To the point!

Cross-Asset- and Strategy-Research

Invisible tariffs

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Trump is hurting America's strongest export: its allure

Picture the scene: a customs officer at an American port inspects containers, tallies goods and feels like a front-line fighter in the battle against his country's trade deficit. The fact that the deficit jumped in May to $77.6bn, its highest level in more than a year – up 42.2% from April – only seems to make his task more urgent.

For the MAGA faithful, the latest figures are red meat. Once again Donald Trump can demand tariffs and point to foreign goods that supposedly diminish America. But this is trade-policy tunnel vision. It misses the vast damage being done, at the same time, at the airport next door. Some of those who would otherwise spend time and money in the United States are no longer arriving: tourists, students and conference-goers.

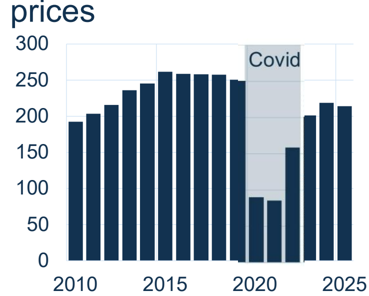
The export customer stays away

In services trade, exports work differently. Someone who books a hotel room in the U.S., studies there or attends a conference is buying an American product. In the balance of payments, that counts as a services export. It is intangible, but real – and it has long been one of America's strengths. Visa obstacles, abrasive border checks and the politically fostered impression that visitors are no longer welcome therefore work like an invisible export tariff. The difference is that Washington does not levy it at the border. It imposes it on its own hotels, universities and event organizers. Containers can pile up. Guests simply choose not to come.

The travel industry is already feeling the pain. Tourism Economics, a research firm, puts the revenue loss for U.S. tourism in 2025 at about $16.6bn and expects a further shortfall of roughly $21bn in 2026. In May, 7% fewer European visitors came to the U.S. than a year earlier. Exchange rates, the economic cycle and

Tariffs narrow the view

Fig. 1: U.S. Travel exports (incl. education in $bn at constant 2025 prices



Source: Bureau of Economic Analysis, Federal Reserve Bank of St. Louis, LBBW Research travel budgets also matter, of course. True enough; no economist should confuse correlation with causation. But the mix of visa policy, tariff bombast and measurable declines in visitor numbers suggests that politics is amplifying the effect. If you kick customers in the shins before they even reach passport control, you should not be surprised when hotel bars are empty. For me personally, 2026 is likely to be the first year in a long time in which I do not travel to the U.S.

Tighter visa rules act like export tariffs

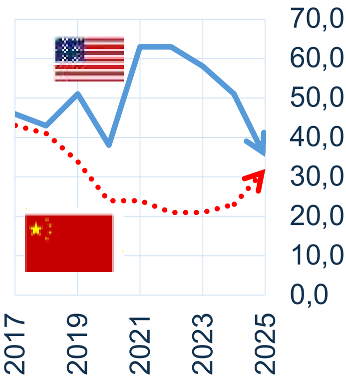
The Trump slump travels, too

The treacherous thing is that reputations heal more slowly than tariff disputes. A tariff rate can be lowered when the pressure mounts. Trust does not return by decree. In education and conferences, the damage is particularly stubborn, because decisions have long lead times and networks quickly take root elsewhere. A foreign doctoral student who chooses Heidelberg over Harvard; an association that moves its annual meeting from Washington to Vienna; a company that tightens its travel rules – none of this shows up in the tariff statistics. It slips away quietly. That is what the “Trump slump” looks like: not a crater in the goods balance, but a creeping loss of encounters, bookings and bonds. Internationally, America’s image has collapsed in recent years (see fig. 2).

Reputation returns only slowly

That is the real irony. Trump treats the goods-trade deficit as an attack from abroad and fires his tariff shotgun at anything crossing the border. In doing so, he causes plenty of collateral damage – and harms one of America’s most comfortable perches in global trade. In May, U.S. exports fell by 3.2%.

Fig. 2: Positive Opinion of U.S. and China



Source: Pew Research Center, LBBW Research (Poll in 24 countries globally)

Europe need only wave politely

Europe should not rub its hands with glee. Schadenfreude is not a strategy. But Frankfurt, Vienna or Amsterdam need not look away when conferences, business travel and perhaps even investment start looking for a safer harbor. This is an open door. Europeans should invite guests through it politely, reliably and without much fuss. That requires no retaliatory tariffs, only good airports, dependable visa procedures and a simple message: you are welcome here!

For decades, America’s influence did not rest solely on military or economic might. It was soft power that made America a magnet for so many. Trump is now gambling away that trump card. How long the damage to America’s reputation will stick is impossible to say from today’s vantage point. But I am firmly expecting that the MAGA shadow cast by Trump’s presidency will long out last his time in office. The bill will have to be paid by American companies for quite some time.

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