result of aid cuts, and $89 billion (0.5% of GDP) annually from lower exports due to higher tariffs. The estimated negative effects of both shocks are estimated to be higher for LICs at 2% of GDP, mainly through aid cuts (1.8% of GDP). Impacts vary across countries, with disproportionate impacts likely on women and children.

To build resilience, reprofiling debt towards concessional and longer-term financing is urgent, as is preparing central bank tools for potential financial market volatility and tightening, and exploring alternative countercyclical financing arrangements. Equally crucial are efforts to expand, deepen and diversify trade and investment partners.

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Abbreviations and acronyms

AGOA	African Growth and Opportunity Act
ASEAN	Association of Southeast Asian Nations
BTA	bilateral trade agreement
DAC	Development Assistance Committee
EFTA	European Free Trade Association
EU	European Union
FCAS	fragile and conflict-affected situation
FDI	foreign direct investment
GDP	gross domestic product
GNI	gross national income
IMF	International Monetary Fund
L&MICs	low- and middle-income countries
LDC	least developed country
LIC	low-income country
LMIC	lower-middle-income country
MIC	middle-income country
OCHA	UN Office for the Coordination of Humanitarian Affairs
ODA	official development assistance
OEC	Observatory of Economic Complexity
OECD	Organisation for Economic Co-operation and Development
PTA	preferential trade agreement
SADC	Southern African Development Community
UK	United Kingdom
UMIC	upper-middle-income country
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States
USAID	United States Agency for International Development
USMCA	United States–Mexico–Canada Agreement
WEO	World Economic Outlook
WHO	World Health Organization
WITS	World Integrated Trade Solution
WTO	World Trade Organization

Executive summary

The recent announcements of cuts to US and EU aid and higher US tariffs have sent new shockwaves to the global economy. Looking at the announcements on aid, we estimate that aid will reduce by $81.3 billion over 2025–2029, equivalent to 34% of 2024 official development assistance (ODA) for EU and Development Assistance Committee (DAC) donors. The announced aid cut of the US alone represents 25% of EU and DAC donor ODA in 2024.[1]

The implementation of the higher US reciprocal tariffs announced on 2 April 2025 has been postponed until 8 July, further until 1 August, with the latest announcement confirming the effectivity date on 7 August (with new tariffs assigned to some countries). On 28 May, the US Court of International Trade declared that the International Emergency Economic Powers Act and reciprocal tariffs were unlawful and exceeded presidential authority under US law. Shortly after, however, the US government filed an appeal with the US Court of Appeals, which reinstated President Trump's announced tariffs while the government's appeal is being considered.

The International Monetary Fund has estimated that, if the higher US tariffs announced in early April 2025 are implemented, these may reduce global gross domestic product (GDP) by 1%, which is roughly equivalent to $1.2 trillion. The impact may be tempered by the implementation postponements, and by the fact that some bilateral trade deals have been secured by the US, respectively with China, the EU, Indonesia, Japan, Pakistan, Philippines, South Korea and Vietnam, with others ongoing.

This paper assesses the vulnerability of 119 low- and middle-income countries (L&MICs) to the potential direct and indirect impacts of aid cuts and higher US tariffs.[2] We also attempt to quantify the potential direct impacts of these shocks on L&MICs, focusing on aid cuts and possible reduced exports due to US reciprocal tariffs.

L&MICs may be directly exposed to the impacts of aid cuts and US tariffs, depending on their reliance on aid and the US market for exports. For example, Vietnam's exports of goods to the US in 2023 were equivalent to 23% of its GDP, while aid from major donors that announced aid cuts represented 47% of Micronesia's GDP in 2023. However, countries may also be indirectly exposed to global spillover

[1] Based on preliminary data from the Organisation for Economic Co-operation and Development as of April 2025.
[2] Announced aid cuts as of 15 May 2025 and announced US reciprocal tariffs as of 31 July 2025 .

effects of the shocks through global trade and financial channels (e.g. increasing interest rates, and capital flow and foreign exchange rate volatility), as well as through their own policy context and buffers (i.e. resilience, or lack thereof) that may determine to what extent the country can mitigate the impact of the shocks.

Based on 18 indicators of exposure and resilience to the potential impacts of aid cuts and US tariffs, the most vulnerable countries include Burundi, South Sudan and Lebanon, followed by Mozambique, Pakistan, São Tomé and Príncipe, Somalia, Sudan and Ukraine. While some countries are less exposed, such as Côte d'Ivoire, Peru and Tanzania, they should remain vigilant to other risks and to the knock-on effects of recent global developments, such as slower-than-expected growth in China and the future of preferential access arrangements such as the African Growth and Opportunity Act.

Beyond assessing vulnerability, we attempted to quantify the impacts of aid cuts and possible reduced exports resulting from a potential decrease in US demand due to higher tariffs. We estimate potential country-level aid cuts in 2025 by assuming the proportion of overall ODA reduction announced by each major donor in 2025 will be the same as the proportion of bilateral ODA reduction that it will impose on its ODA-recipient countries. **We find that aid cuts in 126 L&MICs (excluding China) will amount to $39 billion in 2025, equivalent to 0.2% of GDP**. The direct impact of the cuts will likely disproportionately affect vulnerable countries that rely most on such donors – such as small island states like Micronesia and Marshall Islands, and those in conflict situations such as Afghanistan, Somalia, South Sudan and Ukraine (with estimated aid cuts representing 6% to 39% of GDP in these cases).

Meanwhile, **114 L&MICs (excluding China) assigned with US reciprocal tariffs may witness a reduction of their exports worth $89 billion, equivalent to 0.5% of GDP.** This is based on ballpark estimations assuming import price elasticity of unity (i.e., a 1% increase in import prices leads to 1% decrease in import demand) and full price pass-through of tariffs to import prices. The potential export losses may be more significant in some economies – up to 4.5%, 4%, 3.7% and 1.8% of GDP in Vietnam, Cambodia, Nicaragua and Thailand, respectively. If the latest threats of higher reciprocal tariffs on Brazil, India, and Mexico are included, total potential export reductions from L&MICs will increase to $241 billion (or 1.3% of GDP). These estimates are largely based on causal change analysis, have limitations and can be refined later.

Among countries, LICs are estimated to experience disproportionate negative impacts from the joint shocks of aid cuts and US tariffs, equivalent to 2% of GDP, most of which are through aid cuts (1.8% of GDP). Impacts will vary across countries, but also within countries: the aid cuts will affect vulnerable groups like

women and children the most; and the high US tariffs will likely disproportionately affect the garment sector, and as a result, women, who tend to make up most employment in the sector.

A window of opportunity to build resilience remains.
Finance ministries can build buffers by reprofiling their debt towards more concessional and long-term financing. Where there is policy space, central banks can also start preparing a set of monetary policy and liquidity easing measures to address potential exchange rate volatility and credit crunches. Accessing several countercyclical financing options can provide relief during tight global conditions. A prompt assessment of the distributional impacts of aid cuts and US tariffs is crucial for designing targeted policies to protect vulnerable sectors and groups. Countries may also continue to explore bilateral trade deals, alternative markets and reshoring, supply chains and investment options. In the medium term, diversifying production towards transformative sectors and securing new trade relationships and partnerships will help build overall economic resilience and reduce dependence on aid and on a few large trade partners.

1 Introduction

Over the past five years, the global economy has faced several major shocks. The latest ones include significant aid cut plans and higher US tariffs (announced on 2 April 2025, paused initially until 8 July, further up to 1 August, with the latest announcement confirming the effectivity date on 7 August). Early this year, the abrupt dismantling of United States Agency for International Development (USAID) programmes shocked many aid recipients and workers worldwide. As of February 2025, the Trump Administration plans to reduce aid by $60 billion (Knickmeyer et al, 2025), equivalent to 95% of US official development assistance (ODA) disbursements in 2024. Within the same month, the UK also announced its plan to reduce aid, from 0.5% to 0.3% of its gross international income (GNI) by 2027. Major European donors (i.e. Belgium, Finland, France, Germany, Netherlands, Sweden and Switzerland) have also announced aid cuts since 2024.

On 2 April 2025, the US induced another wave of global shock and uncertainty with its announcement of a minimum of 10% and higher ‘reciprocal’ US tariffs for almost all countries worldwide. In the context of this heightened uncertainty, the World Bank has projected that global economic growth will slow from 2.8% in 2024 to 2.3% in 2025 – the slowest since 2008 (World Bank, 2025).

Since the aid cut announcements, analyses have focused on the impact of the cuts on global health and humanitarian efforts (Harcourt, 2025; UN, 2025; WHO, 2025), the role of other donors in the future of aid and the global financial system (Jeffery, 2025; Sun, 2025) and opportunities for self-reliance in African countries (The Economist, 2025). Mitchell and Hughes (2025) identify the exposure of 77 lowest-income countries to the US aid cuts, which may be due to a large share of ODA that comes from the US, or the significance of ODA from the US relative to these countries’ gross national income. As for higher US tariffs, early estimates of the potential impact are available at a more global level and in the US itself (e.g. IMF, 2025; J.P. Morgan Research, nd), country-level analyses investigating channels of transmission and impacts remain limited (Mendez-Parra and Agarwal, 2025).

As of the time of writing, we understand that this is the first analysis looking at the vulnerability of 119 L&MICs to the potential economic impacts of both the aid cuts and US tariffs. We identify the most vulnerable countries through an examination of their exposure and resilience to both direct and indirect economic effects of the two

shocks. We attempted to quantify the potential direct impacts on L&MICs of aid cuts and reduced exports due to US reciprocal tariffs. The paper offers policy implications and suggestions to increase countries' resilience in the face of ongoing and future shocks.

The paper is structured as follows. Section 2 provides an overview of the status of the aid cuts and US tariff announcements. Section 3 presents a brief review of the literature on the economic and social impacts of aid and tariffs. Section 4 presents a framework of analysis for assessing the vulnerability of L&MICs to the aid cut and tariff shocks and ranks 119 countries based on their exposure and resilience. Section 5 presents estimates of potential direct impacts of aid cuts and US tariffs at the country level. Section 6 concludes with some policy suggestions.

2 Status of aid cuts and US tariff announcements

2.1 Aid cut announcements

Starting from 2025, 10 major donors – including the US, eight European countries and the EU – have announced reductions in foreign aid. Estimates derived from these announcements represent a reduction of aid by $81.3 billion over 2025–2029, equivalent to 34% of 2024 ODA of EU and Development Assistance Committee (DAC) donors. The announced aid cut of the US alone represents 25% of EU and DAC donor ODA in 2024.[3] These estimates may be considered as extreme scenarios, since some announcements are still in plan form or under discussions (e.g. France, Germany, EU), or facing legislative issues (e.g. plans to dismantle USAID).

[3] Based on Organisation for Economic Co-operation and Development (OECD) preliminary data as of April 2025.

Table 1 Aid cut announcements by major ODA donors[1]

Major donors announcing aid cuts	Value (US$)[2] and period coverage of aid cuts	Date of announcement (month/year)	Sources
US	$60 billion / 2025	February 2025	Knickmeyer, et al (2025)
Germany	$1.1 billion / 2024 $1.1 billion / 2025	February 2024, October 2024	Bollag (2024a); Green (2024)
France	$806 million / 2024 $2.2 billion / 2025	March 2024, February 2025	Bollag (2024b) Hird (2025)
UK	$7.9 billion / 2027	February 2025	UK Parliament (2025)
Netherlands	$324 million / 2025 $542 million / 2026 $2.5 billion / 2027	February 2025	Government of Netherlands (2025)
Sweden	$291 million per year / 2026–2028	September 2024	Sydsvenskan (2024)
Switzerland	$282 million / 2025	February 2025	Allen (2025)
Belgium	By 25% over five years 2025–2029 Estimate[3]: $2.4 billion over 5 years	February 2025	Chadwick (2025)
Finland	By 25% over four years 2024–2027 Estimate[4]: $1.3 billion over 4 years	July 2024	OECD (2025)
EU	$2.2 billion over 2025–2027	October 2024	Cserep (2024)

Notes: 1. Based on authors' scan of DAC donors and EU announcements of aid cuts. 2. Authors' computations based on exchange rates as of 12 March 2025 from European Central Bank and Bank of England websites. 3. Authors' estimate assuming aid will be cut gradually over coverage years (2025–2029), using 2024 ODA as a base. 4. Authors' estimates based on a decline of Finland's ODA in 2024 by 14.3%, then gradually reducing ODA up to 25% by 2027 using 2024 ODA as a base.

2.2 US tariffs and responses

Prior to the recently announced higher tariffs, US trade policy operated mainly through multilateral frameworks and bilateral agreements, with an average most-favoured nation tariff of 2%, though some sectors (like garments) had higher rates according to the United States International Trade Commission's 2025 Harmonized Tariff Schedule. Preferential access was granted through programmes like the African Growth and Opportunity Act (AGOA), the Nepal Trade Preference Program and bilateral trade deals with countries including Australia, Canada and Mexico, among several others.

Since January 2025, the US has announced higher tariff plans, with detailed measures for specific products and countries (see Appendix 1). Table 2 presents the tariffs assigned to each country as of 31 July 2025.

Globally, responses to the US tariffs have been varied. Some countries have imposed or announced retaliatory tariffs, a few have secured a trade deal with or are still negotiating with the US. Others

seem to be accelerating efforts to diversify trade partners or to negotiate other trading arrangements or deals that exclude the US between May and July 2025. These include deals between the UK and India, the EU and Mexico, the EU and India, the EU and Kenya and Mercosur and the European Free Trade Association. See Appendix 1 for details of country/bloc responses to the US tariffs.

Table 2 US reciprocal tariffs based on announcements as of 31 July 2025

Country	Tariff (%)	Country	Tariff (%)	Country	Tariff (%)	Country	Tariff (%)
Afghanistan	15	Djibouti	10	Lesotho	15	Samoa	10
Albania	10	Dominica	10	Liberia	10	São Tomé and Príncipe	10
Algeria	30	Dominican Republic	10	Libya	30	Senegal	10
Angola	15	Ecuador	15	Madagascar	15	Serbia	35
Argentina	10	Egypt, Arab Rep.	10	Malawi	15	Sierra Leone	10
Armenia	10	El Salvador	10	Malaysia	19	Solomon Islands	10
Azerbaijan	10	Eswatini	10	Maldives	10	Somalia	N/A
Bangladesh	20	Ethiopia	10	Mali	10	South Africa	30
Belarus	N/A	Fiji	15	Marshall Islands	10	South Sudan	10
Belize	10	Gabon	10	Mauritania	10	Sri Lanka	20
Benin	10	Gambia, The	10	Mauritius	15	St. Lucia	10
Bhutan	10	Georgia	10	Mexico	N/A	St. Vincent and the Grenadines	10
Bolivia	15	Ghana	15	Micronesia, Fed. Sts.	10	Sudan	10
Bosnia and Herzegovina	30	Grenada	10	Moldova	25	Tajikistan	10
Botswana	15	Guatemala	10	Mongolia	10	Tanzania	10
Brazil	10	Guinea	10	Morocco	10	Thailand	19
Burkina Faso	N/A	Guinea-Bissau	10	Mozambique	15	Timor-Leste	10
Burundi	10	Haiti	10	Myanmar	40	Togo	10
Cabo Verde	10	Honduras	10	Namibia	15	Tonga	10
Cambodia	19	India	25	Nepal	10	Tunisia	25
Cameroon	15	Indonesia	19	Nicaragua	18	Turkey	15
Central African Republic	10	Iran	10	Niger	10	Tuvalu	10
Chad	15	Iraq	35	Nigeria	15	Uganda	15
China	10	Jamaica	10	North Macedonia	15	Ukraine	10
Colombia	10	Jordan	15	Pakistan	19	Uzbekistan	10
Comoros	10	Kazakhstan	25	Papua New Guinea	15	Vietnam	20
Congo, Rep.	10	Kenya	10	Paraguay	10	Yemen, Rep.	10
Costa Rica	15	Kyrgyz Republic	10	Peru	10	Zambia	15
Côte d`Ivoire	15	Lao PDR	40	Philippines	19	Zimbabwe	15
Democratic Republic of the Congo	15	Lebanon	10	Rwanda	10		

Notes: N/A means no assigned US reciprocal tariffs.

Source: US government announcements between 2 April and 31 July 2025. See Appendix 1.

3 Brief review of the literature: economic and social impacts of aid and tariffs

3.1 Economic impacts of aid

The extensive literature on the macroeconomic impact of aid on growth has faced debates and controversies over the years, with claims varying to include a positive, weak, negative and U-shaped impact of aid on growth (Cao and Du, 2024). Given empirical limitations in addressing endogeneity issues in the earlier literature, we focus on **empirical studies from 2008 onwards, which suggests a positive impact of aid on growth** (e.g. Arndt et al., 2016; Mekasha and Tarp, 2019). A review of the literature from 2008 to 2014, which attempts to address endogeneity issues, suggests that, on average, a receipt of aid equal to 2.5% of GDP results in a 0.25 percentage point marginal effect on growth (Arndt et al., 2016).

Beyond the growth impact of aid, there is also a strand of literature that highlights **the conditions under which aid promotes growth**. Several studies find that countries with **absorptive capacity and better institutional qualities** tend to benefit more from aid (Rahnama et al, 2017; Kamguia et al, 2022; Le Van et al., 2023; Cao and Du, 2024). In some contexts, the **volume of aid** also shapes its impact on growth. In the West African Economic and Monetary Union zone, a threshold of aid that lies between 12.37% and 14.08% of GDP results in a marginal effect on growth of 2.1% (Bayale et al., 2022).

Several studies also find that **the type of aid matters in promoting sectoral pathways to growth of recipient countries**. Findings from cross-country studies include the following:

- Aid for trade[4] fosters exports of recipients, at both the extensive margin (i.e. establishing new trading partners) and the intensive margin (i.e. expanding established bilateral trade volumes) (Nathoo et al., 2021; Aboushady et al., 2023). Aid for trade works

[4] In some cases, aid for trade also covers aid for infrastructure and agriculture (if conducive for trade and trade facilitation).

best if it is targeted at reducing trade costs; if it addresses binding constraints to growth (e.g. infrastructure, skills); if there is effective donor–recipient coordination; if it addresses trade-related constraints at the transnational and regional levels; and if recipients have realistic output and outcome targets (Basnett et al., 2012).

- Aid for trade to access trade-related climate finance is emerging in several least developed countries (LDCs) to help government efforts in addressing the challenges associated with increasing climate variability in agricultural production (Keane et al., 2025).
- Aid for infrastructure raises productivity of capital (Selaya and Sunesen, 2012) and is effective in improving recipient countries' infrastructure endowments and foreign direct investment (FDI) inflows (Donaubauer et al., 2016).
- Aid for agriculture has a positive and significant impact on growth, and the impact doubles when agricultural aid came with aid for infrastructure and investment (Kaya et al., 2012). Simulations by McArthur and Sachs (2019) suggest that aid for agriculture leads to expansion in the primary tradable sector and positive permanent productivity and welfare effects.
- Aid for education increases economic complexity[5] (Kamguia et al., 2022). In the African context, aid in primary education has a positive and significant impact on growth (Asiedu, 2014).
- Aid for military support has a positive linear relationship with economic growth (Cao and Du, 2024).

Not all aid is intended for economic growth; many aid programmes have microeconomic/social development objectives. Some focus on humanitarian relief, improving health conditions, peacebuilding and poverty reduction. Increasing aid to health is associated with a reduction in infant mortality (Mishra and Newhouse, 2009) and improved child health outcomes (Ahmed et al., 2023). Since 2015, ODA has been assessed as having helped bring 50 million girls into school, lifted 120 million out of extreme poverty and saved over 1 million children under five from preventable deaths (De Souza, 2025).

Few analyses have attempted to assess the economic impact of the recent US and European aid cuts, most of which are focused on the social effects. In an estimate of the cancelled US aid programmes, Sandefur and Kenny (2025) suggest that Liberia sees the largest cut as a percentage of its economy (1.6% of GNI), followed by Afghanistan, Palestine and Somalia (>1% of GNI). A global survey dealing with the US aid termination among 702

[5] Kamguia et al. (2022) define economic complexity as the sophistication of a country's productive structure by combining information on the diversity of a country (the number of products it exports) and the ubiquity of its products (the number of countries that export that product).

organisations by the UN Office for the Coordination of Humanitarian Affairs (OCHA) as of March 2025 indicates that 68% of organisations that received US funding have seen this terminated; 22 organisations have had to close down; and 79 million people previously benefiting from aid programmes (40% women; 31% children) will no longer be targeted for assistance. In the case of the UK's plan to cut its aid by 2027, Harcourt (2025) estimates that a 40% cut to the UK's contribution to multilateral institutions could result in 606,000 fewer deaths averted (via Gavi, the Vaccine Alliance) over five years, 37.9 million fewer children immunised against deadly diseases and 293,000 fewer children receiving food through the World Food Programme.

3.2 Potential economic impacts of higher US tariffs

3.2.1 Economic impacts of tariffs on the tariff-imposing country

A relatively simple way to analyse the channels of macroeconomic impact of tariffs on the tariff-imposing country is through the three goods model, which considers prices of exports, imports and non-tradable (domestic) goods. As tariffs act as a tax on imports, the US reciprocal tariffs will increase the price of imports relative to domestic goods. This may lead to an income effect (e.g. real income declines in proportion to the share of consumption that is composed of imports) and a substitution effect (e.g. US domestic goods become more attractive than imports), with the net impact depending on which effect dominates.

In cases where substitution elasticities are high, such as in many advanced economies like the US, there may be substitution of domestic goods (non-tradable goods) for the more expensive imports, leading to real exchange rate appreciation (Devarajan et al., 2023). The real exchange rate appreciation may crowd out exports, although a depreciating nominal exchange rate may dampen the effect. Meanwhile, high demand for domestic goods might be satisfied by increasing supply (inducing resource movement from the export sector towards domestic production) or increasing the prices of domestic goods, which may be inflationary (e.g. if this translates to a supply shock if the labour market is tight).

Some of the above channels have been captured by evidence in recent studies estimating the impact of the 2025 US tariffs (up to 4 April, including the reciprocal tariffs) on the US economy. The European Commission (2025) estimates that US GDP may decline by between 0.6% and 1% from the baseline, with deeper negative impacts if trading partners retaliate or if the heightened uncertainty results in a higher risk premium for the US. Higher US reciprocal tariffs will ultimately hurt the US economy through **lower exports** (e.g. higher demand for domestic goods, a stronger real exchange rate reducing US exporters' competitiveness) and **weaker domestic demand** (resulting from higher central bank interest rates to arrest

inflation pressures), outweighing the temporary reduction in US trade deficits or the cushioning effect on consumption demand of a stronger dollar (European Commission, 2025). The International Monetary Fund (IMF) also highlights that amplifying factors via greater policy uncertainty, trade tensions, a softer demand outlook and slower-than-anticipated consumption growth may further depress the US GDP reduction, by 0.4 to 0.9 percentage points (Gourinchas, 2025).

Beyond growth effects, tariffs may reduce employment and productivity. Productivity may suffer as protectionist policies disrupt global supply chains and economies of scale that drive productivity gains (Furceri et al., 2020; World Bank, 2023). While tariffs may initially encourage employment in the protected sectors, overall employment may decline as the broader economic slowdown reduces labour demand (Furceri et al., 2019, 2020). Under the scenario of higher 2025 US tariffs, Rodriquez-Clare et al. (2025) estimate a temporary surge in employment in manufacturing, but employment in services and agriculture may decline, resulting in an overall decline of 1.1% in employment compared to baseline figures.

Higher tariffs may also hurt consumers and tend to exacerbate inequality. Across 37 countries over the period 1984–2010, Rojas-Vallejos and Turnovsky (2017) find that tariffs reduce the relative income of the lowest quintile (of the society) and benefit agents in the second richest quintile in an economy. With tariffs, women-headed households experience declines in real incomes by 0.6 percentage points more is the case for men-headed households (Artuc et al., 2021).

In the case of US, Ignatenko et al. (2025) estimate that **there may be initial welfare gains for US consumers from higher US tariffs, but such gains disappear under certain conditions.** There may be moderate welfare gains, since tariffs raise domestic wages relative to foreign wages, making imports effectively cheaper**.** This gain is enhanced when tariff revenues are used to reduce the income tax burden for US workers**.** However, such gains disappear in the event of retaliation from trading partners, and if input-output linkages (e.g. domestic labour content of imports; intermediate imported inputs into production) are considered (ibid.). In addition, the 2025 US tariffs are expected to have greater negative impacts on disposable income, affecting households at the bottom of the income ladder more (by 2.6 times) than those at the top (The Budget Lab, 2025). However, tariffs can also increase the price of imported goods in the US market in the short term, especially those intended for women consumers (Agarwal, 2025).

The general heightened uncertainty resulting from US trade policies is also being transmitted to financial market channels. As of 30 June 2025, the US dollar has fallen by 10.8% against a basket of currencies since the start of 2025 – the worst performance

over the first six months of any year since 1973 (Wearden, 2025). The US tariff announcements have also induced a US government debt sell-off, as indicated by the increase in the 10-year government bond yield from 3.9% to 4.5% between 9 and 11 April 2025 (Race, 2025). The US stock market has also been volatile – showing sharp declines during the early announcements of higher tariffs in April, and, at times, showing signs of recovery with news of successful trade deals (e.g. with the UK, China and Vietnam). Lower investor confidence affecting the status of the US dollar, and US government bonds, as 'safe haven' assets will have wider repercussions for the US economy. Indeed, estimates suggest that the US may experience a deeper economic decline when the reciprocal tariffs are accompanied by higher long-term risk premia on US assets (see European Commission, 2025). Additionally, at the time of writing, the likelihood of interest rate cuts by the US Federal Reserve could undermine the US dollar further in relation to US trading partners' exchange rates.

3.2.2 Potential economic impacts of higher US tariffs on the world economy

Amid higher US tariffs and heightened uncertainty, the global economy is expected to slow down. At the global level, the IMF estimates that the negative impact of US tariffs on economic activity ranges between 0.4% and 1% of world GDP by 2027. J.P. Morgan Research (2025) estimates that, under a scenario of a 10% US universal tariff and a 110% US tariff on China, global GDP is expected to reduce by 1%. The World Trade Organization (WTO) (2025) highlights that global GDP growth rate may decline by 0.6 percentage points with actual tariffs as of 14 April (e.g. with paused reciprocal tariffs) from a no-tariff-change baseline, with deeper declines under scenarios of implemented reciprocal tariffs and wider trade policy uncertainties.

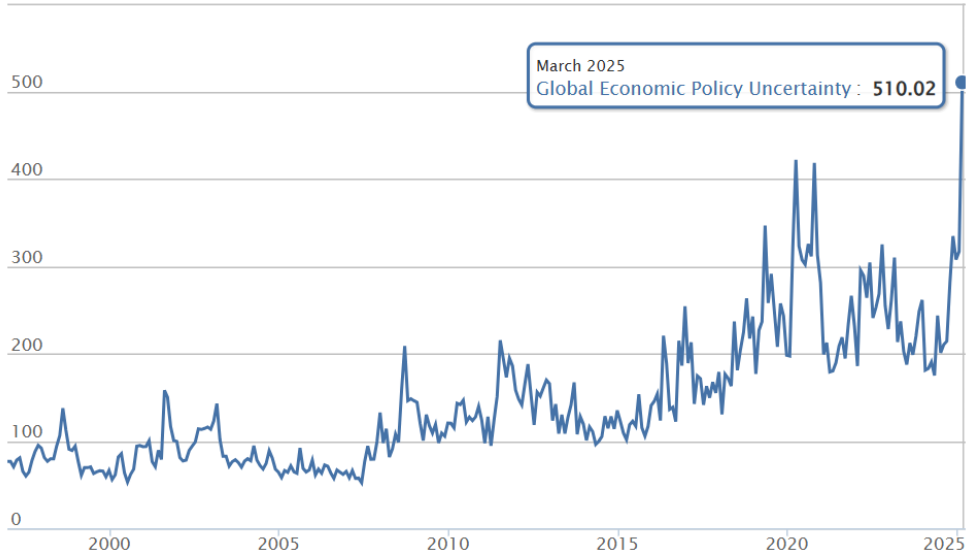
One main channel of impact of the higher US reciprocal tariffs (if implemented) to the world economy is trade. WTO (2025) estimates that trade policy uncertainty along with the US tariffs up to 14 April (e.g. all tariffs in place, with paused reciprocal tariffs) will cut global merchandise trade volume growth rate by 2.9 percentage points in 2025; if reciprocal tariffs are also implemented, the cut will increase to 3.5 percentage points (ibid.). The impact of higher US tariffs on the exporting country (to the US) will depend on US import price elasticities – that is, how sensitive the US demand for specific imported products from a specific country is to changes in prices of those products (see Box 1).

Another key channel via which the US tariffs may affect the world economy is heightened uncertainty, which could induce trade, investment and financial market volatility. The global policy uncertainty index has been at a record high, surpassing levels during the onset of the global financial crisis in 2008, the COVID-19

pandemic in 2020 and the Russia–Ukraine war in 2022 (Figure 1). Countries with strong exposure to US markets may experience disruptions in key export sectors, prompting efforts to diversify trade partnerships and reduce reliance on US-bound supply chains (Durkee, 2025; also see Appendix 2).

Global financial market risks have emerged and could spread further: US bond prices have begun to fall, driven by some unwinding of US asset positions and indications of potential market instability, resulting in higher interest rates (Papadavid, 2025). Across Africa, increased global risk aversion has already pushed up some borrowing costs, with Nigeria's yields reaching a seven-month high as of April 2025 (ibid.). Tighter global financial conditions may trigger a move towards more expensive and shorter-maturity domestic debt borrowing, with debt sustainability and macro-fiscal stability implications (Raga, 2025).

Figure 1 Global economic policy uncertainty index



Source: Economic Policy Uncertainty website dashboard (https://www.policyuncertainty.com/).

The US tariffs are likely to have disproportionate impacts among and within countries. The largest short-term negative impact of higher US tariffs on output outside the US is projected for Canada, China and Mexico– countries with substantial trade exposure to the US (IMF, 2025).

Countries that are reliant on textiles and apparel exports to the US may also suffer more than countries exporting products from other sectors. Countries like Lesotho and Madagascar rely heavily on garment exports to the US through the AGOA preferential trade arrangement, accounting for around 20% of their total exports. Implementing tariffs may significantly reduce US demand for garments (Mendez-Parra and Agarwal, 2025).

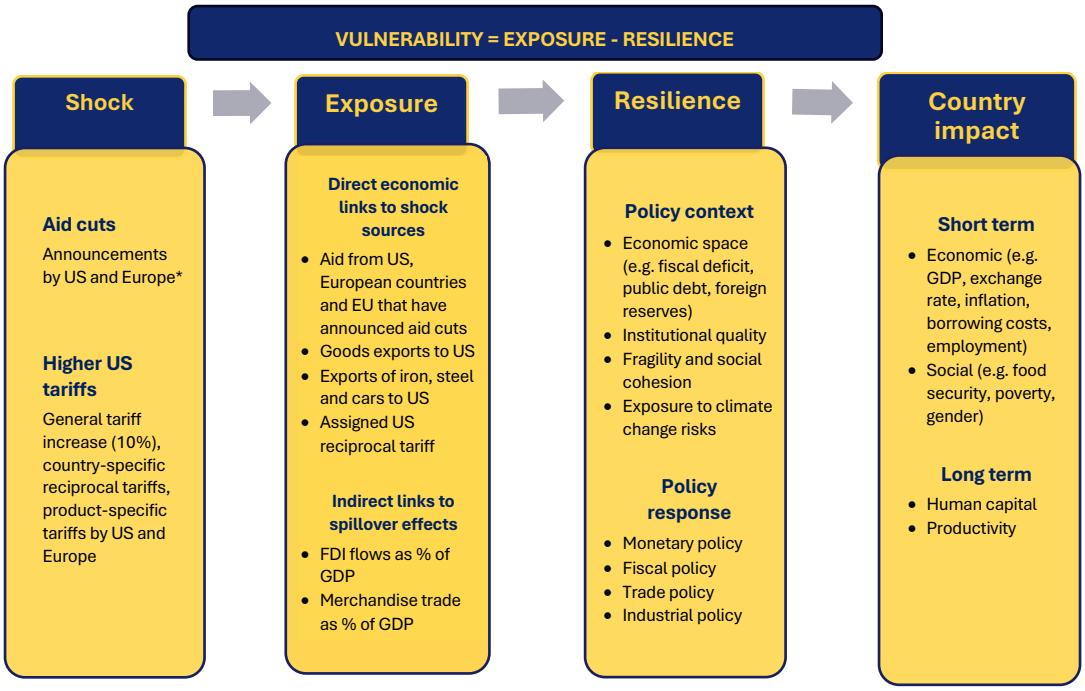
The reduction of US demand for imported garments may disproportionately affect women workers in export-oriented industries across LICs, where job losses and declining income security are already evident (Agarwal, 2025). While WTO (2025) suggests that LDCs may benefit from higher exports by capturing the shifting US demand away from China (particularly for clothing and textiles, and electronic equipment), the broader impacts of trade policy uncertainties are still expected to have net negative effects on LDCs' GDP.

4 Economic vulnerability to aid cuts and US tariff increases

4.1 Framing of analysis

We define economic vulnerability to the double shocks of aid cuts and higher US tariffs at country-level as the combination of exposure and resilience to the impact of the said shocks, as illustrated in Figure 2.

Figure 2 Channels of impact of aid cuts and higher US tariffs to LICs and LMICs

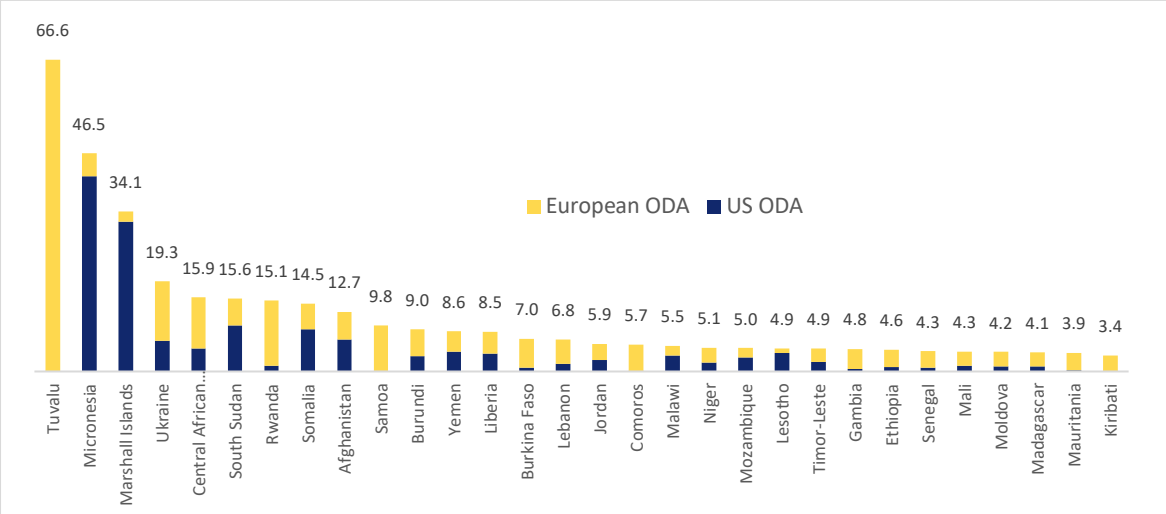


Note: * Countries that have announced aid cuts: US, Germany, UK, France, Netherlands, Sweden, Switzerland, Belgium, Finland and EU institutions.

Source: Authors, following earlier analytical framework approaches in Raga and te Velde (2022) and Raga and Pettinotti (2023).

A country's direct economic exposure to the potential impact of aid cuts depends on how much of its aid comes from the US and Europe (Figure 3), and exposure to possible effects of US tariffs may be indicated by the level of its exports to the US (Figure 4) or if it has been assigned relatively higher US reciprocal tariffs compared to others.

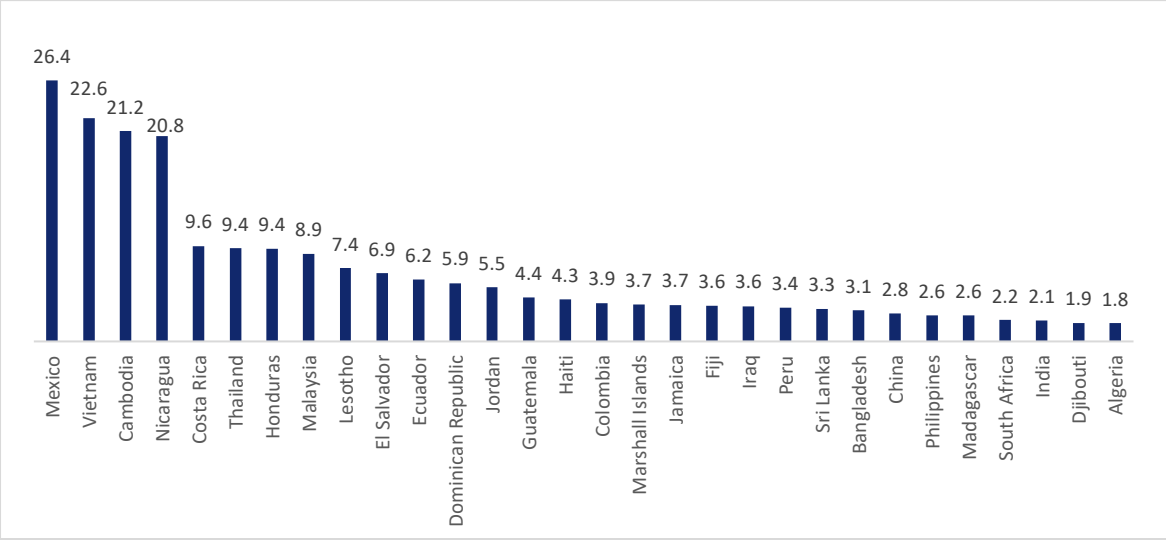
Figure 3 Countries receiving the most ODA (% of 2023 GDP) from major donors announcing aid cuts over 2025–2029



Note: Based on ODA received from US and Europe (Germany, France, UK, Netherlands, Sweden, Switzerland, Belgium, Finland and EU).

Source: Authors' computations based on OECD and World Bank data.

Figure 4 Countries most exposed to higher US tariffs based on exports of goods to the US (% of GDP 2023 or latest)



Source: Authors' computations based on data from IMF, WITS and World Development Indicators.

Countries may also be affected through indirect exposure to the global effects of the shocks (e.g. trade and financial market openness). Overall exposure may be dampened by resilience (e.g. quality of economic governance, available fiscal and central bank policy buffers, social cohesion) or the ability to manage the negative impact of the double shocks (Figure 2).

We construct a new vulnerability index to economic and social impacts of joint shocks of aid cuts and higher US tariffs based on 18 indicators used as proxies for direct and indirect economic exposure, as well as the resilience of each individual country to the impact of the said shocks (Table 3). Each indicator is given an equal weight with the highest possible score of 18. We recognise the limitation of the index in terms of assigning weights to each indicator (e.g. countries with US reciprocal tariffs between 20% and 30% may be affected less than countries with 40% tariffs; being in debt distress may be an indicator of weaker resilience than is the case with a simple fiscal deficit). However, such weights can be informed by a complex modelling exercise. For this exercise, we intend to show the vulnerability via a simple summation of the different channels (informed by the literature in Section 3) through which the impact of the double shock may be transmitted at the country level.

Table 3 Exposure and resilience indicators used for overall vulnerability index

Indicator	Period covered	Threshold (above threshold indicates vulnerability)
Direct exposure		
1. Aid from US (% of GDP)	2023	> 5%
2. Aid from European donors announcing aid cuts (% of GDP)	2023	> 5%
3. Aid from US and European donors announcing aid cuts (% of revenues)	2023	> 10%
4. Goods exports to US (% of GDP)	Annual average, 2019–2023 or latest available year	> 5%
5. Goods exports to US (% of total goods exports)	Annual average, 2019–2023 or latest available year	> 10%
6. Iron, steel and car exports to US (% of total exports to US)	Annual average 2019–2023 or latest year	> 10%
7. US reciprocal tariffs announced 2 April and updated as of 12 July		> 25%
Indirect exposure		
8. FDI inflows (% of GDP)	Annual average 2019–2023 or latest year	> 10%
9. Goods trade (imports+exports) (% of GDP)	Annual average 2019–2023 or latest year	> 50%
Resilience (above thresholds indicates lack of resilience)		
10. Current account balance (% of GDP)	Annual average, 2019–2023	< -5%
11. Fiscal balance (% of GDP)	Annual average, 2019–2023	< -5%
12. Debt (% of GDP)	Annual average, 2019–2023	> 60%
13. Debt sustainability risks	2024	Vulnerable if assessed with high risk of or in debt distress by latest IMF/World Bank debt sustainability analysis for respective country
14. Inflation (%)	2024 or latest year	> 10%
15. Foreign reserves (months of imports)	2024 or latest year	< 3 months of imports
16. Preferential trade agreement (PTA) with the US		Vulnerable in absence of PTA with US
17. Structural fragility and social cohesion	2024	Vulnerable if classified by World Bank to be in fragile and conflict-affected situation (FCAS) or as small island developing state
18. EU INFORM climate change risk index	2024	> 5 (indicating high or very high risk)

Note: See appendices for details and sources of data.

4.2 Which countries are most vulnerable to the impacts of aid cuts and higher US tariffs?

Figure 5 provides an overview of the exposure and resilience of 119 L&MICs to the potential impacts of aid cuts and higher US tariffs. We find that the following countries are most vulnerable through specific channels:

- Most vulnerable countries owing to aid cuts: Afghanistan, Somalia, South Sudan and Ukraine.
- Most vulnerable countries owing to higher US tariffs: Cambodia, Malaysia, Nicaragua, Thailand and Vietnam.
- Most vulnerable countries through global spillover effects in trade and financial flows: Liberia, Maldives, Mongolia and Mozambique.
- Most vulnerable countries through lack of resilience: Burundi, followed by Sudan and then Lebanon, Malawi, Pakistan, South Sudan, and Yemen.

Overall, the index suggests that **the countries that are most vulnerable to the potential direct and indirect impacts of aid cuts and higher US tariffs are Burundi and South Sudan,** followed by **Lebanon,** and then **Mozambique, Pakistan, São Tomé and Príncipe, Somalia, Sudan and Ukraine.**

The vulnerability index illustrates the importance of resilience (lack of) in mitigating (exacerbating) the impact of the double shocks. To illustrate, Burundi's aid from the US and European countries that have announced cuts represents 3.3% and 5.7% of GDP as of 2023, respectively; combined, this aid is equivalent to 43% of Burundi's revenue. Burundi is less exposed to the higher US tariffs, given its low exports to the US (annual average of 0.05% of GDP from 2019 to 2023). However, overall vulnerability to aid cuts is exacerbated by Burundi's policy context and space, with the country surpassing thresholds on all nine indicators of lack of resilience in our index. Burundi has:

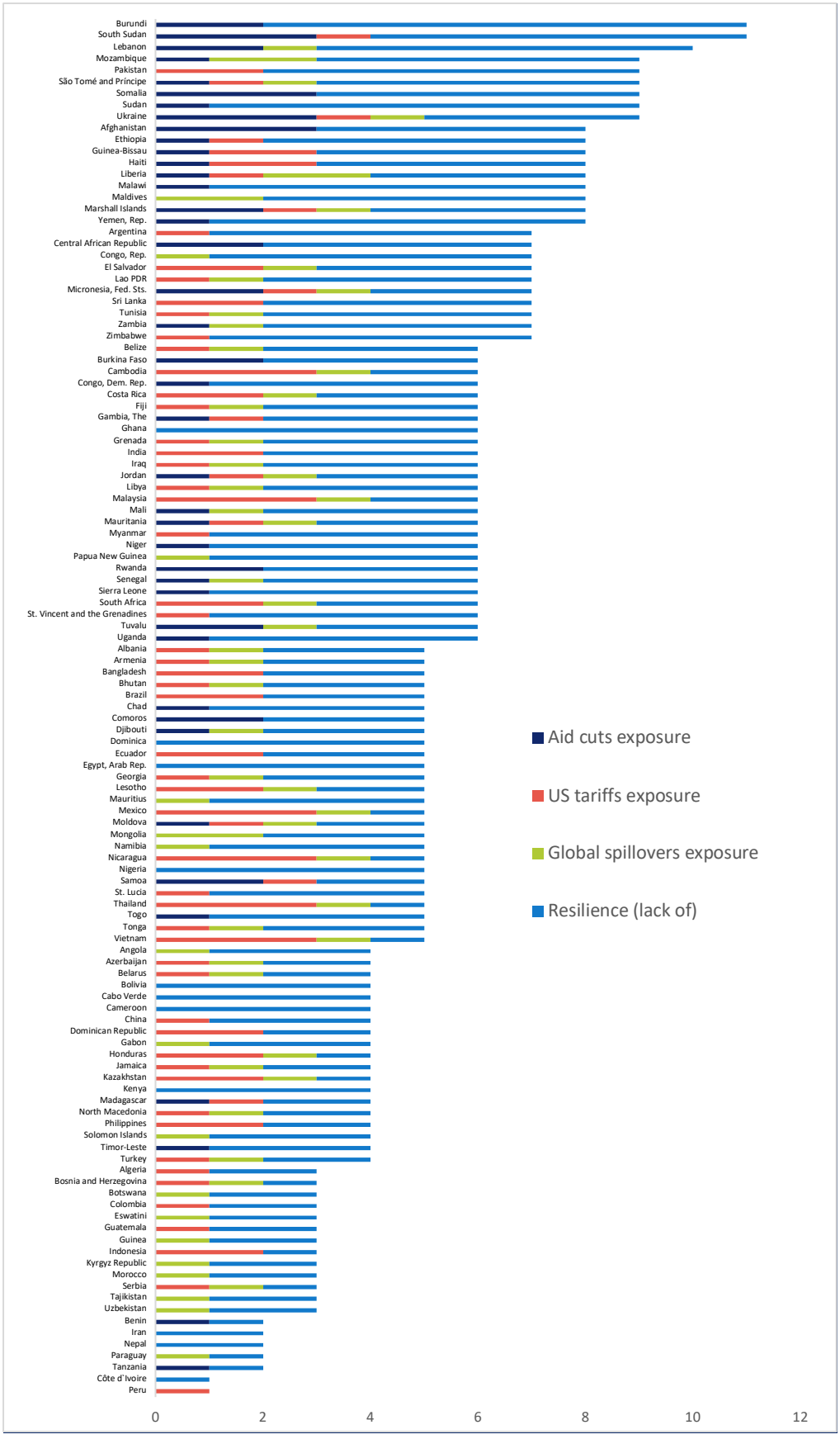
- twin current account and fiscal deficits
- high levels of public debt, at 64.6% of GDP
- a high risk of debt distress
- double digit inflation, at 20%
- low foreign reserves, equivalent to 1 month of imports
- significant institutional and social fragility
- high exposure to climate change risks
- no bilateral trade agreement with the US.

These factors severely limit Burundi's capacity to mitigate the direct impacts and global spillover effects of these new shocks. Like in

Burundi, **weak resilience is a key source of vulnerability for Malawi, Pakistan, Sudan and Yemen.**

The vulnerability index also shows us **countries less likely to be affected by the double shock, such as Côte d'Ivoire and Peru,** owing to less exposure to aid cuts and US markets, combined with a relatively strong policy context and buffers. The policy space in said countries provides an opportunity for them to prepare for other potential risks that may emanate from aid cuts and the US tariff developments at the country level. This could include designing interventions for programmes that may be affected by aid cuts or assessing exposure to knock-on effects of the US tariffs on other important trading partners. Box 1 provides an illustration in the case of Tanzania.

Figure 5 Vulnerability to the impacts of aid cuts and US tariff increases (index, higher score = more vulnerable)

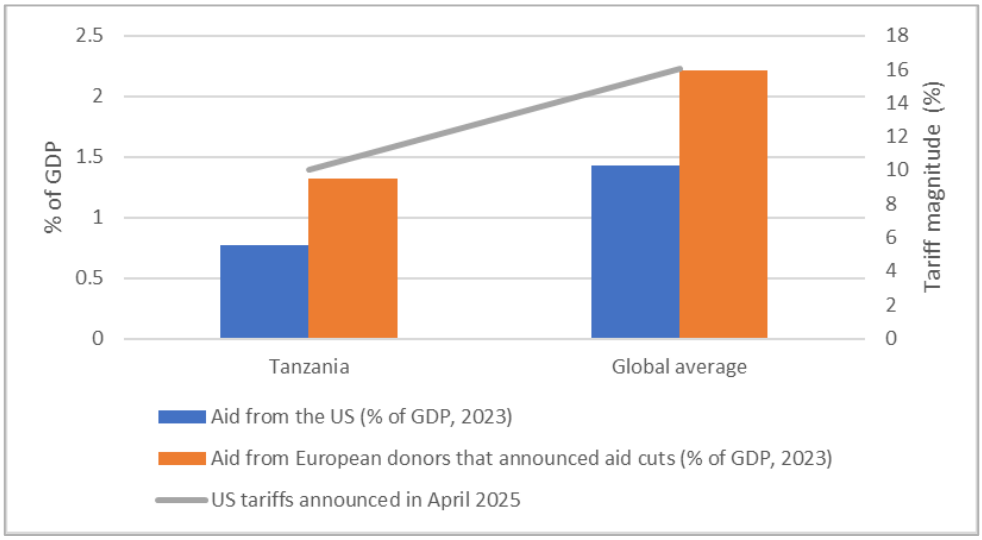


Source: Authors

Box 1 Tanzania's policy space to prepare for any knock-on effects of aid cuts and higher US tariffs

Tanzania ranks in the bottom 10 countries in our vulnerability index, indicating relatively better resilience to the impacts of aid cuts and US tariffs compared to other L&MICs. Tanzania is relatively less exposed to aid from the US (0.8% of GDP, 2023) and from the EU and from European countries that have announced aid cuts (1.3% of GDP, 2023) compared to other countries in our vulnerability ranking. Tanzania also has limited exports to the US market (0.08% of GDP, average 2019–2023), and exposed to global spillover effects due to its relatively less integration to global trade and financial markets compared to other L&MICs. In addition, Tanzania was assigned a 10% US reciprocal tariff, below the average of tariffs assigned to all countries in the US announcement on 2 April (Figure 6). Tanzania's resilience indicators are also relatively strong compared to its peers, with indicators of fiscal and central bank policy not exceeding thresholds that indicate vulnerability. Tanzania also remains less exposed to fragility and climate change risks.

Figure 6 Tanzania's exposure to the recent aid cuts and tariffs



Source: Authors

Tanzania's policy space provides an opportunity to examine further knock-on effects that the country may experience as a result of recent global developments. For instance, the health sector in Tanzania is a significant recipient of aid. In 2023, 10% of aid to Tanzania was directed to sexually transmitted disease control (10%), primarily from the US through the US President's Emergency Plan for AIDS Relief. Major donors that have announced aid cuts in 2025 also traditionally allocate relatively high aid in the health sector (e.g. to reproductive health, health policy and population policy). It may be necessary to start mobilising alternative domestic or external financing to bridge the potential shortfall in public health expenditure as a result of aid cuts.

Tanzania should remain vigilant regarding potential risks if China's economy slows down significantly, or if AGOA comes into jeopardy. As of 2023, 6.4% of Tanzania's exports went to China, higher than the share of exports that went to the US (1.8%) (OEC, nd). The latest IMF forecast suggests that China's GDP growth will slow from 5% to 4% in 2025. This may affect Chinese demand for imports from Tanzania. There are also concerns as to the future of AGOA, which expires in September 2025 (Byemelwa, 2025). Apparel has been Tanzania's largest export to the US, with most (99%) of this exported product entered the US under AGOA preferences (tralac, nd). Exploring new trading partners and deepening intra-African trade (such as through the African Continental Free Trade Area) may help reduce Tanzania's exposure to the effects of unpredictable trading policies from concentrated trading partners.

5 Potential direct impacts on L&MICs of announced aid cuts and US tariffs

To complement our vulnerability analysis, this section presents an initial estimation of potential impacts of aid cuts and US reciprocal tariffs in L&MICs based on simple causal change analysis.

5.1 Potential impacts of aid cuts

We estimate that recent aid cut announcements by the US and Europe will amount to $81 billion of aid cuts over 2025–2029. However, the potential direct impacts will vary over the years based on the plans of donor governments and institutions. For instance, announced aid cuts planned or effective by 2025 would be equivalent to nearly $65 billion or 80% of the estimated total aid cut announcements covering 2025–2029.

We estimate potential aid cuts by country in 2025 by assuming the proportion of overall ODA reduction in 2025 by a major donor will be the same as the proportion of bilateral ODA reduction the major donor will have imposed on all its ODA-recipient countries. For example, the US extended $63.3 billion of ODA in 2024 but in 2025 announced its plan to cut $60 billion in foreign aid. The announced US aid cut represents a 95% reduction from 2024 US ODA levels.

To estimate US aid cuts per country, we assume that the bilateral US aid in each country will decline by 95% compared to the bilateral US aid in 2023 (latest data available at the country level). Germany announced a €1 billion cut in its foreign aid in 2025, and this represents a 3.3% decline from 2024 ODA. With this, we assume that Germany's bilateral ODA to all its recipient countries will decline by 3.3%, among other major donors. A caveat to this approach is that it does not incorporate specific plans by the major donor. For instance, we do not know which countries or sectors will receive more or less of an aid cut depending on donor priorities. Such information is not available as of the time of writing.

Under the above assumptions, we estimate that **aid cuts in 2025 for 126 L&MICs (excluding China) could amount to $39 billion, which is equivalent to 0.2% of GDP.**

We estimate that aid cuts by the US and Europe in 2025 will hurt the poorest countries and those in Sub-Saharan Africa the most (Table 4). The aid cuts will be equivalent to 1.8% of weighted 2023 GDP of LICs, compared to 0.1% in lower-middle-income countries (LMICs) and upper-middle-income countries (UMICs). By region, aid cuts will be largest in proportion to GDP in Sub-Saharan Africa, at 0.7%, followed by 0.6% in Europe and Central Asia. These aggregate estimates of aid cut impacts mask country differences. For instance, potential aid cuts may be as high as 39.6% of GDP in Micronesia or 6.6% in Ukraine, or negligible (0.01% of GDP) in Mexico.

Table 4 Estimated 2025 US and Europe aid cuts in recipient country groups (% of 2023 GDP)

Country group	All donors (US and Europe) that announced aid cuts[1]	US aid cut	Europe aid cut
By income			
Low-income	1.83	1.62	0.21
Lower-middle	0.15	0.12	0.03
Upper-middle[2]	0.14	0.13	0.01
By region			
East Asia and Pacific[2]	0.06	0.05	0.02
Europe and Central Asia	0.61	0.57	0.04
Latin America and Caribbean	0.05	0.04	0.005
Middle East and North Africa	0.23	0.19	0.03
South Asia	0.06	0.05	0.01
Sub-Saharan Africa	0.73	0.63	0.10
Full sample [2, 3]	0.20	0.17	0.02

Notes: 1. US, Germany, France, Netherlands, Switzerland, Belgium, Finland and EU have announced immediate/effective/plan aid cuts by 2025 (see Table 1). 2. Excludes China. 3. There are 126 countries in the sample, and weighted GDP per country grouping is used.

Source: Authors' computations.

5.2 Potential impacts of US reciprocal tariffs

Determining the magnitude and who will bear the cost of the tariffs depends on US import price elasticity – i.e., how sensitive US demand is to changes in import prices (e.g., due to changes in tariffs, etc.) (see Box 1). However, there is less consensus on import price elasticities for the US, ranging between -0.3 to -4.8 (see Box 2).

We conservatively estimate the possible impact of US reciprocal tariffs on exporting countries by using a US import price elasticity of unity (-1), assuming full price pass-through of tariffs to import prices.[6]

[6] To demonstrate, Cambodia has $9 billion worth of export goods to the US as of 2023. The US assigned a 19% tariffs on Cambodian goods on 31 July. A US trade elasticity of 1 means that for every increase in price of imported goods by 1%, import may fall by 1%. Assuming a complete price pass through of tariffs on import prices, the potential (loss) impact of tariffs on Cambodian exports to

See footnote 6 for illustration. The assumptions are aligned with the latest estimate of elasticity of imports to tariffs (-1.4 in the short run) by Tamberi (2025) and recent studies finding evidence that tariffs are almost entirely passed on to US importers (Cavallo et al, 2021; Amiti et al, 2020; Fajgelbaum et al, 2019, Tamberi, 2025).

Based on this approach, we estimate that higher US reciprocal tariffs may reduce **$89 billion worth of goods exports (worth 0.5% of GDP) annually from 114 L&MICs (excluding China)**. The sample does not include countries with no assigned US reciprocal tariffs (Belarus, Burkina Faso and Somalia) and Mexico, whose reciprocal tariff is announced to be on pause. In a previous US statement, Mexico was assigned a 30% tariff, and higher US tariff threats up to 50% were recently announced for India and Brazil.[7] If reciprocal tariffs on Mexico take effect, and tariff threats to Brazil and India are implemented, these countries may witness a combined additional export reduction worth $152 billion, and the overall impact to 115 L&MICs (excluding China) will increase to $241 billion or 1.3% of GDP.

We highlight that our approach is a first attempt at impact calculations based on causal change analysis. We recognise that there are several limitations to using a point estimate elasticity (i.e., constant at -1), since elasticities may be sensitive to small changes in tariff levels, sector, types of products and time horizon, among others (see Box 2). Such estimates can be refined later.

Box 2 Import price elasticity

Import price elasticity generally describes how sensitive import demand is to changes in import prices, for example, due to changes in global prices or trade policies. In particular,

$$\text{Import price elasticity of demand} = \frac{\%\ change\ import\ quantity\ demand}{\%\ change\ in\ import\ price}.$$

An import price elasticity of unity (1) suggests that a 1% increase in import prices may reduce import demand by 1%. If US consumer demand is elastic (elasticity value is greater than 1), exporters to the US may opt to absorb the tariffs through price reductions; if US consumer demand is inelastic (elasticity value is less than 1), exporters may pass the cost of tariffs to the consumers through higher prices.

There is less consensus on the estimates of US import price elasticity depending on methodology, assumptions and scope (e.g., time

the US = trade elasticity (1) x tariff (19%) x value of Cambodian exports ($9 billion) = $1.7 billion. This is equivalent to 4% of Cambodia's GDP as of 2023.

[7] Sources: Earlier US tariff announcement for Mexico: https://truthsocial.com/@realDonaldTrump/posts/114840265771030416; tariff treat on Brazil: https://www.bbc.co.uk/news/articles/cwy0147vxyqo; tariff treat on India: https://www.bbc.co.uk/news/articles/c1dxr1g4y7yo

horizon, sector, product), ranging from -0.3 to -4.8 (Crane et al, 2007; Imbs and Mejean, 2010; Marquez, 2002; Tamberi, 2025). Although there is some consensus among recent studies that tariffs are almost fully absorbed by US consumers (Cavallo et al, 2021; Amiti et al, 2020; Fajgelbaum et al, 2019, Tamberi, 2025). The announced US reciprocal tariffs in April 2025 were based on assumptions of import price elasticity of 4, and elasticity of import prices with respect to tariffs of about 0.25 (US Trade Representative, 2025), the accuracy of which has been criticised by economists (see Cavallo, 2025; Doherty, 2025).

Table 5 presents that the potential impact may be most felt among lower-middle income countries and in East Asia and the Pacific. The potential reduction of exports is significant in some countries, reaching 4.5%, 4%, 3.7% and 1.8% of GDP in Vietnam, Cambodia, Nicaragua and Thailand, respectively.

Table 5 Estimated potential impact of US reciprocal tariffs on exports by country groups (% of 2023 GDP)

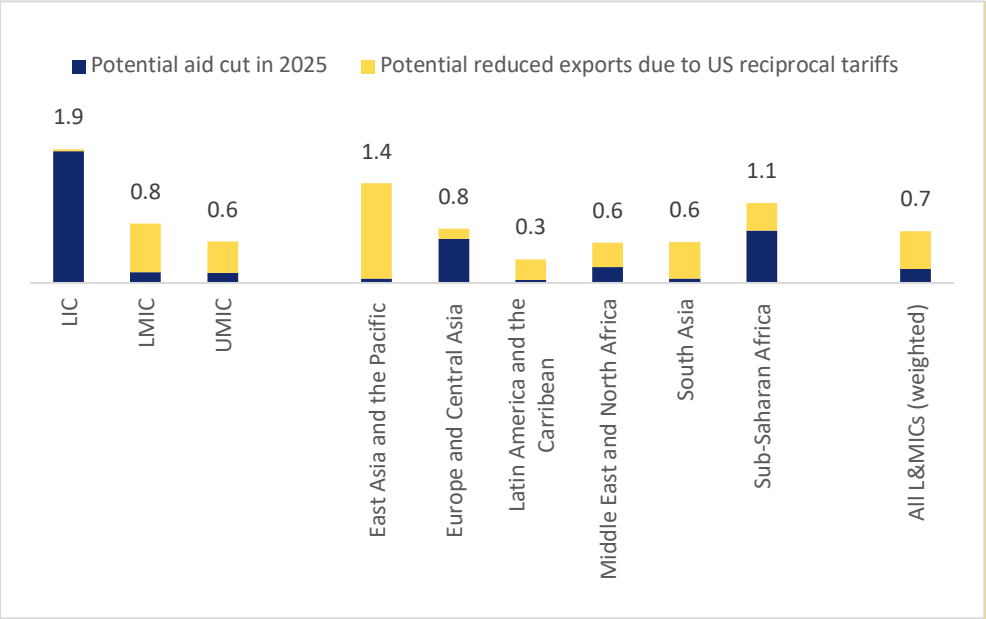
Country group	Exposure: US goods exports as % of GDP, 2023 or latest*	Potential impact of higher US tariffs: reduced US exports as % of GDP*
By income		
Low income	0.22	0.03
Lower-middle	3.23	0.68
Upper-middle (excluding China)	6.32	0.43
By region		
East Asia and the Pacific (excluding China)	6.77	1.32
Europe and central Asia	0.89	0.15
Latin America and Caribbean (LAC)	9.80	
LAC, excluding Mexico	*2.57*	*0.28*
Middle East and North Africa	1.25	0.33
South Asia	2.11	0.51
Sub-Saharan Africa	0.93	0.38
Full sample*	5.01	0.52

Note: Estimates using the reciprocal tariffs announced as of 31 July, and import price elasticity of -1. *Full sample for the column 'exposure' refers to 118 L&MICs (excluding China); for the column 'potential impact of higher US tariffs' refers to 114 L&MICs, excluding China and four L&MICs (Belarus, Burkina Faso, Mexico and Somalia) with no assigned US tariffs.
Source: Authors' computations.

5.3 Possible combined impacts of aid cuts and US reciprocal tariffs

Given the estimates of potential direct impacts (as % of GDP) of aid cuts and reduced exports due to higher US tariffs, Figure 7 summarises the impacts for all L&MICs (0.7% of GDP). By country groups, estimates highlight that LICs may potentially be affected mainly through aid cuts, while MICs, especially in East Asia and South Asia, may suffer mostly through the possible reduction of exports to the US due to higher tariffs. Some countries may be significantly affected by both shocks, such as Lesotho, which may experience GDP declines from aid cuts (3.8% of GDP) and potential reduced exports due to US reciprocal tariffs (1.1% of GDP).

Figure 7 Potential combined annual direct impact of aid cuts and US reciprocal tariffs (% of GDP)*



Notes: *For aid cuts, estimate is particular for 2025 (i.e., the magnitude and start of implementation of aid cuts vary over 2025-2029, see Table 1). Potential aid cut in 2025 is expressed as percentage of 2023 GDP, while potential export reduction is computed based on -1 elasticity, and goods exports to the US and GDP of L&MICs as of 2023 (or latest year). The sample excludes China. For potential tariff impact calculations, countries with no assigned US reciprocal tariffs (Burkina Faso, Belarus, Mexico and Somalia) are excluded.

Source: Authors' computations.

6 Conclusion

Over the past five years, the world economy has been hit by one crisis after another. The latest global shocks come in the form of major global aid cuts and rising US tariffs. We assess the vulnerability of 119 countries to these shocks by developing a vulnerability index from a combination of 18 indicators of exposure (e.g., dependence on aid, reliance on the US market for exports, trade and financial openness) and resilience (e.g., available monetary and fiscal policy buffers) to their possible impacts. Based on this approach, **we have identified the most vulnerable countries as Burundi and South Sudan, followed by Lebanon, and then Mozambique, Pakistan, São Tomé and Príncipe, Somalia, Sudan and Ukraine.**

Beyond assessing vulnerability, we attempted to quantify the possible direct impacts of aid cuts and the potential reduced exports resulting from lower US demand due to higher tariffs in L&MICs. **We estimate that L&MICs (excluding China) may lose $39 billion in 2025 as a result of aid cuts, and $89 billion annually from lower exports due to US reciprocal tariffs - a combined effect equivalent to 0.7% of GDP.** Impacts vary across countries depending on their dependence on aid and US markets. For instance, Vietnam and Cambodia may experience the impact of the dual shocks largely due to a potential decline in exports to the US amid high tariffs, equivalent to around 4% of their GDPs, but small island states like the Marshall Islands and Micronesia may experience aid cuts equivalent to more than 30% of their GDPs. Nevertheless, among L&MICs, **the lowest-income countries are estimated to be disproportionately affected by both aid cuts and US reciprocal tariffs, equivalent to 2% of GDP, primarily due to aid cuts (1.8% of GDP).** Within countries, disproportionate impacts are likely to be felt by the most vulnerable groups, including women and children.

Still, there is a window of opportunity to build resilience. Finance ministries can ease future pressures by restructuring debt towards more concessional, long-term financing. This would free up resources to support social safety nets for the most vulnerable should the joint shocks of aid cuts and US reciprocal tariffs fully materialise. Central banks should begin preparing monetary policy and liquidity measures to manage potential currency volatility and credit tightening.

Exploring countercyclical financing options – such as bilateral currency swaps or regional financial mechanisms – can also help

cushion the impact of tightening global conditions. A rapid assessment of how these shocks might affect different population groups and sectors is essential. Targeted support will be particularly important for vulnerable industries such as health and garments, and for groups like women and children.

For countries facing steep US tariffs, now is the time to explore new trade deals, diversify export markets, consider reshoring parts of their supply chains where appropriate and identify alternative investment opportunities. In the medium term, investing in transformative sectors and broadening trade partnerships will help build long-term resilience and reduce dependence on foreign aid.

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Appendix 1 US tariff announcements and country responses

Below is the timeline of US tariff announcements as of 31 July 2025:[8]

- 20 January: The America First Trade Policy recommends the use of tariffs for US economic interests, national security, industrial competitiveness.
- 1 February: Executive orders signed by US President Donald J. Trump impose tariffs on Canada, China and Mexico.
- 4 February–4 March: An additional tariff of 10% on all imports from China comes into effect on 4 February, and another 10% is imposed on 4 March. Tariffs of 25% on all non-energy goods imports from Canada (for energy, 10%) and of 25% on all imports from Mexico take effect on 4 March, with the exemption of goods compliant with the United States–Mexico–Canada Agreement (USMCA).
- 12 March: The US expands tariffs on steel and aluminium, effective 12 March, removing all exemptions to the 25% tariff on steel imports and increasing the tariff rate on aluminium from 10% to 25%.
- 24 March: The US announces a 25% tariff on all imports from any countries that import Venezuelan oil.
- 26 March: The US announces a 25% tariff on all automobiles and auto parts, excluding US content in auto and auto parts exports. This tariff comes into effect on 3 April for autos, while implementation for auto parts is postponed to 3 May.
- 2 April: The US Fair and Reciprocal Plan is introduced, imposing a 10% minimum tariff on all countries other than Canada and Mexico and country-specific reciprocal tariffs up to 50% for roughly 60 countries. Additional reciprocal tariffs are introduced based on trade surpluses with the US. The universal 10% minimum tariff takes effect on 5 April, with the other tariffs set to take effect on 9

[8] Compiled based on Gan et al (2025), Lowell et al (2025), IMF (2025), UNCTAD (2025) and various news reports.

April. Exemptions are applied to categories of goods deemed critical, such as pharmaceuticals, semiconductors, energy and certain minerals.

- 9 April: The US reciprocal tariffs are suspended for 90 days, but the 10% baseline duty is extended to all countries. Tariffs on Chinese imports are escalated to 145% (electronics are exempted on 13 April), and the de minimis exemption for Chinese goods is revoked.
- 23–25 May: The US announces a plan to impose 50% tariffs on EU goods from 1 June but postpones said plan until 9 July.
- 28–29 May: The US Court of International Trade declares the International Emergency Economic Powers Act and reciprocal tariffs unlawful. The US government files an appeal with the US Court of Appeals, which reinstates President Trump's announced tariffs while the government's appeal is being considered.
- 4 June: The US announces increased tariffs for steel and aluminium from 25% to 50%, except for imports from the UK, which are to remain at 25%.
- 7 July: The US further delays implementation of reciprocal tariffs to 1 August, with details of retained/new tariffs for 14 countries (Bangladesh, Bosnia and Herzegovina, Cambodia, Indonesia, Japan, Kazakhstan, Lao PDR, Malaysia, Myanmar, Serbia, South Africa, South Korea, Thailand and Tunisia)
- 9–12 July: The US announces retained/new tariffs for Algeria, Brunei Darussalam, Iraq, Libya, Moldova, Philippines and Sri Lanka (9 July); Brazil (10 July); and the EU and Mexico (12 July).
- 31 July: The US announces further modification of reciprocal tariffs, with effectivity date of 7 August.

Globally, responses to the US tariffs have been varied, with some imposing retaliatory tariffs while others are pursuing negotiations with the US. As of writing, the following are the country/regional bloc responses to the US tariffs:

- The Association of Southeast Asian Nations (ASEAN) has emphasised trade resilience within member states while concurrently negotiating with both China and the US (Medina, 2025).
- The EU announced 25% retaliatory tariffs but paused the plan on 10 April for 90 days (Payne, 2025; Rankin and Jones, 2025). The EU and the US are negotiating on US plans to impose 50% tariffs on EU goods by 9 July (Rankin and O'Carroll, 2025). On 27 July, the EU and US agreed on a trade deal with 15% US tariff on EU goods (Smith, 2025).

- The Southern African Development Community (SADC) reiterates its commitment to multilateral trade rules and will conduct an assessment of the US tariff impact in SADC to inform a collective response (SADC Secretariat, 2025).
- Argentina and Lesotho are in the process of negotiations through either increased imports of US products or reduced existing tariffs (Durkee, 2025).
- Bangladesh is reported to be ready to offer zero import tariffs for another 100 US goods in addition to the existing 190, in order to minimise the trade gap and address the US reciprocal tariffs (The Daily Star, 2025).
- Canada has announced 25% counter-tariffs on roughly 40% of Canadian imports of goods from the US, and 25% tariffs on non-USMCA-compliant fully assembled vehicles imported from the US (IMF, 2025).
- Cambodia has offered to reduce import tariffs on 19 categories of US products from 35% to 5% (Ministry of Commerce,, 2025).
- China retaliated with tariffs of 10%–15% on imports of select US agricultural products, energy commodities and farm equipment, which took effect on 10 February, and on imports of agricultural products, which took effect on 10 March (IMF, 2025). On 4 April, China announced 34% tariffs, matching the increase in US duties on imports from China, to take effect on 10 April. On 11 April, China announced 125% retaliatory tariffs (Cash and Zhang, 2025). China secured a trade deal with the US on 12 May that temporarily (for 90 days) lowers the US tariffs on Chinese goods to 10% (The White House, 2025).
- US President Trump announced on 31 July that he and Mexican President Sheinbaum agreed to keep current US tariffs on selected products over a 90-day period[9].
- The EU, Indonesia, Japan, Pakistan, Philippines, South Korea and Vietnam secured trade deals (to lower US tariffs) with the US between May to July 2025 (Sharma, 2025)..

Other trade agreements/arrangements/deals have also progressed since the US tariff announcements, including between the UK and India (8 May), the EU and Mexico (8 May), the EU and India (10 May), the EU and Kenya (12 May) and Mercosur and the European Free Trade Association (EFTA) (2 July).[10]

[9] See statement posted by US President Trump on Truth Social (https://truthsocial.com/@realDonaldTrump/posts/114948452793702817)
[10] Sources from various reports..

Appendix 2 Data sources

Indicator	Years coverage	Source	Remarks on data processing
Exports of goods to the US (% of GDP)	2019–2023 or latest (within 2012–2023)	Observatory of Economic Complexity (OEC), World Integrated Trade Solutions (WITS), World Bank and IMF World Economic Outlook (WEO) (April 2025) databases	Average of annual percent share of US exports to GDP. Export data based on WITS. Missing data on specific countries (i.e. Afghanistan, Marshall Islands, Micronesia, Somalia, Sudan) supplemented with data from OEC. GDP based on World Bank database. Missing data supplemented with GDP estimates from IMF WEO 2025.
Fiscal deficit/surplus (% of GDP)	2019–2023	IMF WEO (October 2024)	Average of general government net lending/borrowing for 2019–2023.
Public debt (% of GDP)	2019–2023	IMF WEO (October 2024)	Average of general government gross debt to GDP ratio for 2019–2023.
Debt sustainability	2024	World Bank: economies at high risk of or in debt distress	Binary indicator of debt sustainability.
Inflation (%)	2024	IMF WEO (October 2024/April 2025)	Annual percentage change of average consumer prices.
Foreign reserves (months of imports)	2023 or latest year	World Bank	Foreign reserves in months of imports.
Bilateral trade agreement (BTA) with the US	2025 (as of February)	WTO Regional Trade Agreements	Binary indicator of whether there is a BTA currently in force with the US.
BTA with other major donors that have announced aid cuts (Germany, EU, UK, France, Netherlands, Sweden, Switzerland, Belgium, Finland)	2025 (as of February)	WTO Regional Trade Agreements	Binary indicator of whether there is a BTA currently in force with any of Germany, EU, UK, France, Netherlands, Sweden, Switzerland, Belgium or Finland.
FCAS	FY2025 (July 2024)	IMF	Binary indicator of whether a country is FCAS.
Climate change risk index	Data downloaded as of May 2025	EU INFORM climate change risk index	Index reflecting quantified estimates of the impacts of climate change on the future risk of humanitarian crises and disasters.

Appendix 3 Vulnerability index indicators

Table A3.1 Exposure indicators

Economy	Region	Income group	Aid from US (% of GDP, 2023)	Aid from European donors with announced aid cuts (% of GDP, 2023)	Aid from US and European donors with announced aid cuts (% of revenues, 2023)	Goods exports to US (% of GDP, annual average 2019-2023 or latest year)	Share of goods exports to US/total exports (%,annual average 2019-2023 or latest year)	Share of iron, steel and car exports to US/ total exports (%,annual average 2019-2023 or latest year)	US reciprocal tariff as of as of 31 July 2025	FDI net inflows (% of GDP, annual average 2019-2023 or latest year)	Merchandise trade (% of GDP, annual average 2019-2023 or latest year)
Thresholds			> 5	> 5	> 10	> 5	> 10	> 10	> 15	> 10	> 50
Afghanistan	SA	LIC	6.84	5.84	81.67	0.14	0.35	0.35	15	0.11	40.85
Albania	ECA	UMIC	0.09	1.51	5.75	0.22	1.22	30.74	10	7.19	58.62
Algeria	MENA	UMIC	0.00	0.08	0.23	1.83	9.85	0.01	30	0.56	40.74
Angola	SSA	UMIC	0.07	0.14	1.22	0.75	1.59	0.28	15	-5.00	66.75
Argentina	LAC	UMIC	0.00	0.02	0.07	0.95	6.96	12.18	10	2.04	25.67
Armenia	ECA	UMIC	0.24	0.62	3.44	0.38	1.84	28.17	10	2.25	66.98
Azerbaijan	ECA	UMIC	0.03	0.03	0.15	0.08	0.19	45.12	10	-0.83	65.18
Bangladesh	SA	UMIC	0.10	0.16	3.25	3.15	19.35	0.02	20	0.41	28.04
Belarus	ECA	UMIC	0.04	0.00	0.11	0.28	0.54	13.20	N/A	2.19	109.94
Belize	LAC	UMIC	0.24	0.17	1.77	1.72	20.63	0.09	10	3.66	59.87
Benin	SSA	UMIC	0.77	1.95	18.05	0.04	0.77	0.58	10	1.79	46.41
Bhutan	SA	UMIC	0.02	0.27	1.18	0.01	0.04	33.79	10	0.22	67.56
Bolivia	LAC	UMIC	0.01	0.80	2.99	0.90	3.76	0.15	15	-0.32	48.80
Bosnia and Herzegovina	ECA	UMIC	0.19	1.17	3.33	0.31	0.88	8.32	30	3.01	89.75

Economy	Region	Income group	Aid from US (% of GDP, 2023)	Aid from European donors with announced aid cuts (% of GDP, 2023)	Aid from US and European donors with announced aid cuts (% of revenues, 2023)	Goods exports to US (% of GDP, annual average 2019-2023 or latest year)	Share of goods exports to US/total exports (%,annual average 2019-2023 or latest year)	Share of iron, steel and car exports to US/ total exports (%,annual average 2019-2023 or latest year)	US reciprocal tariff as of as of 31 July 2025	FDI net inflows (% of GDP, annual average 2019-2023 or latest year)	Merchandise trade (% of GDP, annual average 2019-2023 or latest year)
Botswana	SSA	UMIC	0.28	0.06	1.18	0.58	1.70	0.06	15	1.20	74.18
Brazil	LAC	UMIC	0.00	0.02	0.05	1.72	11.49	18.13	10	3.15	27.55
Burkina Faso	SSA	LIC	0.86	6.09	31.15	0.15	0.62	0.27	N/A	0.83	49.63
Burundi	SSA	LIC	3.30	5.67	43.43	0.05	0.81	1.50	10	0.97	43.97
Cabo Verde	SSA	UMIC	0.08	0.08	0.66	0.13	5.52	2.25	10	5.06	41.46
Cambodia	EAP	UMIC	0.28	0.61	5.61	18.21	37.70	0.54	19	9.63	115.08
Cameroon	SSA	UMIC	0.33	0.74	6.45	0.36	3.80	0.06	15	2.03	26.01
Central African Republic	SSA	LIC	4.87	10.98	110.39	0.00	0.04	1.94	10	0.79	27.57
Chad	SSA	LIC	0.56	2.53	18.47	0.39	2.53	0.64	15	5.62	41.25
China	EAP	UMIC	0.00	0.00	0.02	3.06	16.49	3.83	10	1.25	33.14
Colombia	LAC	UMIC	0.17	0.05	0.69	3.86	29.00	4.14	10	3.94	31.55
Comoros	SSA	UMIC	0.09	5.60	34.58	0.10	4.27	0	10	0.34	27.80
Congo, DR	SSA	LIC	1.84	1.05	19.53	0.01	0.05	0.33	15	2.89	44.28
Congo, Rep.	SSA	UMIC	0.09	0.90	3.73	0.80	1.96	0.56	10	-4.44	70.61
Costa Rica	LAC	UMIC	0.05	0.09	0.96	8.92	43.88	1.06	15	4.77	50.33
Côte d`Ivoire	SSA	UMIC	0.35	0.97	8.16	1.30	6.07	0.02	15	1.79	42.73
Djibouti	MENA	UMIC	0.59	1.45	11.52	1.06	0.00	1.77	10	4.80	220.34
Dominica	LAC	UMIC	0.04	1.35	2.33	0.28	8.60	3.96	10	6.00	48.35
Dominican Republic	LAC	UMIC	0.07	0.54	3.84	6.12	54.82	2.67	10	3.47	36.57
Ecuador	LAC	UMIC	0.07	0.14	0.56	6.37	25.83	0.88	15	0.75	47.79

Economy	Region	Income group	Aid from US (% of GDP, 2023)	Aid from European donors with announced aid cuts (% of GDP, 2023)	Aid from US and European donors with announced aid cuts (% of revenues, 2023)	Goods exports to US (% of GDP, annual average 2019-2023 or latest year)	Share of goods exports to US/total exports (%,annual average 2019-2023 or latest year)	Share of iron, steel and car exports to US/ total exports (%,annual average 2019-2023 or latest year)	US reciprocal tariff as of as of 31 July 2025	FDI net inflows (% of GDP, annual average 2019-2023 or latest year)	Merchandise trade (% of GDP, annual average 2019-2023 or latest year)
Egypt	MENA	UMIC	0.06	0.05	0.60	0.54	5.54	6.48	10	2.09	28.78
El Salvador	LAC	UMIC	0.45	0.08	2.04	8.37	39.93	0.64	10	1.76	67.45
Eswatini	SSA	UMIC	1.37	0.53	6.63	0.57	1.29	0.19	10	1.41	85.33
Ethiopia	SSA	LIC	0.98	3.63	56.10	0.26	10.50	0.11	10	2.72	16.43
Fiji	EAP	UMIC	0.12	0.38	2.12	3.40	29.39	0.01	15	4.92	70.62
Gabon	SSA	UMIC	0.01	0.20	1.04	0.80	1.55	1.15	10	7.92	68.00
The Gambia	SSA	LIC	0.52	4.23	23.78	0.00	0.40	16.08	10	9.22	41.06
Georgia	ECA	UMIC	0.34	1.30	5.95	0.71	5.01	87.00	10	6.80	73.89
Ghana	SSA	UMIC	0.26	0.28	3.38	0.97	4.47	0.04	15	3.04	40.00
Grenada	LAC	UMIC	0.00	0.17	0.48	0.41	15.69	1.02	10	14.86	45.28
Guatemala	LAC	UMIC	0.22	0.07	2.36	4.93	32.57	0.91	10	2.01	43.56
Guinea	SSA	UMIC	0.22	0.84	7.43	0.18	0.65	1.67	10	2.39	72.28
Guinea-Bissau	SSA	LIC	0.26	2.47	19.88	2.24	20.11	46.21	10	1.83	37.47
Haiti	LAC	UMIC	1.71	0.76	33.87	5.61	82.31	0.11	10	0.25	28.61
Honduras	LAC	UMIC	0.63	0.20	3.32	7.40	40.94	1.21	10	2.65	86.40
India	SA	UMIC	0.01	0.02	0.12	2.11	17.62	6.26	25	1.58	29.88
Indonesia	EAP	UMIC	0.01	0.02	0.21	1.88	10.38	1.80	19	1.86	34.06
Iran	MENA	UMIC	0	0.16	1.38	0.00	0.00	0.99	10	0.41	35.29
Iraq	MENA	UMIC	0.12	0.23	0.81	2.78	6.68	0.00	35	-1.40	58.42
Jamaica	LAC	UMIC	0.23	0.18	1.33	4.16	49.12	0.03	10	2.42	50.56

Economy	Region	Income group	Aid from US (% of GDP, 2023)	Aid from European donors with announced aid cuts (% of GDP, 2023)	Aid from US and European donors with announced aid cuts (% of revenues, 2023)	Goods exports to US (% of GDP, annual average 2019-2023 or latest year)	Share of goods exports to US/total exports (%,annual average 2019-2023 or latest year)	Share of iron, steel and car exports to US/ total exports (%,annual average 2019-2023 or latest year)	US reciprocal tariff as of as of 31 July 2025	FDI net inflows (% of GDP, annual average 2019-2023 or latest year)	Merchandise trade (% of GDP, annual average 2019-2023 or latest year)
Jordan	MENA	UMIC	2.46	3.43	23.32	4.84	25.00	1.05	15	1.79	68.72
Kazakhstan	ECA	UMIC	0.01	0.01	0.07	0.43	1.44	23.64	25	2.58	53.20
Kenya	SSA	UMIC	0.76	0.43	7.05	0.48	8.33	0.83	10	0.44	23.51
Kyrgyz Republic	ECA	UMIC	0.43	1.12	4.15	0.03	0.14	1.79	10	1.17	88.93
Lao PDR	EAP	UMIC	0.72	0.75	8.97	0.40	1.02	0.58	40	6.15	80.02
Lebanon	MENA	UMIC	1.70	5.08	52.61	0.44	3.00	2.19	10	3.47	79.80
Lesotho	SSA	UMIC	3.99	0.94	8.77	10.65	27.73	0.00	15	0.16	114.17
Liberia	SSA	LIC	3.76	4.72	42.25	1.65	29.34	0.20	10	16.53	59.33
Libya	MENA	UMIC	0.14	0.37	0.69	3.33	4.35	0.00	30	1.71	88.70
Madagascar	SSA	LIC	1.09	3.03	29.92	3.43	17.85	0.00	15	2.86	49.47
Malawi	SSA	LIC	3.39	2.13	28.73	0.35	4.89	0.51	15	1.38	29.78
Malaysia	EAP	UMIC	0.00	0.01	0.05	8.30	10.89	2.93	19	2.96	138.91
Maldives	SA	UMIC	0.03	0.67	2.05	0.13	4.02	0.05	10	12.87	58.24
Mali	SSA	LIC	1.16	3.10	19.09	0.06	0.31	1.18	10	3.71	58.19
Marshall Islands	EAP	UMIC	32.01	2.11	51.16	4.58	1.77	15.75	10	1.09	61.18
Mauritania	SSA	UMIC	0.30	3.64	17.51	0.02	0.07	10.07	10	6.85	79.52
Mauritius	SSA	UMIC	0.00	0.53	2.29	1.16	9.99	0.04	15	3.38	59.34
Mexico	LAC	UMIC	0.01	0.01	0.09	28.72	78.63	11.70	#N/A	2.43	74.16
Micronesia, Fed. Sts.	EAP	UMIC	41.62	4.89	78.26	0.46	1.04	12.32	10	0.10	85.88

Economy	Region	Income group	Aid from US (% of GDP, 2023)	Aid from European donors with announced aid cuts (% of GDP, 2023)	Aid from US and European donors with announced aid cuts (% of revenues, 2023)	Goods exports to US (% of GDP, annual average 2019-2023 or latest year)	Share of goods exports to US/total exports (%,annual average 2019-2023 or latest year)	Share of iron, steel and car exports to US/ total exports (%,annual average 2019-2023 or latest year)	US reciprocal tariff as of as of 31 July 2025	FDI net inflows (% of GDP, annual average 2019-2023 or latest year)	Merchandise trade (% of GDP, annual average 2019-2023 or latest year)
Moldova	ECA	UMIC	1.09	3.09	12.27	0.26	1.42	0.81	25	2.96	77.50
Mongolia	EAP	UMIC	0.37	0.26	1.83	0.13	0.22	0.56	10	14.00	108.57
Morocco	MENA	UMIC	0.09	0.42	1.82	0.89	3.36	0.36	10	1.32	69.88
Mozambique	SSA	LIC	3.04	1.94	17.15	0.57	1.65	0.89	15	21.15	90.23
Myanmar	EAP	UMIC	0.35	0.35	3.98	1.04	4.42	0.93	40	2.42	47.83
Namibia	SSA	UMIC	0.68	1.26	5.75	0.26	0.87	0.21	15	6.19	93.97
Nepal	SA	UMIC	0.34	0.50	4.35	0.32	9.92	0.16	10	0.36	37.45
Nicaragua	LAC	UMIC	0.19	1.66	6.39	24.17	56.07	0.03	18	6.73	105.01
Niger	SSA	LIC	1.89	3.19	48.70	0.04	0.93	1.19	10	4.91	30.16
Nigeria	SSA	UMIC	0.26	0.14	4.26	0.71	5.40	0.04	15	0.45	23.67
North Macedonia	ECA	UMIC	0.16	2.67	8.58	0.47	0.81	20.00	15	3.92	136.78
Pakistan	SA	UMIC	0.06	0.96	8.84	1.50	19.01	0.40	19	0.60	24.98
Papua New Guinea	EAP	UMIC	0.12	0.21	1.83	0.26	0.64	0.01	15	1.15	59.20
Paraguay	LAC	UMIC	0.04	0.12	0.89	0.54	2.21	4.28	10	1.21	58.80
Peru	LAC	UMIC	0.08	0.11	0.95	3.13	14.02	0.19	10	2.32	43.74
Philippines	EAP	UMIC	0.05	0.90	4.68	2.91	15.81	0.55	19	2.33	48.98
Rwanda	SSA	LIC	1.27	13.85	67.67	0.19	1.95	0.07	10	2.30	40.80
Samoa	EAP	UMIC	0.12	9.69	28.70	0.67	14.80	0.27	10	0.43	49.53
São Tomé and Príncipe	SSA	UMIC	0.00	2.71	12.25	0.01	0.53	20.99	10	10.65	35.57

Economy	Region	Income group	Aid from US (% of GDP, 2023)	Aid from European donors with announced aid cuts (% of GDP, 2023)	Aid from US and European donors with announced aid cuts (% of revenues, 2023)	Goods exports to US (% of GDP, annual average 2019-2023 or latest year)	Share of goods exports to US/total exports (%,annual average 2019-2023 or latest year)	Share of iron, steel and car exports to US/ total exports (%,annual average 2019-2023 or latest year)	US reciprocal tariff as of as of 31 July 2025	FDI net inflows (% of GDP, annual average 2019-2023 or latest year)	Merchandise trade (% of GDP, annual average 2019-2023 or latest year)
Senegal	SSA	UMIC	0.81	3.48	20.57	0.52	2.88	0.13	10	9.52	54.42
Serbia	ECA	UMIC	0.06	0.90	2.23	0.70	2.14	0.89	35	6.82	89.95
Sierra Leone	SSA	LIC	0.97	1.50	19.55	0.01	0.46	5.88	10	3.61	39.85
Solomon Islands	EAP	UMIC	0.34	1.44	5.89	0.18	0.50	0.36	10	2.37	63.50
Somalia	SSA	LIC	8.95	5.58	214.90	0.01	0.15	1.59	N/A	6.02	46.01
South Africa	SSA	UMIC	0.14	0.78	3.44	2.30	8.45	19.49	30	3.02	56.92
South Sudan	SSA	LIC	9.88	5.70	50.59	0.35	0.82	38.63	10	0.00	42.45
Sri Lanka	SA	UMIC	0.12	0.35	4.19	3.64	25.30	1.48	20	0.81	36.11
St. Lucia	LAC	UMIC	0.01	0.23	1.12	1.42	30.96	1.99	10	4.54	36.85
St. Vincent and the Grenadines	LAC	UMIC	0.01	0.21	0.83	0.43	11.29	0.68	10	9.60	45.56
Sudan	SSA	LIC	0.40	0.39	17.18	0.06	0.52	0.00	10	1.96	35.10
Tajikistan	ECA	UMIC	0.61	1.00	5.40	0.00	0.04	3.04	10	1.52	63.79
Tanzania	SSA	UMIC	0.77	1.32	13.50	0.08	0.97	0.13	10	1.81	24.64
Thailand	EAP	UMIC	0.02	0.01	0.14	8.00	15.35	5.01	19	1.37	102.58
Timor-Leste	EAP	UMIC	2.06	2.80	12.23	0.37	3.86	0.15	10	-14.20	44.06
Togo	SSA	LIC	0.30	2.09	12.04	0.31	2.66	0.34	10	0.15	47.87
Tonga	EAP	UMIC	0.59	0.32	1.70	0.56	67.42	0.88	10	0.04	52.31
Tunisia	MENA	UMIC	0.26	1.25	5.28	0.89	2.35	2.18	25	1.50	88.32
Turkey	ECA	UMIC	0.02	0.07	0.31	1.52	5.99	10.79	15	1.27	57.86

Economy	Region	Income group	Aid from US (% of GDP, 2023)	Aid from European donors with announced aid cuts (% of GDP, 2023)	Aid from US and European donors with announced aid cuts (% of revenues, 2023)	Goods exports to US (% of GDP, annual average 2019-2023 or latest year)	Share of goods exports to US/total exports (%,annual average 2019-2023 or latest year)	Share of iron, steel and car exports to US/ total exports (%,annual average 2019-2023 or latest year)	US reciprocal tariff as of as of 31 July 2025	FDI net inflows (% of GDP, annual average 2019-2023 or latest year)	Merchandise trade (% of GDP, annual average 2019-2023 or latest year)
Tuvalu	EAP	UMIC	0.16	66.39	61.26	0.31	0.41	0	10	0.34	56.17
Uganda	SSA	LIC	1.40	0.74	14.93	0.17	1.73	0.03	15	4.71	32.85
Ukraine	ECA	UMIC	6.60	12.66	35.13	0.58	1.95	57.56	10	2.13	65.15
Uzbekistan	ECA	UMIC	0.05	0.35	1.52	0.02	0.11	2.24	10	2.81	51.10
Vietnam	EAP	UMIC	0.05	0.03	0.47	23.23	27.26	2.42	20	4.46	166.14
Yemen, Rep.	MENA	LIC	4.23	4.42	143.40	0.00	0.39	0.30	10	-1.69	26.47
Zambia	SSA	UMIC	1.57	0.81	11.11	0.14	0.36	7.92	15	1.12	72.11
Zimbabwe	SSA	UMIC	0.90	0.40	8.88	0.03	0.15	38.34	15	1.00	43.16

Notes: Country groupings are based on World Bank classifications. EAP = East Asia and Pacific, ECA = Europe and Central Asia, LAC = Latin America and Caribbean, MENA = Middle East and North Africa, SA = South Asia, SSA = Sub-Saharan Africa, LIC = low-income country, LMIC = lower-middle income country, UMIC = upper-middle income country. N/A = no US tariff assigned.

Table A3.2 Resilience indicators

Economy	Region	Income group	Current account balance (% of GDP, annual average, 2019–2023)	Fiscal deficit/ surplus (% of GDP, annual average, 2019–2023)	Public debt (% of GDP, annual average, 2019–2023)	Debt sustainability risk as of 2024	Inflation (%, 2024 or latest year)	Foreign reserves (months of imports, 2024 or latest year)	BTA with US	FCAS	Climate change risk index
Thresholds			< -5	< -5	> 60	1 = high risk of or in debt distress; 0 = low or medium risk; N/A = not in LIC list	> 10	< 3	1 = absence of BTA	1 = classified as FCAS	> 5 indicating high or very high risk
Afghanistan	SA	LIC	-17.94	-1.23	7.07	1	-6.60	16.63	1	1	8
Albania	ECA	UMIC	-6.22	-3.63	68.74	0	2.21	6.73	1	0	2.6
Algeria	MENA	UMIC	-2.21	-6.70	47.74	0	4.05	16.91	1	0	3.9
Angola	SSA	LMIC	7.57	0.23	84.92	0	28.24	5.09	1	0	4.5
Argentina	LAC	UMIC	-0.52	-5.33	102.91	1	219.89	2.47	1	0	2.9
Armenia	ECA	UMIC	-3.30	-3.02	56.87	0	0.27	2.70	1	0	5.3
Azerbaijan	ECA	UMIC	12.85	4.12	20.90	0	2.21	5.47	1	0	5.8
Bangladesh	SA	LMIC	-1.95	-4.50	35.85	0	10.47	3.38	1	0	5.5
Belarus	ECA	UMIC	0.57	-0.71	42.34	0	5.79	1.89	1	0	1.4
Belize	LAC	UMIC	-5.89	-3.31	79.56	1	3.29	3.33	1	0	3.3
Benin	SSA	LMIC	-3.98	-4.12	49.28	0	1.17	3.30	1	0	4.1
Bhutan	SA	LMIC	-21.01	-4.15	114.27	0	2.76	4.06	1	0	3.2
Bolivia	LAC	LMIC	0.02	-9.47	77.31	0	5.10	1.50	1	0	3.5
Bosnia and Herzegovina	ECA	UMIC	-2.73	-0.68	33.82	0	1.69	6.65	1	0	3.1
Botswana	SSA	UMIC	-4.10	-5.29	18.42	0	2.82	6.96	1	0	2.9
Brazil	LAC	UMIC	-2.20	-6.15	88.13	0	4.37	9.57	1	0	5
Burkina Faso	SSA	LIC	-2.23	-6.73	51.14	0	4.19	3.30	1	1	6.4

Economy	Region	Income group	Current account balance (% of GDP, annual average, 2019–2023)	Fiscal deficit/ surplus (% of GDP, annual average, 2019–2023)	Public debt (% of GDP, annual average, 2019–2023)	Debt sustainability risk as of 2024	Inflation (%, 2024 or latest year)	Foreign reserves (months of imports, 2024 or latest year)	BTA with US	FCAS	Climate change risk index
Burundi	SSA	LIC	-16.95	-7.41	64.65	1	20.21	0.73	1	1	5.1
Cabo Verde	SSA	LMIC	-6.98	-4.57	128.07	1	1.00	6.72	1	0	1.9
Cambodia	EAP	LMIC	-11.25	-1.72	24.56	0	0.87	7.77	1	0	4.6
Cameroon	SSA	LMIC	-3.89	-2.24	44.47	1	4.51	4.00	1	1	6.2
Central African Republic	SSA	LIC	-9.29	-3.37	49.93	1	3.43	4.00	1	1	7.7
Chad	SSA	LIC	-0.88	0.50	37.78	1	8.90	4.00	1	1	7.8
China	EAP	UMIC	1.66	-7.26	72.84	0	0.22	11.78	1	0	3.9
Colombia	LAC	UMIC	-4.43	-5.28	59.30	0	6.61	7.15	0	0	5.4
Comoros	SSA	LMIC	-1.54	-2.59	26.63	1	5.05	7.61	1	1	3.8
Congo, DR	SSA	LIC	-3.42	-1.89	15.13	0	17.65	1.69	1	1	7.6
Congo, Rep.	SSA	LMIC	11.94	3.92	93.88	1	3.06	1.60	1	1	5.2
Costa Rica	LAC	UMIC	-2.03	-5.23	63.02	0	-0.41	4.35	1	0	3.2
Côte d'Ivoire	SSA	LMIC	-4.25	-4.91	49.68	0	3.47	3.30	1	0	4.7
Djibouti	MENA	LMIC	11.71	-2.28	38.85	1	2.11	1.10	1	0	4.4
Dominica	LAC	UMIC	-33.95	-6.77	103.75	1	1.89	5.24	1	0	2.6
Dominican Republic	LAC	UMIC	-3.05	-4.16	61.58	0	3.30	4.52	1	0	4.2
Ecuador	LAC	UMIC	1.63	-3.19	57.91	1	1.55	1.42	1	0	4.4
Egypt	MENA	LMIC	-3.34	-6.71	88.14	1	33.30	3.87	1	0	4.8
El Salvador	LAC	UMIC	-2.36	-4.83	85.85	1	0.85	2.37	1	0	4.3
Eswatini	SSA	LMIC	2.50	-4.68	37.26	0	4.03	2.06	1	0	3.3
Ethiopia	SSA	LIC	-3.76	-2.96	49.57	1	21.75	2.05	1	1	6.8

Economy	Region	Income group	Current account balance (% of GDP, annual average, 2019–2023)	Fiscal deficit/ surplus (% of GDP, annual average, 2019–2023)	Public debt (% of GDP, annual average, 2019–2023)	Debt sustainability risk as of 2024	Inflation (%, 2024 or latest year)	Foreign reserves (months of imports, 2024 or latest year)	BTA with US	FCAS	Climate change risk index
Fiji	EAP	UMIC	-15.01	-8.93	74.06	0	4.50	4.98	1	0	3.2
Gabon	SSA	UMIC	4.77	-0.95	68.81	1	1.17	4.00	1	0	3.7
The Gambia	SSA	LIC	-4.75	-3.70	82.01	1	11.56	4.86	1	0	3.6
Georgia	ECA	UMIC	-7.74	-4.37	45.42	0	1.11	2.72	1	0	3.1
Ghana	SSA	LMIC	-1.89	-10.46	77.09	1	22.85	1.51	1	0	4
Grenada	LAC	UMIC	-14.28	1.93	78.57	1	1.41	4.27	1	0	1.7
Guatemala	LAC	UMIC	2.79	-2.25	28.94	0	2.87	6.94	1	0	5.1
Guinea	SSA	LMIC	14.20	-1.55	42.00	0	8.12	2.77	1	0	4.4
Guinea-Bissau	SSA	LIC	-4.82	-6.72	76.44	1	3.70	3.30	1	1	4.1
Haiti	LAC	LMIC	-1.24	-1.46	27.14	1	25.84	5.80	1	1	5.5
Honduras	LAC	LMIC	-3.20	-1.41	48.59	0	4.61	4.33	1	0	4.9
India	SA	LMIC	-0.83	-9.47	82.33	0	4.95	7.97	1	0	5.5
Indonesia	EAP	UMIC	-0.40	-3.28	38.24	0	2.30	5.73	1	0	4.4
Iran	MENA	UMIC	1.57	-3.69	41.64	0	32.60	15.80	1	0	4.3
Iraq	MENA	UMIC	9.30	-1.10	52.41	1	2.58	15.87	1	1	6.6
Jamaica	LAC	UMIC	0.02	-0.19	89.71	0	5.41	5.46	1	0	3
Jordan	MENA	LMIC	-5.41	-7.30	89.02	0	0.16	7.20	0	0	3.5
Kazakhstan	ECA	UMIC	-2.45	-2.80	23.54	0	4.86	4.20	1	0	1.6
Kenya	SSA	LMIC	-4.64	-6.91	67.24	1	4.49	3.65	1	0	4.6
Kyrgyz Republic	ECA	LMIC	-14.38	-0.47	52.05	0	5.02	3.07	1	0	2.7
Lao PDR	EAP	LMIC	-1.35	-1.70	96.91	1	23.13	2.17	1	0	4
Lebanon	MENA	LMIC	-22.60	-5.50	225.77	1	45.24	14.90	1	1	3.9

Economy	Region	Income group	Current account balance (% of GDP, annual average, 2019–2023)	Fiscal deficit/ surplus (% of GDP, annual average, 2019–2023)	Public debt (% of GDP, annual average, 2019–2023)	Debt sustainability risk as of 2024	Inflation (%, 2024 or latest year)	Foreign reserves (months of imports, 2024 or latest year)	BTA with US	FCAS	Climate change risk index
Lesotho	SSA	LMIC	-7.98	-1.47	59.46	0	6.11	4.71	1	0	3
Liberia	SSA	LIC	-7.40	-4.77	54.66	1	8.22	3.44	1	0	5.3
Libya	MENA	UMIC	4.29	7.26	91.50	0	2.13	36.81	1	1	6.2
Madagascar	SSA	LIC	-4.34	-3.57	50.92	0	7.64	3.98	1	0	5.2
Malawi	SSA	LIC	-15.42	-7.88	65.92	1	32.18	1.91	1	0	4.5
Malaysia	EAP	UMIC	3.25	-4.46	65.84	0	1.83	4.78	1	0	3.4
Maldives	SA	UMIC	-21.66	-13.68	119.88	1	1.40	1.22	1	0	2.1
Mali	SSA	LIC	-6.58	-4.15	49.39	0	3.21	3.30	1	1	6.9
Marshall Islands	EAP	UMIC	34.59	0.46	21.07	1	5.36	0.70	1	1	3.1
Mauritania	SSA	LMIC	-10.05	0.49	53.46	1	2.29	5.41	1	0	4.6
Mauritius	SSA	UMIC	-8.47	-5.99	83.75	0	4.10	6.23	1	0	2.1
Mexico	LAC	UMIC	0.05	-3.78	54.91	0	4.72	3.48	1	0	5
Micronesia, Fed. Sts.	EAP	LMIC	5.02	7.97	17.07	1	5.44	3.00	1	1	2.9
Moldova	ECA	UMIC	-11.61	-3.56	33.85	0	4.68	6.13	1	0	2.3
Mongolia	EAP	UMIC	-9.38	0.58	65.85	0	6.80	3.54	1	0	2.4
Morocco	MENA	LMIC	-2.24	-5.29	68.57	0	0.99	5.67	0	0	3.5
Mozambique	SSA	LIC	-21.30	-3.18	103.34	1	3.20	3.27	1	1	7.2
Myanmar	EAP	LMIC	0.09	-5.41	52.53	0	26.50	4.70	1	1	6.2
Namibia	SSA	UMIC	-7.49	-6.29	65.53	0	4.24	3.83	1	0	3.2
Nepal	SA	LMIC	-5.41	-4.66	42.10	0	5.42	10.41	1	0	4.5
Nicaragua	LAC	LMIC	2.22	-0.34	44.61	0	4.62	5.57	1	0	4.3

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Niger	SSA	LIC	-13.91	-5.32	48.65	0	9.07	3.30	1	1	7.3
Nigeria	SSA	LMIC	-1.09	-5.06	37.09	0	33.24	4.66	1	1	6.6
North Macedonia	ECA	UMIC	-2.89	-5.12	50.02	0	3.49	4.37	1	0	2.1
Pakistan	SA	LMIC	-1.98	-7.28	76.80	1	12.63	2.50	1	0	6
Papua New Guinea	EAP	LMIC	13.87	-6.05	48.43	1	0.60	5.14	1	1	5.5
Paraguay	LAC	UMIC	-1.51	-3.61	36.38	0	3.84	6.04	1	0	2.7
Peru	LAC	UMIC	-0.97	-3.28	32.98	0	2.01	10.37	0	0	4.5
Philippines	EAP	LMIC	-1.29	-4.63	51.90	0	3.21	7.64	1	0	5.3
Rwanda	SSA	LIC	-11.19	-6.50	61.43	0	1.77	3.60	1	0	4.7
Samoa	EAP	LMIC	-4.64	3.41	42.18	1	2.17	8.84	1	0	3
São Tomé and Príncipe	SSA	LMIC	-16.82	0.04	62.75	1	14.42	3.47	1	1	1.9
Senegal	SSA	LMIC	-14.16	-5.61	72.64	0	0.80	3.30	1	0	4.5
Serbia	ECA	UMIC	-4.71	-2.40	53.45	0	4.67	6.18	1	0	2.4
Sierra Leone	SSA	LIC	-7.35	-4.14	48.38	1	28.63	2.83	1	0	4.7
Solomon Islands	EAP	LMIC	-8.23	-1.72	14.46	0	4.23	8.93	1	1	4.1
Somalia	SSA	LIC	-7.95	-0.05	38.20	1	5.53	0.30	1	1	8.8
South Africa	SSA	UMIC	0.21	-6.06	67.58	0	4.36	5.34	1	0	3.7
South Sudan	SSA	LIC	-7.49	-0.71	47.81	1	128.40	0.45	1	1	8.5
Sri Lanka	SA	LMIC	-1.46	-10.41	99.52	1	-0.43	1.59	1	0	3.4
St Lucia	LAC	UMIC	-6.41	-4.80	77.38	1	-0.45	3.33	1	0	1.9

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St Vincent and the Grenadines	LAC	UMIC	-15.89	-7.48	81.62	1	3.63	5.78	1	0	2.4
Sudan	SSA	LIC	-13.16	-4.56	224.68	1	176.78	0.70	1	1	6.4
Tajikistan	ECA	LMIC	6.09	-1.71	40.16	1	3.51	8.30	1	0	3.4
Tanzania	SSA	LMIC	-3.75	-3.11	43.37	0	3.06	3.80	1	0	4.9
Thailand	EAP	UMIC	1.41	-3.44	54.36	0	0.40	7.57	1	0	4.1
Timor-Leste	EAP	LMIC	20.72	-25.14	8.97	0	2.06	7.07	1	1	4.5
Togo	SSA	LIC	-0.54	-5.02	63.48	1	3.30	3.30	1	0	4.1
Tonga	EAP	UMIC	-5.41	2.77	47.00	1	3.18	11.99	1	0	3.2
Tunisia	MENA	LMIC	-6.23	-6.80	78.00	1	7.21	4.60	1	0	3
Turkey	ECA	UMIC	-2.35	-3.80	34.46	0	58.51	4.13	1	0	4.9
Tuvalu	EAP	UMIC	5.73	2.59	10.33	1	1.17	12.00	1	1	2.7
Uganda	SSA	LIC	-8.51	-6.17	47.06	0	3.32	2.40	1	0	6.2
Ukraine	ECA	UMIC	-0.34	-9.44	64.04	0	6.50	5.05	1	1	4.5
Uzbekistan	ECA	LMIC	-5.35	-3.00	30.76	0	9.63	8.83	1	0	2.5
Vietnam	EAP	LMIC	2.67	-1.30	38.13	0	3.62	3.02	1	0	3.7
Yemen, Rep.	MENA	LIC	-12.22	-4.01	80.29	0	33.92	1.50	1	1	8.1
Zambia	SSA	LMIC	5.19	-9.12	114.45	1	14.99	3.05	1	0	4.2
Zimbabwe	SSA	LMIC	2.05	-3.01	84.76	1	736.11	0.13	1	1	4.4

Notes: Country groupings are based on World Bank classifications. EAP = East Asia and Pacific, ECA = Europe and Central Asia, LAC = Latin America and Caribbean, MENA = Middle East and North Africa, SA = South Asia, SSA = Sub-Saharan Africa, LIC = low-income country, LMIC = lower-middle income country, UMIC = upper-middle income country. N/A = no US tariff assigned.