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THE EFFECT OF TARIFF ADJUSTMENTS ON CONTEMPORARY INTERNATIONAL TRADE: EVIDENCE FROM BULGARIA-USA TRADE⁵

The paper presents a developed and tested methodology for assessing the effects of tariff changes and the introduction of new tariffs on Bulgarian exports to the United States. Drawing on modern evaluations of trade approaches, the analysis accounts for the specific characteristics of bilateral trade, shaped by Bulgaria's high degree of openness, EU membership, and active participation in global value chains. The proposed methodology evaluates the impact of tariff introduction through three assessment options – based on price elasticity, demand, and market concentration. The results are systematised, and policy-relevant conclusions for Bulgaria's national trade strategy are outlined.

Keywords: international trade; imports; tariffs; market concentration; elasticity

JEL: F13; F14; C54

Introduction

Since the COVID-19 pandemic, global trade has undergone significant shifts, eliciting mixed responses from national economies. These have centred on the reallocation of productive resources, the adoption of sustainability principles, and the implementation of protective measures. The rapid recovery of global growth has occurred against a backdrop of fragmented international economic relations and rising protectionism, reflected in changes to trade arrangements among the world's leading economies. This context raises important questions about the implications for small open economies.

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The purpose of this paper is to propose and test a methodology for assessing the impact of tariff changes in Bulgaria-USA trade on both the trade balance and gross domestic product (GDP). The analysis recognises the asymmetry in openness between the two countries: U.S. exports account for 13% of GDP, while Bulgaria's exports represent 47%, characterising it as a small open economy. A further specificity is Bulgaria's membership in the European Union (EU), which subjects it to the Union's common trade policy and makes EU-level measures equally applicable. Thus, the methodology and its results provide a basis for drawing meaningful conclusions about the effects of these trade policy instruments.

A novel feature of the proposed methodology is the explicit accounting for direct effects under the assumption of a complete loss of exports of certain goods, particularly when tariffs on aluminium and steel are raised. At the same time, it is assumed that not all goods will be excluded from the U.S. market as higher tariffs increase prices. Accordingly, the methodology incorporates price elasticity with respect to tariffs and demand elasticity under higher prices. The assessment is further refined at the level of individual commodity groups, taking market concentration into account.

Literature Review

The international trading system has become increasingly fragmented, as a growing number of agreements erode the multilateral framework centred on the World Trade Organisation (WTO) (Marinov, 2023). Addressing global challenges such as climate change, technological transformation, and food insecurity requires both revisions of existing bilateral arrangements and progress toward a common approach in world trade (Wolff, 2024). In this environment, the European Union must develop strategies to preserve its role as a leading trading power while advancing the transition to climate neutrality, fostering net-zero industries, and supporting sustainable economic growth (ESPAS, 2024).

Transatlantic relations between the EU and the United States hold particular significance, as they represent the largest trade and investment flows globally. As Hamilton and Quinlan (2025) note, "Many US and European companies use the transatlantic economy as their geo-economic base, giving them an edge in global competition." These processes also include Bulgarian companies exporting to other EU member states and third countries (Dimitrov, M., Tassev, A., Nestorov, N., 2021). For Bulgaria, active participation in these flows is essential to reinforce its role in bilateral trade.

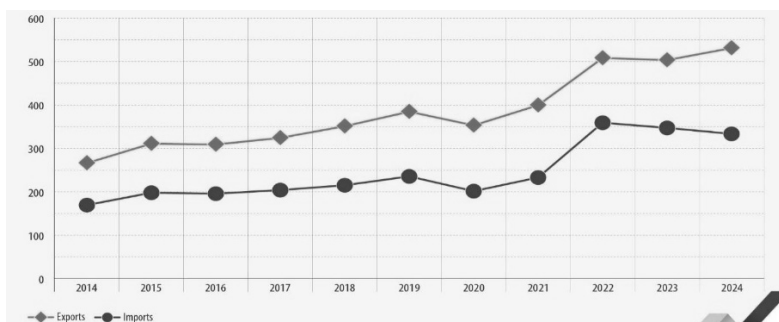
In recent years, trade and investment relations have been affected by the application of tariff and administrative barriers (Christova-Balkanska, 2018). A key motivation for assessing the effects of US tariff policy lies in the current administration's protectionist agenda, framed around reindustrialisation and reducing trade deficits. Such measures alter the functioning of the multilateral trading system, undermining both trade flows and trust among partners (Baldwin, 2025). The recent announcement of new tariffs on imports from the EU and Mexico – two of the United States' largest trading partners – illustrates this trend, though their application often lacks consistency. This recurrent pattern has even been labelled with the acronym TACO ("Trump Always Chickens Out") (Goldberg, 2025). Against this backdrop, the methodology proposed in this paper for evaluating the effects of US tariffs on

Bulgarian exports provides alternative approaches for estimating their impact and draws conclusions from the resulting evidence.

Input Data

Over the past decade, EU trade in goods with the United States has expanded more rapidly on the export side than on the import side. By 2024, EU exports to the U.S. reached USD 531.6 billion, compared with imports of USD 333.4 billion. In the first quarter of 2025, exports to the U.S. hit a record high, growing by 22.4% year-on-year – the fastest growth among all EU export destinations worldwide.

Figure 1. EU trade in goods with the United States, 2014-2024 (billion EUR)



Source: Eurostat database.

To evaluate the impact of U.S. tariffs on Bulgarian exports, it is crucial to account for the structural differences in trade between individual EU member states and the United States. These variations explain why the effects of tariff introduction will not be uniform across countries and highlight the importance of assessing the specific economic conditions of each case.

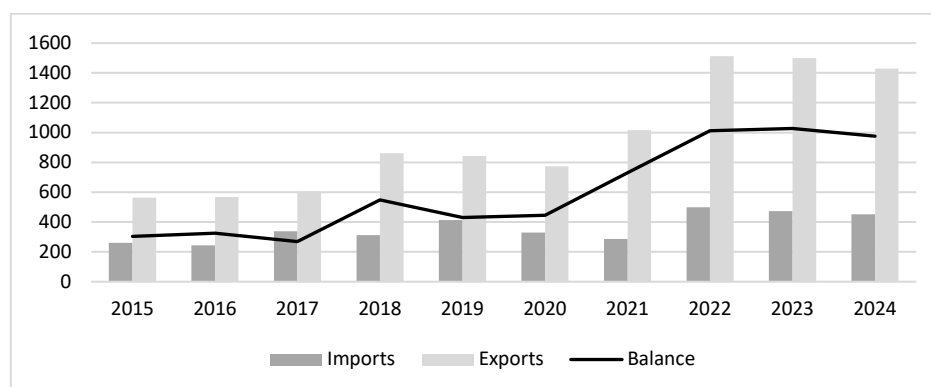
For Bulgaria, exports to the United States represent only 7% of its non-EU exports – well below the European average, which ranges from 53.7% for Ireland to 1.9% for Cyprus. Such disparities in trade structures suggest that the consequences of U.S. tariffs will differ significantly across member states. Moreover, the magnitude of the effects depends not only on export shares but also on additional factors such as U.S. demand elasticity for specific goods, the scope of tariffs by product category, and other market dynamics.

Another critical dimension of the analysis concerns the impact on Bulgaria's trade balance, given that the stated goal of U.S. tariffs is to reduce trade deficits with the EU, including Bulgaria. The concept of "optimal tariffs," promoted by Peter Navarro, the U.S. President's chief trade and industry adviser, assumes that tariffs will displace imports from the U.S. market. According to the American Chamber of Commerce, the U.S. trade deficit with the EU amounts to USD 235.6 billion, while its deficit with Bulgaria stands at USD 1 billion. The U.S. records a positive trade balance with only three EU countries – the Netherlands (+USD 55.5 billion), Belgium (+USD 6.4 billion), and Spain (+USD 2.6 billion). Considering

that U.S.-EU trade also encompasses services, where the U.S. has a stronger presence, tariffs are likely to have uneven effects across goods and countries. This complicates the realisation of the U.S. objective, as shifting production back to the United States at the expense of imports would require new investments and capital goods – sectors that may themselves be affected by the imposed tariffs.

Over the past decade, Bulgaria's exports to the United States have followed an uneven trajectory but overall recorded growth – from EUR 564 million in 2015 to EUR 1.428 billion in 2024 (Figure 2). Notably, however, exports have been on a downward trend over the past three years.

Figure 2. Exports, imports, trade balance of goods from Bulgaria to the USA (million EUR)



Source: Trade map, WTO.

Bulgaria's imports from the United States closely mirror the dynamics of its exports (correlation coefficient 0.86): in years when exports increase, imports also rise, and vice versa. Over the past three years, the decline in exports has been accompanied by a slight drop in imports. This points to a relative stability in the structure of bilateral trade, although the trade balance has consistently favoured Bulgaria, growing from EUR 303 million in 2015 to EUR 976 million in 2025. In recent years, however, the surplus has gradually narrowed, driven by a sharper decline in exports than in imports.

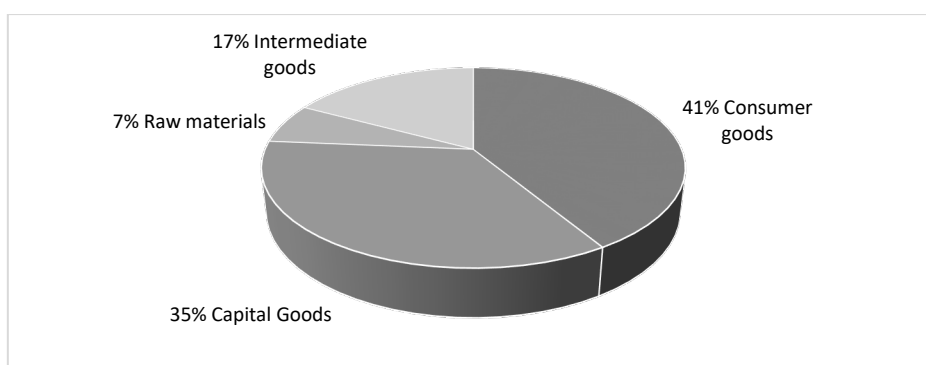
Given the significance of the positive balance with the United States, its reduction directly affects Bulgaria's overall foreign trade balance, which is negative, thereby deepening the trade deficit.

The structure of Bulgaria's exports to the U.S. is at once highly fragmented and unstable over time. More than 450 product categories are exported, with the top 50 accounting for 77% of the total. Of these, only 29 products have remained consistently present over the past three years, making up 59% of exports. The top 25 traditional products alone represent 55%. This indicates that the "floating share" within the leading 50 export items amounts to 19% of traditional goods and 22% of the top 25. Over the past decade, just 20 out of 60 commodity groups (33%) have maintained a sustained presence in Bulgaria's exports to the U.S., leaving

77% of the structure in flux. These variable groups are concentrated in machinery, copper products, tools and apparatus, and related categories.

With regard to end use, the data in Figure 3 indicate that 41% of the top 15 traditionally traded goods are destined for final consumption, 35% are investment goods, 17% are intermediate materials for further processing, and 7% are raw materials.

Figure 3. Structure by use of traditionally imported goods in the USA from Bulgaria



Source: Author's own calculations using a conversion key between CN and BEC classifications, based on TradeMap data.

The open-economy model is characterised by a high share of foreign trade, which makes exports particularly sensitive to shifts in the emerging global economic order. Bulgaria exhibits a very high degree of openness, reinforced by its strong integration into global value chains.

The methodology and assessment presented in this paper draw on data from the National Statistical Institute of Bulgaria, the International Trade Centre (ITC), the World Bank, Eurostat, and official U.S. reports, among others. Given the diversity of information sources that report on Bulgaria–U.S. trade in different ways, this analysis highlights the discrepancies between them and justifies the use of the most accurate and reliable data.

Methodology for Assessing the Impact of Tariffs on Bulgarian Exports to the United States

The methodology for assessing the effects of new U.S. tariffs on imports of Bulgarian goods considers three dimensions: their direct impact on exports to the United States, the bilateral trade balance, and Bulgaria's gross domestic product (GDP).

Direct effects are defined as those stemming from the immediate flow of goods from Bulgaria to the U.S., including the influence of tariffs on import volumes, their implications for the trade balance, and the resulting impact on GDP.

The methodology further evaluates how the burden of higher tariffs is distributed between exporters (through price reductions) and consumers (through higher purchase costs). Given

the complexity of this relationship, the assessment is carried out under at least three alternative scenarios.

First assessment option. This scenario assumes that the introduction of new tariffs will result in the complete withdrawal of Bulgarian goods from the U.S. market in the relevant year due to higher prices. With the exception of goods not subject to tariffs, all remaining exports are assumed to cease. The limitation of this rather crude approach is that it ignores U.S. market elasticity and the competitive behaviour of alternative suppliers. Under this option, the loss of export volumes (and consequently the decline in exports and GDP) is the most severe.

Second assessment option (baseline). The baseline scenario incorporates demand *elasticity* and import price elasticity in the U.S. market. Here, the potential loss of imports is moderated relative to the first option, as certain goods are expected to remain competitive despite higher prices. The underlying assumption is that not all Bulgarian exports will be rejected by the U.S. market.

Third assessment option. This scenario accounts for the specific and concentrated structure of Bulgarian exports, which are distributed across product groups with varying degrees of competition in the U.S. market. In highly competitive markets, Bulgarian goods are more likely to lose market share, while in less competitive segments, they may even strengthen their position relative to competitors facing higher tariffs. Given the structural instability of Bulgaria's exports to the U.S., the assessment focuses on "traditional goods," i.e., those that have consistently featured in Bulgaria's export profile in recent years.

The assessment is carried out in several stages:

Stage 1. The first step is to identify the goods traditionally present in Bulgaria–U.S. trade. From these, the 25 leading products by export value are selected. Goods not subject to tariffs at this stage, as specified in U.S. Presidential Executive Order No. 14257 of April 2, 2025, are excluded from the set.

Stage 2. The second step applies average coefficients of demand elasticity and price elasticity. Following the methodology used by the U.S. administration in determining tariff values for individual countries, average coefficients for the overall market are applied. Specifically:

- **coefficient of elasticity of import prices with respect to tariffs (ϕ)** – measures the extent to which tariffs affect import prices. A higher value of ϕ indicates a stronger impact of tariffs on prices, while a lower value reflects a weaker effect. For the present assessment, an average value of $\phi = 0.945$ is adopted, based on a report by the American Enterprise Institute (Corinth & Veuger, 2025). The methodology for tariff determination by the U.S. Presidential Administration follows Cavallo et al. (2021);
- **coefficient of elasticity of import demand with respect to import prices (ϵ)** – measures the sensitivity of demand for imported goods to changes in their prices. For the current analysis, an average value of $\epsilon = 2$ is applied (Boehm et al., 2023), as we consider a more conservative approach, while the U.S. Presidential Administration applies a price elasticity of import demand of 4.

The decrease in Bulgaria's exports to the United States, resulting from the introduction of additional tariffs on imported goods, can be expressed in the following generalised mathematical form:

$$\Delta L = E_0 - E_0 \times (1 - (\varepsilon \times (\phi \times (ta_1 - ta_0))))$$

where:

ΔL is a decrease in Bulgaria's imports to the USA (loss);

E_0 – initial value of the exports to the USA / respectively, the imports to the USA before the change;

ε – coefficient of demand elasticity for imported goods with respect to the import prices;

ϕ – coefficient of price elasticity of the imports with respect to the tariffs;

ta_1 – new tariff rate on the imports of goods to the USA after the change;

ta_0 – tariff rate on the imports of goods to the USA prior to the time before the change.

For practical application, this general equation is decomposed into five steps:

- 1) Determining the change in the tariff rate:

$$\Delta ta = ta_1 - ta_0$$

where:

Δta is a change in the tariff rate.

- 2) Calculating the change in the price of Bulgarian imports to the U.S. – the introduction of new tariffs, or an increase in existing rates (Δta), results in a corresponding change in the price of imported goods (P):

$$\Delta P = \phi \times \Delta ta$$

where:

ΔP is a change in the price of the imports.

- 3) Calculating the change in the value of Bulgaria's imports to the U.S., reflecting the reduction in demand for imported goods:

$$\Delta Q = \varepsilon \times \Delta P$$

where:

ΔQ is a change in the value of the imports.

- 4) Calculating the adjusted value of Bulgaria's imports to the USA:

$$\Delta E = E_0 \times (1 - \Delta Q)$$

where:

ΔE is the adjusted value of Bulgaria's imports to the USA.

- 5) Calculating the decrease in Bulgaria's imports to the USA in absolute value (loss):

$$\Delta L = E_0 - \Delta E$$

In Stage 3, the goods identified in Stage 1 are grouped into three categories, reflecting the competitive positions of Bulgarian exporters:

- *Group 1 – Goods in low- and medium-concentration markets.* These markets are characterised by a large number of participants. A tariff-induced price increase for one supplier creates a high probability of substitution by competitors. Two subgroups are distinguished:
 - ✓ *Subgroup 1 – Predominantly third-country competitors.*
 - If competing countries face *higher tariffs*, Bulgarian goods become more competitive, supporting the retention or expansion of market share.
 - If competing countries face *lower tariffs*, Bulgarian goods lose competitiveness, with a high risk of market share reduction.
 - ✓ *Subgroup 2 – Predominantly EU competitors.* Since EU exporters are subject to similar tariff conditions, competition is mainly determined by demand elasticity, with a likely reduction in demand for Bulgarian goods.
- *Group 2 – Goods in high-concentration markets.* These markets involve relatively few participants. As a result, even if tariffs raise the price of Bulgarian goods, the likelihood of displacement by competitors is low.
- *Group 3 – Goods exempt from new tariffs.* No change in trade volumes with the U.S. is expected for these products.

The baseline option rests on the assumption that goods subject to tariff-induced price increases will continue to be sold on the U.S. market, with outcomes determined by the degree of concentration in the respective commodity markets. Market concentration – and the extent of monopoly power – is measured using the widely applied Herfindahl-Hirschman Index (HHI), calculated as follows:

$$H = \sum_{i=1}^N s_i^2$$

where:

- s_i is the share of i country on the market;
- N – number of countries.

Herfindahl index (H) ranges from $1/N$ to 1.

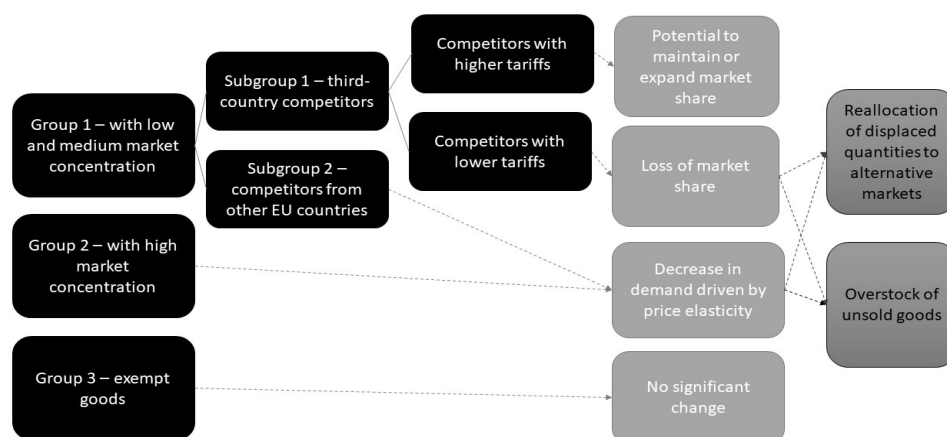
The criteria for grouping are determined using the threshold values established by U.S. federal antitrust authorities. According to the International Trade Commission (ITC), “Herfindahl indices between 0.1000 and 0.1800 indicate moderate concentration, while indices above 0.1800 indicate high concentration.”

For the purposes of this assessment, goods are grouped accordingly: values up to 0.18 fall into Group 1, while values above 0.18 are assigned to Group 2.

The applied approach, illustrated in Figure 4, moves beyond a purely mechanical assessment of tariff impacts by incorporating the conditions of the U.S. (receiving) market. Goods exported from Bulgaria that hold a monopoly position in the U.S. market are assumed to be

unaffected by tariff-induced price increases, as U.S. consumers are expected to absorb the higher costs. This assumption is valid for the short run, since such goods are unlikely to be substituted by domestic production within the first year.

Figure 4. Classification of the types of traded goods



Source: Own methodology.

In markets where Bulgarian goods compete with third-country exporters, the expected losses vary. If competing countries face higher tariffs, Bulgarian goods may experience little or no loss; conversely, higher tariffs imposed on Bulgarian goods increase the likelihood of market share reduction. Accordingly, the proposed assessment model incorporates a comparative analysis of Bulgaria's export prices relative to those of its competitors.

Finally, the model estimates the total direct effect of tariff introduction on GDP. The impact of reduced export volumes is reflected in GDP through the change in export value, net of the imports required for their production. Empirical studies suggest an import intensity for the Bulgarian economy of approximately 0.4. Thus:

$$\Delta GDP = (E_1 - E_0) - IE \cdot I_1$$

where:

IE is the import intensity of the exports;

I – import value.

The developed methodology for assessing the direct effects of U.S. tariffs on Bulgarian exports provides the basis for a more accurate picture of the expected impact, while also offering a broader perspective on the implications for the competitiveness of Bulgarian goods in the evolving international trade environment.

Evaluating the Direct Effects of Tariffs and Their Potential Costs for Bulgaria

Applying the proposed methodology and corresponding formula makes it possible to assess Bulgaria's potential export opportunities to the United States, considering both price elasticity and demand elasticity in the U.S. market.

First assessment option

In the U.S. market, the elasticity of import prices with respect to tariffs is assumed at 0.945. This implies that an increase in tariffs transfers into an approximate 18.9% rise in the price of imported goods (Table 1). We assume elasticity of import demand with respect to import prices at 2. Under the assumption that tariffs raise prices by 18.9%, import demand is expected to fall by 37.8% – representing the share of goods the market will reject unless exporters absorb part of the cost by reducing prices.

Table 1. Potential Losses for Bulgaria's Exports to the U.S. from the Imposition of an Additional 20% Tariff, 2024 data*

Indicator	Value
E0 (total value of imports to the USA of the product groups covered by the measures) (million EUR)	986.17
Δt (additional tariff rate) (%)	20
ΔP (change in the price of imports to the USA) (%)	18.90
ΔQ (change in the value of imports to USA / decrease in the demand for imported goods) (%)	37.80
ΔE (new value of imports to USA) (million EUR)	613.40
ΔL (loss) (million EUR)	372.77

Source: Author's calculations based on data from Trade Map, ITC, and U.S. official sources, including President Trump's Executive Order No. 14257 of April 2, 2025, and the annexes to the Proclamations introducing, as of March 12, 2025, a 25% tariff on imports of steel, aluminum, and selected products containing steel or aluminum elements (Federal Register, Vol. 90, No. 42).

*The calculations cover Bulgaria's entire exports to the U.S. subject to the tariff action.

Table 1 provides an estimate of the potential direct losses to Bulgaria's exports to the United States resulting from the introduction of an additional 20% tariff, based on 2024 data. The goods subject to the measure account for 69.05% of Bulgaria's total exports to the U.S., valued at EUR 986.17 million. The additional 20% tariff would be almost fully reflected in higher import prices, leading to an estimated price increase of 18.9%. This, in turn, is expected to reduce U.S. demand for these goods by 37.8%, resulting in a corresponding decline in imports from Bulgaria. The potential loss is estimated at EUR 372.77 million, bringing the adjusted value of Bulgaria's exports to the U.S. to EUR 613.40 million. Under this scenario, Bulgaria's trade surplus with the U.S. would shrink from EUR 976.07 million to EUR 603.30 million – a decrease of 38.19%.

Table 2 presents the estimated potential losses to Bulgaria's exports to the United States resulting from the introduction of an additional 25% tariff on steel, aluminium, and selected products containing these materials, based on 2024 data. The affected goods account for 13.93% of Bulgaria's total exports to the U.S., valued at EUR 198.89 million. The tariff would raise import prices by 23.63%, which is expected to reduce U.S. demand by 47.25% and, consequently, lower imports from Bulgaria. The potential loss is estimated at EUR 93.98

million, reducing the export value of the affected goods to EUR 104.91 million. Under this scenario, Bulgaria's trade surplus with the U.S. would fall from EUR 976.07 million to EUR 882.09 million – a decline of 9.63%.

Table 2. Potential Losses for Bulgaria's Exports to the U.S. from the Imposition of an Additional 25% Tariff, 2024 data*

Indicator	Value
E0 (total value of imports to USA of the product groups covered by the measures) (million EUR)	198.89
Δt (additional tariff rate) (%)	25
ΔP (change in the price of imports to the USA) (%)	23.63
ΔQ (change in the value of imports to the USA / decrease in the demand for imported goods) (%)	47.25
ΔE (new value of imports to USA) (million EUR)	104.91
ΔL (loss) (million EUR)	93.98

Source: Author's calculations based on data from Trade Map, ITC, and U.S. official sources, including President Trump's Executive Order No. 14257 of April 2, 2025, and the annexes to the Proclamations introducing, as of March 12, 2025, a 25% tariff on imports of steel, aluminum, and selected products containing steel or aluminum elements (Federal Register, Vol. 90, No. 42).

*The calculations cover Bulgaria's entire exports to the U.S. subject to the tariff action.

The total value of Bulgaria's exports to the United States, currently exempt from the newly introduced tariffs, amounts to BGN 243.19 million, representing 17.03% of all Bulgarian exports to the U.S.

The total value of goods subject to the tariff measures amounts to EUR 1,185.06 million, representing 82.97% of Bulgaria's exports to the United States (Table 3). The introduction of additional tariffs of 20% and 25% is projected to reduce Bulgarian exports to the U.S. by 32.68%, corresponding to a potential loss of EUR 466.75 million. The adjusted export value is estimated at EUR 961.50 million. Under this scenario, Bulgaria's trade surplus with the U.S. would decline from EUR 976.07 million to EUR 509.32 million – a reduction of 47.82%. This outcome would have a negative effect on Bulgaria's GDP, estimated at -0.27%.

Table 3. Total effect on all Bulgarian imports to the USA*

Indicator	Value
Total value of all imports to the USA from Bulgaria (including the exemptions, the goods with 20% tariff, and the goods with 25% tariff) (million EUR)	1428.25
New value of all imports to the USA from Bulgaria (including the exemptions, the goods with 20% tariff, and the goods with 25% tariff) (million EUR)	961.50
Loss (million EUR)	466.75
Decrease (%)	32.68

Source: Author's calculations based on data from Trade Map, ITC, and U.S. official sources, including President Trump's Executive Order No. 14257 of April 2, 2025, and the annexes to the Proclamations introducing, as of March 12, 2025, a 25% tariff on imports of steel, aluminum, and selected products containing steel or aluminum elements (Federal Register, Vol. 90, No. 42).

*The calculations cover Bulgaria's entire exports to the U.S.

If elasticity effects are disregarded and Bulgaria were to lose all exports to the United States currently subject to tariff measures, the loss would equal their full value – EUR 1185.06 million, or 2.76% of Bulgaria's total global exports. In this scenario, the country's trade

surplus with the U.S. would be completely erased, turning into a deficit of EUR 208.99 million. The estimated negative impact on Bulgaria's GDP would amount to -0.69%.

Second assessment option

If the elasticity coefficients applied by the current U.S. administration in calculating country-specific tariffs are used, the introduction of an additional 20% tariff on the affected goods and a 25% tariff on steel, aluminium, and related products would result in an estimated loss of EUR 246.96 million (a total reduction in exports of 17.29%). Under this scenario, Bulgaria's trade surplus with the United States would fall from EUR 976.07 million to EUR 729.12 million – a decline of 25.30%.

When considering only the goods subject to the 20% tariff, the direct loss is estimated at EUR 197.23 million (20%), reducing the surplus to EUR 778.84 million (-20.21%). For goods subject to the 25% tariff, the direct loss is EUR 49.72 million (25%), lowering the surplus to EUR 926.35 million (-5.09%).

Third assessment option

This option focuses on goods that Bulgaria exports to the U.S. in markets characterised by low or medium concentration, where the loss of price competitiveness is expected to be smallest. Some of these goods are unique in nature and hold established positions, making them less vulnerable to the effects of new tariffs.

In ***markets with low and medium concentration***, Bulgarian exporters face competition both from third countries and from other EU Member States. Losses are expected to be smaller in competition with EU exporters, since the tariffs applied are identical, although the outcome will also depend on the support measures adopted by other EU countries to sustain their exports.

Available data indicate that in most commodity groups, Bulgaria's competitors are predominantly third countries. This reflects the structure of Bulgarian exports, which are largely concentrated in intermediate goods and raw materials – products traditionally supplied by less developed economies.

- *Top 25 traditional Bulgarian exports to the U.S. in low- and medium-concentration markets, with **third-country competitors benefiting from lower post-tariff prices***

In these cases, Bulgarian goods become less competitive, posing the risk of losing the entire market. Bulgaria's main competitors for these products are the Seychelles, Kenya, Jamaica, Russia, and Ukraine. The total value of Bulgarian exports to the U.S. in these product groups amounts to EUR 150.8 million, which corresponds to the potential loss due to displacement by competitors.

- *Top 25 traditional Bulgarian exports to the U.S. in low- and medium-concentration markets, with **third-country competitors facing higher post-tariff prices***

Here, the effect of the tariffs is expected to cause only a partial loss of market share, given the low concentration levels and the large number of competitors.

- ✓ Total export value: EUR 97.1 million

- ✓ Adjusted value after tariffs: EUR 60.4 million
- ✓ Loss: EUR 36.7 million

Despite this risk, the relatively low price of Bulgarian goods could preserve a competitive advantage, mitigating the negative effects and even allowing exporters to maintain or expand market share.

- *Top 25 traditional Bulgarian exports to the U.S. in low- and medium-concentration markets, with EU Member States as the main competitors*

In this case, competitors face tariff conditions similar to Bulgaria, and demand for Bulgarian goods is expected to decline according to their price elasticity. The total export value for these goods is EUR 63.7 million, with an anticipated loss of EUR 39.6 million.

For goods traded in **highly concentrated markets**, the number of competitors and market participants is limited. In such cases, the price increase of Bulgarian goods resulting from additional U.S. import tariffs is not expected to pose a significant risk of displacement by other suppliers or loss of market share.

- ✓ Total value of Bulgarian exports to the U.S.: EUR 169.5 million
- ✓ Adjusted value after tariffs: EUR 169.5 million
- ✓ Difference (loss): 0

The combined loss from Bulgaria's exports in both Group 1 and Group 2 markets is estimated at EUR 412.91 million, representing 29% of total Bulgarian exports to the United States. Under this scenario, Bulgaria's trade surplus with the U.S. would decline to EUR 563.16 million – a reduction of 42.3%. The corresponding impact on GDP is estimated at -0.24%.

Nevertheless, this assessment option provides valuable insights not only into sector- and industry-specific effects but also into potential opportunities for Bulgarian exporters to displace competitors in the U.S. market. This suggests that, under certain conditions, additional exports could be realised, partially offsetting the projected losses.

Conclusions and Recommendations

The introduction of differentiated tariff levels across countries competing with Bulgaria will inevitably alter competitive dynamics. Countries facing lower tariffs will gain an advantage, while Bulgaria will hold a comparative advantage over those subject to higher tariffs. These changes are expected to significantly reshape competition in the 25 product groups with the largest Bulgarian exports to the U.S. (excluding those currently exempt from tariffs).

Price competition will intensify across all goods, though the responses of U.S. importers and consumers remain difficult to predict. The degree to which the market absorbs higher prices and the extent to which exporters are willing to reduce profit margins to remain competitive will depend on the new market environment and the strategies adopted by producers and exporters.

For Bulgarian exporters, an objective product-level assessment of tariff-induced changes in the U.S. market is essential. Among the top 25 export products, roughly half are expected to retain opportunities for market share expansion – assuming quality standards and product characteristics remain competitive. Realising these opportunities could help offset losses in other product groups and guide corrective policy measures.

Finally, tariff changes also affect international price competitiveness beyond U.S. trade. This underlines the need for measures to strengthen the global presence of Bulgarian exports, coupled with an active strategy to capture market share from countries disadvantaged by higher tariffs. In this way, new opportunities opened by U.S. tariffs on third countries could be leveraged to enhance Bulgaria's export performance.

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