

21 January 2026

Trade Policy Uncertainty and Impacts on Developing Countries' Exporters: The Case of Sri Lanka *

By Anushka Wijesinha and Senith Abeyanayake

Key Takeaways:

- Rapid increases in uncertainty have material implications for economies. Each tariff announcement by the US President triggered a fresh round of uncertainty and speculation, with ambiguities of implementation and frequent changes in timelines.
- Global indices tracking uncertainty are recording historic highs in recent months.
- Our study of Sri Lankan export-oriented firms finds that there is wide variation in how, and to what extent, trade policy uncertainty has affected them. Firms experienced mixed impacts on orders to the US, with differences observed both within and across sectors.
- Buyer reactions to tariff announcements were mixed, with some 'wait-and-see' approaches and some margin shrinkage. Exporters have taken diverse measures to adapt to the uncertainty, ranging from absorbing margin losses to commencing export diversification.

Points clés à retenir:

- La montée rapide de l'incertitude a des répercussions concrètes sur les économies. Chaque annonce de droits de douane par le président américain a déclenché une nouvelle vague d'incertitude et de spéculation, avec des ambiguïtés quant à leur mise en œuvre et des changements fréquents dans les calendriers.
- Les indices mondiaux qui mesurent l'incertitude ont atteint des niveaux historiques ces derniers mois.
- Notre étude sur les entreprises sri-lankaises orientées vers l'exportation révèle que l'incertitude liée à la politique commerciale les a affectées de manière très variable, tant dans sa forme que dans son ampleur. Les entreprises ont subi des effets mitigés sur leurs commandes vers les États-Unis, avec des différences observées tant au sein des secteurs qu'entre eux.
- Les réactions des acheteurs aux annonces de droits de douane ont été mitigées, certains adoptant une approche attentiste et d'autres réduisant leurs marges. Les exportateurs ont pris diverses mesures pour s'adapter à l'incertitude, allant de l'absorption des pertes de marges à la diversification des exportations.

Conclusiones principales:

- *El rápido aumento de la incertidumbre tiene repercusiones materiales en las economías. Cada anuncio de aranceles por parte del presidente de los Estados Unidos desencadenó una nueva ronda de incertidumbre y especulación, con ambigüedades en la aplicación y cambios frecuentes en los plazos.*
- *Los índices mundiales que miden la incertidumbre están registrando máximos históricos en los últimos meses.*
- *Nuestro estudio sobre las empresas orientadas a la exportación de Sri Lanka revela que existe una gran variación en cómo y en qué medida les ha afectado la incertidumbre en materia de política comercial. Las empresas experimentaron efectos dispares en los pedidos a los Estados Unidos, con diferencias observadas tanto dentro de los sectores como entre ellos.*
- *Las reacciones de los compradores ante los anuncios de aranceles fueron dispares, con algunos enfoques de «esperar y ver» y algunas reducciones de márgenes. Los exportadores han adoptado diversas medidas para adaptarse a la incertidumbre, que van desde absorber las pérdidas de márgenes hasta iniciar la diversificación de las exportaciones.*

关键点:

- 不确定性的急剧上升对经济产生实质性影响。美国总统每次宣布关税政策，由于政策执行存在模糊性且时间表频繁变更，都会引发新一轮不确定性和猜测。
- 追踪全球不确定性的指标在近几个月创下历史新高。
- 我们对斯里兰卡出口导向型企业的研究发现，贸易政策不确定性对其影响的方式和程度存在显著差异。这些企业对美订单受到的影响不尽相同，这种差异既存在于同一行业内部，也存在于不同行业之间。
- 买家对关税公告的反应不一，既有采取观望态度的，也有缩减利润空间的。出口商为应对不确定性采取了多样化措施，包括吸收利润损失或启动出口多元化战略。

*** This paper was initially published as the Centre for a Smart Future's (CSF) Policy Brief "Trade Policy Uncertainty and Impacts on Sri Lankan Exporters" by the authors, in August 2025, available here: <https://www.csf-asia.org/trade-policy-uncertainty-srilanka-exporters/>**

1. Introduction and Context

The United States administration under President Donald Trump has upended the global trade order that had been relatively stable for several decades. Much of the focus in recent months - since the so-called 'Liberation Day' tariffs were announced (2nd April 2025) - has been on what the specific tariff rate per country is, and how that is likely to change. Yet, what has arguably been more detrimental to global trade and business planning is the extent of uncertainty in the intervening period between 2nd April and 1st August, where multiple announcements were made and changes were speculated.

Tariff announcements themselves are cause for concern, as much as the actual tariffs imposed, as each announcement brought with it a fresh round of uncertainty and speculation. There have been ambiguities of implementation (for instance, what is considered as a "transshipment" and how applicable tariffs increase in such a scenario) and frequent shifts in timelines. These have added to the uncertainty.

Sri Lanka first heard of the country-specific tariff of 44% on 2nd April but was followed by a 90-day pause (announced on 9th April). Yet, there was an imposition of a new universal 10% tariff. By 9th July, Sri Lanka [was informed](#) that the new rates would be 30% effective 1st August (by way of a generic letter sent from the Whitehouse to the Sri Lankan President), but it was expected that this too was up for negotiation.

By August 1st, the US President made an announcement that a new revised schedule of country-specific tariffs had been decided, which was subsequently published by the US Trade Representative (USTR). It was revealed that Sri Lanka's rate would be 20%. At the time of writing, there is yet to be a formal agreement signed by both sides indicating what Sri Lanka has conceded in order to receive this vastly reduced tariff rate (down from 44% originally).

At a [press briefing](#) following the end of the 90-day pause on reciprocal tariffs (8th July) and an extension until 1st August, Executive Director of the International Trade Centre Pamela Coke-Hamilton observed, "...this move actually extends the period of uncertainty undermining long-term investment and business

contracts and creating further uncertainty and instability. Economic uncertainty has real world consequences on countries and on sectors”.

That this sort of uncertainty affects business may sound like a truism. But the pervasive and unpredictable nature of the ongoing trade policy developments, and the many dimensions of impacts that the resulting uncertainty causes, are important considerations for further exploration in Sri Lanka. In this paper we take an early look at the effects of trade policy uncertainty on Sri Lankan export-oriented firms, based on an executive opinion survey and key informant interviews. The work is inspired by the increasing global attention to the concept of trade policy uncertainty, and the growing literature on the subject.

2. Why Study Trade Policy Uncertainty?

Rapid increases in uncertainty are often associated with economic downturns (Bloom 2009). Heightened uncertainty has been found to cause impacts such as delayed strategic decision-making (Dixit and Pindyck, 1994), reduced firm-level productivity (McMahon, 2020), and increased borrowing costs for firms (Christiano et al, 2014).

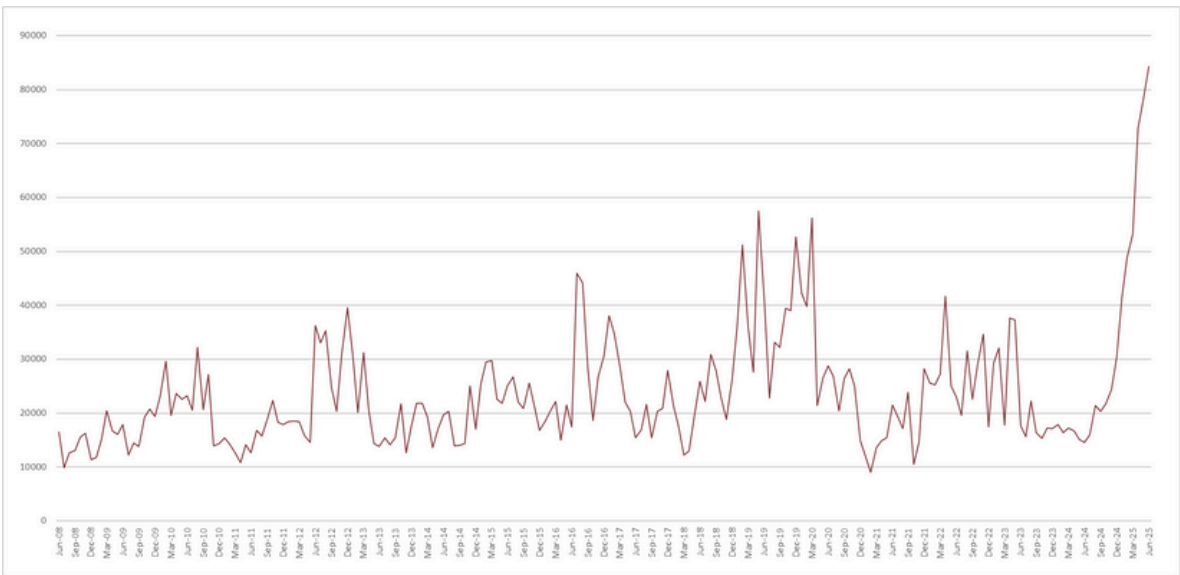
The ‘liberation day’ announcements caused an unprecedented spike in uncertainty. As the International Monetary Fund (IMF) World Economic Outlook July update noted, the increase in uncertainty as measured by the World Uncertainty Index (WUI) has sustained despite the reduction in US effective tariff rates from April to June 2025 (see Figure 1).

The May 2025 edition of [the Chief Economists Outlook](#) - a survey of Chief Economists conducted by the World Economic Forum - found that nearly all (97 percent) chief economists ranked trade policy uncertainty among the highest areas of uncertainty.[1]

[Trade Policy Uncertainty \(TPU\) index](#) by Caldara et al. spiked to the highest level recorded since its index's inception in January 1960 (see Figure 2 on the next page). This is especially alarming as it has surpassed even the COVID-19 pandemic, a black-swan event which had deep implications for international trade.

Trade policy uncertainty has real impacts on firms - ranging from rising costs, reduced business investment (Caldera et al, 2019), constrained financing (He et al, 2024), delayed entry to new markets (Handley, 2011), to reduced innovation (Chen et al, 2023; Xu et al, 2025). Osnago et al. (2015) note that high trade policy uncertainty can be considered a distinct barrier to trade due to its wide-ranging impacts.

Figure 1: World Uncertainty Index (WUI) - June 2008 to June 2025



Source: The World Uncertainty Index (WUI) database

[1] Monetary policy (49%) and Fiscal Policy (35%) uncertainty were the distant second and third, respectively.

Although an [IMF January 2024 paper](#) argued that, “Tariff shocks are more important than trade policy uncertainty shocks”, this was pre-Trump 2.0, and the effects of trade policy uncertainty is becoming a newer consideration that is increasingly relevant today. According to early econometric estimations by [Sampognaro \(2025\)](#), the increase in trade policy uncertainty due to liberation day tariff announcements have a significant medium-term impact on the volume of trade and global supply chains.

Even as the August 1st tariff announcements have been made - and they may prima facie appear final - outstanding issues remain. The US administration has hinted at threats of even higher tariffs in letters to trading partners, there are continuing legal proceedings in the US regarding the President's tariff authority, and there is a lack of comprehensive, permanent trade agreements formalizing the new tariffs.

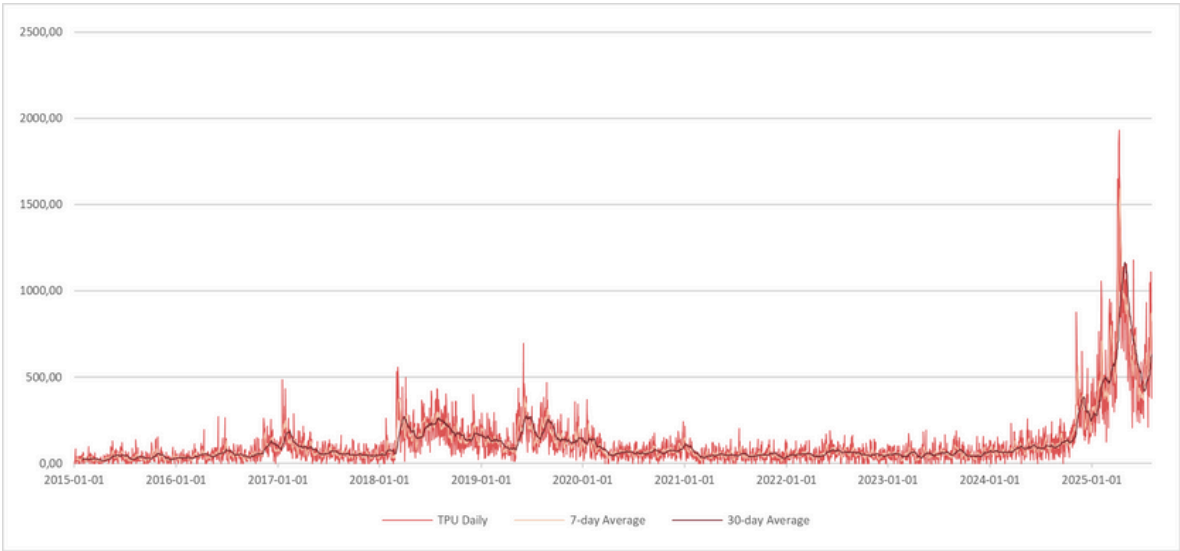
The Centre for a Smart Future (CSF) compiled a matrix outlining key dimensions of impact to Sri Lankan export-oriented firms, to help us think about this issue more holistically, and inform public policy support measures that may help address some of these. This is presented overleaf as Table 1. This matrix also guided the survey questions and key informant interviews conducted.

3. Survey and Interview Findings

The CSF survey of senior leaders in export-oriented firms sought to uncover how Sri Lankan exporters are perceiving and responding to the elevated trade policy uncertainty since April 2nd. The survey was conducted during late July and early August 2025. It focused on both short and medium-term considerations such as impacts on buying patterns, cost-bearing strategies, investment decisions, and business confidence. Details of the survey are provided in Annex 1.[2]

Among the 37 survey respondents, most are exporters to the United States (26/37), and they also export to at least one other market (e.g., EU, Middle East, India and China). Many respondents were from the Apparel & Textiles sector (14/37). Respondents covered 14 different sectors. Most respondents are from firms employing at least 50 employees. Among the apparel sector respondents, most are from larger firms with at least 300 employees, while 4 respondents are from firms with less than 50 employees. Here are six key findings and messages:

Figure 2: TPU at an all-time high since April 2nd



Source: Caldera et al. (2020)

[2] The authors wish to acknowledge the support from Yohan Lawrence of the Joint Apparel Association Forum (JAAF), Neelika Tillekeratne of The American Chamber of Commerce in Sri Lanka (AmCham Sri Lanka), and the Economic Intelligence Unit (EIU) of The Ceylon Chamber of Commerce.

Table 1: Dimensions of impact for firms resulting from trade policy uncertainty

Dimension	Description
Direct market access, prices, and margins	This is the most immediate and visible channel. Uncertainty around new tariffs (or the changes to existing ones), directly affects the cost and feasibility of exporting. This is on top of already challenging considerations of non-tariff barriers (like stricter customs procedures, and rules of origin requirements). Firms face unpredictability in the landed cost of their goods in target markets, making pricing decisions and long-term contracts incredibly risky. For instance, an exporter might invest in increasing production capacity for a specific US market only to find a new tariff makes their product uncompetitive overnight.
Supply chain disruption and reconfiguration	Global supply chains are complex and often span multiple countries. Trade policy uncertainty can force firms to reassess and potentially reconfigure their supply chains. This might involve looking for new suppliers outside of potentially targeted regions, reshoring production, or nearshoring to more stable environments. Such changes are costly, time-consuming, and can lead to temporary disruptions in production and delivery, impacting efficiency and competitiveness. Firms might hold larger inventories as a buffer, tying up capital.
Investment and capex decision-making issues	Uncertainty dampens investment. As the WTO's Chief Economist wrote in an op-ed in April 2025 , "...tariffs could reduce investment by increasing the cost of capital goods, or by creating policy uncertainty, leading firms to postpone spending". Firms become hesitant to commit to significant capital expenditures (e.g., expanding factories, purchasing new machinery, investing in R&D) when the future profitability of their export markets is unclear. Sri Lankan exporters reliant on the US market might delay investments aimed at increasing capacity or improving product lines if they fear market access could be curtailed.
Financing challenges	Linked to the above are the heightened concerns bankers would have in supporting exporters with financing - whether that is working capital, trade finance, or project finance. Banks in Sri Lanka, already strained by the impacts of depressed economic conditions of recent years, may take a risk-off approach, and only finance the basic requirements. Moreover, with already weak export credit insurance in the country (which SMEs often lack access to), exporters may face difficulty in getting trade insurance cover and face higher premiums adding to costs.
Contractual and legal risks	Long-term contracts become fraught with risk. Firms may struggle to agree on pricing or delivery terms when the regulatory environment could change dramatically. Clauses related to <i>force majeure</i> , dispute resolution, and contractual obligations under unforeseen trade restrictions become critical. There's an increased risk of contract renegotiations, breaches, or disputes, leading to legal costs and damaged business relationships. While larger Sri Lankan exporters will have large and sophisticated legal teams to navigate this, SMEs will face more difficulty.
Uncertainty around demand-side (buyer) behaviour	Uncertainty is not just felt by Sri Lankan exporters of course; it also impacts their buyers. Importers and distributors may become more cautious, reducing order sizes, or delaying purchases. This creates unpredictable demand for our exporters, making production planning and inventory management difficult. Consumers might also delay purchases of imported goods if they anticipate price changes.
Delays to innovation and new product development	When basic market access is uncertain, firms may divert resources away from long-term innovation and product development towards more immediate concerns like navigating trade barriers or finding alternative markets. This can lead to a decline in competitiveness over time, and this is something that Sri Lankan exports can ill afford.
Diversification pressure and market entry costs	Trade policy uncertainty forces firms to consider diversifying their export markets. While this is no doubt a sound - and much needed long-term strategy for Sri Lankan exports, entering new markets is costly and time-consuming, requiring investments in market research, new distribution channels, regulatory compliance, and marketing. This short-term cost can strain resources and detract from focus on existing profitable markets.

* [op-ed in April 2025](#)

Key Finding 1: There is wide variation in how, and to what extent, trade policy uncertainty has affected export businesses

Most respondents (29/37) noted that trade policy uncertainty has either moderately or badly affected their businesses (Figure 3). Fewer noted that they have been very badly affected or not affected at all. Key informant interviews emphasized that to what extent a business is impacted by trade policy uncertainty is determined by a host of sector and firm-specific factors such as the customer portfolio, factor/input mobility, geopolitical risk, and firm size.

Respondents in the apparel sector also indicate that being affected by trade policy uncertainty is not determined purely by firm size or whether the firm exports to the US or not. Notably, there are effects that may not seem obvious. For instance, a respondent who noted that trade policy uncertainty ‘badly affected’ their business is not from a firm that exports to the US, while, both respondents who claimed that their business was ‘not affected’ are from a firm that exports to the US. All three respondents are from firms with more than 300 employees.

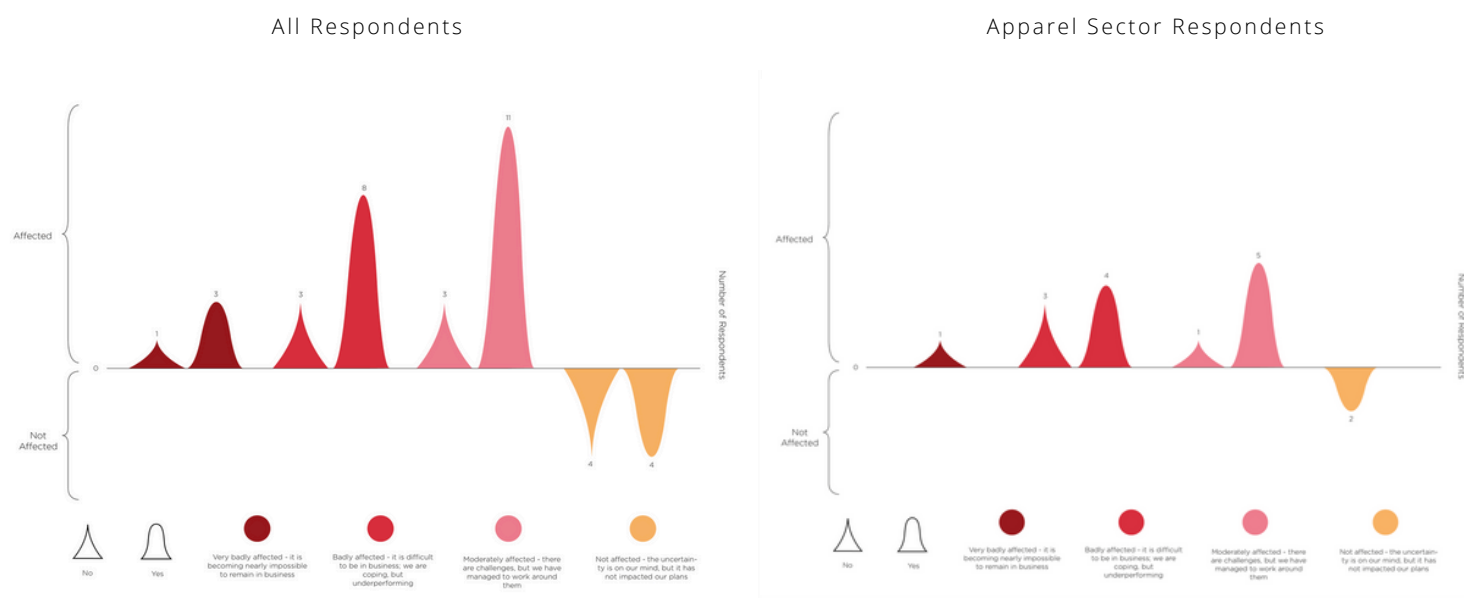
Key Finding 2: Most export leaders spent a balanced amount of time in ‘immediate crisis management’ and ‘medium-term initiatives’

The survey inquired about how senior export leaders’ time and effort is impacted due to trade policy uncertainty. In particular, the study was keen to understand how it may have affected medium-term strategic efforts, due to immediate ‘fire-fighting’. For some respondents (9/37), the focus has been predominantly on ‘immediate crisis management’ for three months since April 2. Yet, more senior leaders (16/37), spent a balanced amount of time on ‘immediate crisis management’ as engaging in medium-term growth initiatives (Figure 4).

An interviewee observed that for large-scale apparel exporters with manufacturing presence in other regions, mitigating risks from global trade policy and similar geopolitical factors is a standard component of their strategic planning. For instance, they had experience facing trade policy shocks in the past like the termination of Ethiopia’s eligibility under the African Growth and Opportunity Act (AGOA) in 2022.

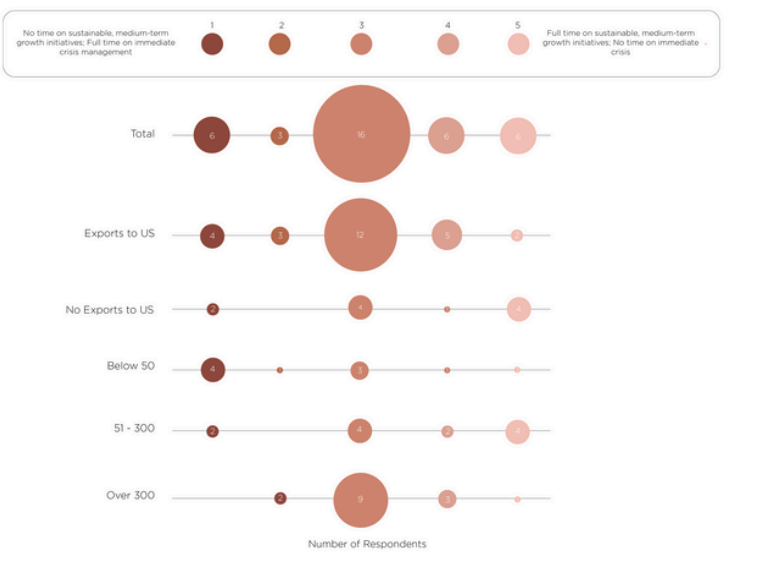
Given that the survey was conducted immediately after the 9th July tariff announcement by the US administration, respondents were asked about their firms’ experience on the dimensions of impacts between the 2nd of April until the 9th of July. This period includes the universal tariff of 10% that took effect from 5th April.

Figure 3: Effect of trade policy uncertainty on businesses



Source: Author's construction using survey data

Figure 4: Change in time spent by senior leaders due to trade policy uncertainty



Source: Author's construction using survey data

Key Finding 3: Firms experienced mixed impacts on orders to the US, with differences among apparel and non-apparel exporters

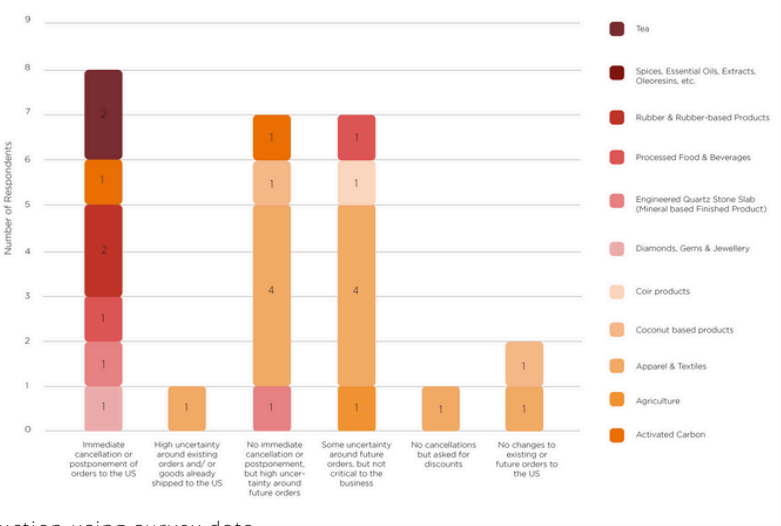
The majority of respondents who exported to the US (15/26) faced immediate cancellation, postponement, or high uncertainty around existing orders. Others faced varied degrees of uncertainty, except 2 firms that experienced no change in existing or future orders. Notably, none of the respondents from apparel sector firms surveyed had experienced order cancellation or postponement (Figure 5), although wider industry interviews suggested that some SME exporters had experienced it.

An interviewee from the apparel sector observed that, unlike Covid-19 where buyers preferred putting all

purchasing orders on hold, during this period of tariff uncertainty, buyers were more focused on how the tariff burden would be shared. However, non-apparel exporters had a different experience. All respondents from the sectors like Tea, Rubber and Rubber-based products, and Spices, Essential Oils, Extracts, Oleoresins, etc. reported facing either immediate cancellation, postponement, or high uncertainty.

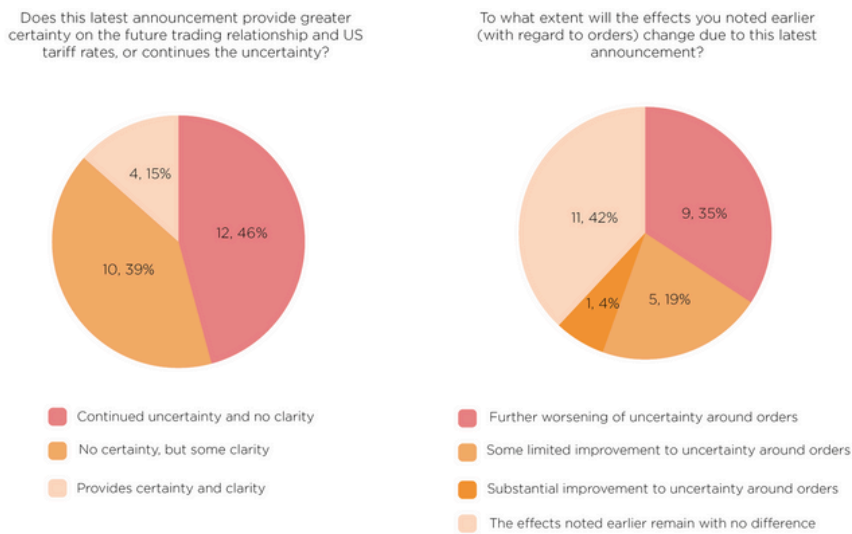
Even though 14 respondents noted that the 9th July Tariff announcement provided at least some clarity, only 6 respondents experienced at least limited improvement to uncertainty around orders (Figure 6). Interviewees highlighted that firms are yet to understand the indirect impacts of tariff announcements, which also contribute to uncertainty.

Figure 5: Impacts to orders due to trade policy uncertainty, by sector



Source: Author's construction using survey data

Figure 6: July 9th announcement and uncertainty



Source: Author's construction using survey data

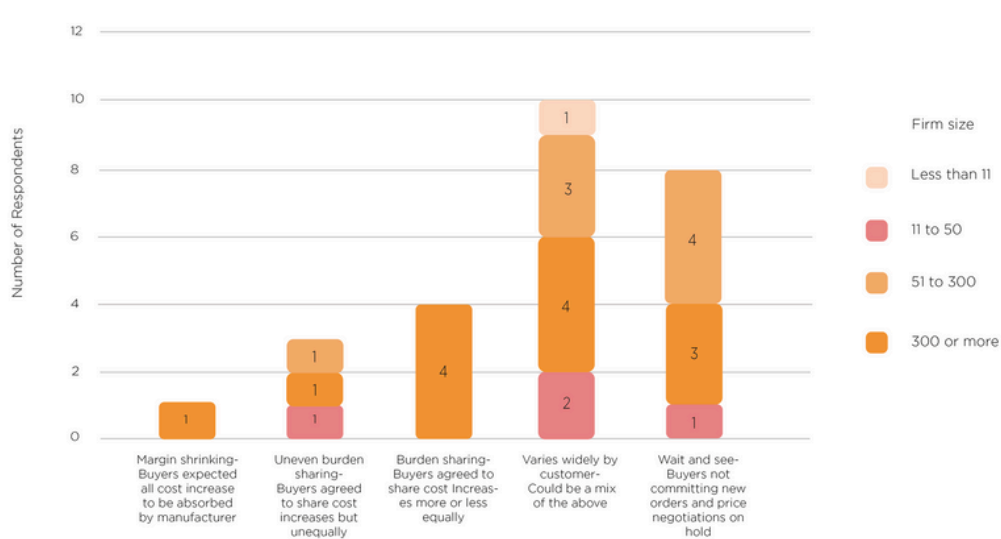
Key Finding 4: Buyer reactions to tariff announcements were mixed, with some ‘wait-and-see’ approaches and some margin shrinking

US buyers’ reactions to tariff uncertainty are a significant demand-side channel of impact. An immediate observable reaction was how buyers approached the burden sharing of a 10% universal tariff that came into effect from April 5. Some respondents (10/26) noted that burden-sharing arrangements were less general and more buyer-specific (Figure 7). One respondent had experienced margin shrinking, where buyers expected all cost increases from the tariff to be absorbed by the manufacturer. Eight respondents experienced a ‘wait-

and-see’ approach, with buyers not committing to new orders and price negotiations being on hold.

Interviewees from both large-scale agriculture and apparel noted that retail-centric buyers are not willing to change listed US retail prices after the 10% tariff and either absorbed it under their own margins or passed it up the value chain. Interviewees anticipated that the approach may differ if and when reciprocal tariffs come into effect, given that these would likely be substantially higher than 10%. Some buyers have already indicated that the next cycle of pricing negotiations will focus on closer scrutiny of cost structures and reducing inefficiencies.

Figure 7: Buyers’ reactions to tariff announcement, by firm size of respondent



Source: Author's construction using survey data

Key Finding 5: Exporters have taken diverse measures to adapt to the uncertainty, ranging from absorbing margin losses to commencing export diversification

Exporters have adopted a mix of responses to deal with the 10% tariff and the surrounding uncertainty. The predominant immediate measure has been to absorb some margin loss and changing pricing structure. Another popular strategy has been to establish an internal team to track trade policy changes and strategize plans. Some had already commenced shifting production to lower tariff markets, which is interesting given that the final tariff rates faced by countries would have been unknown. Many also reported lobbying for government support (Figure 8). Several respondents note that their firms have commenced export market diversification efforts.

Interviewees noted that revising contractual terms and buyer agreements depends on sector-specific arrangements. For instance, while agriculture-related products may have pricing terms included in sourcing contracts or have annual pricing contracts, in the apparel sector, pricing is dynamic and could be variable in each purchase order.

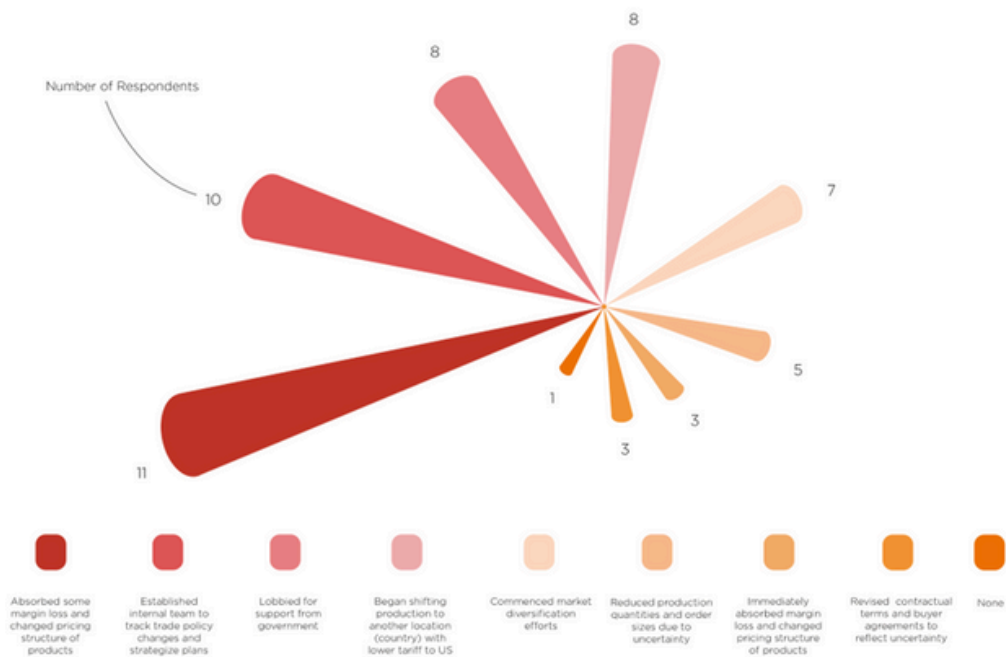
Key Finding 6: Expectations from government are high, especially on clarity of trade policy developments

Respondents had varied expectations on the support required to navigate trade uncertainty. Many wanted Sri Lanka to negotiate a tariff rate which was relatively better than its regional competitors. However, respondents also wanted more clarity, access to information, and general awareness of the ongoing trade policy developments. This focus on trade policy awareness also translates into their views on business-related support structures. Respondents mentioned methods such as forecasting tools and access to trade and legal experts among the required support.

Assistance expected from the government varies. A few respondents included direct fiscal support such as subsidies, access to low-cost financing, and moratoriums on existing capital payments. Others expected temporary relief measures such as postponing the scheduled withdrawal of the Simplified Value Added Tax (SVAT) system and removing value added tax (VAT) on domestic sales. Much of these appear unfeasible to provide, given Sri Lanka’s narrow fiscal adjustment pathway and commitments made under the IMF programme.

Many highlighted medium-term reforms needed, such as eliminating trade-related red tape, diversification efforts to unlock alternate new and emerging export markets, and a stable exchange rate and tax regime.

Figure 8: Exporter responses to tariff announcements



Source: Author's construction using survey data

Additionally, respondents emphasized that to ensure manufacturing in Sri Lanka is viable and cost-competitive, firms needed the government to pursue trade agreements to help source cheaper and diversified inputs, and develop better energy, transport and logistical infrastructure.

4. Continued Uncertainty, Global Prospects, and Considerations for Sri Lanka

The IMF noted in its World Economic Outlook Update of July 2025 that recent upgrades of global growth - by 0.2% to 3.0% in 2025 - are primarily a result of short-term "trade-related distortions" rather than underlying economic robustness and expects this to unwind in 2026. There has been aggressive front-loading of imports by US firms and households in anticipation of tighter trade restrictions.

This front-loading has also created risks for firms - potential inventory overhangs and increased holding costs. Of course, trade policy uncertainty is expected to have a mitigating effect on global energy prices, which helps a net energy importer like Sri Lanka. The IMF concludes that while the global economy shows "tenuous resilience," the current situation represents a "precarious equilibrium" where trade policy uncertainty remains a significant downside risk to global growth prospects.

Even as Sri Lankan policymakers and exporters feel some relief that a tariff figure is finally known - 20% - it cannot be assumed that the uncertainty is over. We are yet to see a joint statement between the two countries,

which provides greater formality, and also a subsequent bilateral agreement that is expected to cement the details. Moreover, broader uncertainty is still in play. In President Trump's July announcements, he noted that countries aligning with BRICS policies - that he characterizes as "Anti-American policies" - [could face additional 10% tariffs](#). This is troubling, since the incumbent Sri Lankan government has explicitly sought to align with the BRICS, with the [President](#) and [Foreign Minister](#) repeatedly indicating interest in seeking "BRICS membership". Clearly, the very basis for tariffs are becoming ambiguous and inconsistent.

President Trump is also going beyond "trade deficit" considerations, to domestic political issues, demonstrated by his recent threats to Brazil that higher tariffs would be imposed if the trial of former President Bolsonaro is not suspended. He has also been willing to jettison economic partnership agreements already in place - exemplified by the decision to increase tariffs on some of Africa's least-developed countries when they were still eligible for preferential access to the US market under the Africa Growth and Opportunity Act (AGOA). Ironically, countries like Lesotho that utilized AGOA the most to export more to the US - as the programme was meant to do - [have been the most penalized](#), based on Trump's "trade deficit" argument.

These all add a new dimension of uncertainty for countries like Sri Lanka, as the basis for future tariff hikes and how we may be penalized in later years is unknown. There is some belief that the tariff groupings have de facto become a proxy for the US administration's priorities - blending trade policy with

Box 1: Estimates of potential trade impacts

- Prior to the tariff announcement, Sri Lanka's [export potential](#) to the US market was US\$ 2.8Bn by 2029, while unrealized export potential was around US\$ 575Mn, according to the [International Trade Centre's 'Export Potential' map](#). This export potential is likely to be dented.
- Several simulation tools have begun to estimate potential impacts on exports under different tariff rate scenarios since April 2. They offer preliminary projections that can help assess the direction and scale of impacts, until fuller data is available for more robust analysis.
- An extended gravity model simulation using the data from [the Observatory of Economic Complexity \(OEC\)](#) for Sri Lanka shows that the country could stand to lose US\$ 1.62Bn in exports to the US in 2026 (against a no-tariff-change scenario of an increase to US\$ 3.45Bn).
- Partial Equilibrium simulations run by the UNESCAP [Trade Intelligence and Negotiation Adviser \(TINA\)](#) using 2023 export data shows that 10% universal tariffs will cause a 1% reduction in Sri Lanka's potential total exports to the US. A 20% tariff causes a 10% reduction.

domestic political imperatives and geopolitical signaling. So, clearly trade policy uncertainty is rising globally, and this will be an indisputable feature of the operating environment for Sri Lankan exporters in the near-term. It is now more important than ever for Sri Lanka to double down on efforts to address trade competitiveness constraints and diversify markets, as outlined in our [‘Eight Priority Areas’ Policy Note from April 2025](#).

As Sri Lanka formulates its strategy to face these trade policy challenges through platforms such as the recently held [private-public dialogue hosted by the Export Development Board \(EDB\)](#), this paper and the insights from the survey can help inform Sri Lankan exporters, trade chambers, and the government understand the dimensions of impacts better, and inform public-private collaboration to develop smarter responses to this evolving issue.

REFERENCES

- Bloom, Nicholas. ‘The Impact of Uncertainty Shocks’. *Econometrica* 77, no. 3 (2009).
<https://onlinelibrary.wiley.com/doi/abs/10.3982/ECTA6248>.
- Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo. ‘The Economic Effects of Trade Policy Uncertainty’. *Journal of Monetary Economics* 109 (January 2020): 38–59.
<https://doi.org/10.1016/j.jmoneco.2019.11.002>.
- Chen, Daniel, Nan Hu, Peng Liang, and Morgan Swink. ‘Understanding the Impact of Trade Policy Effect Uncertainty on Firm-Level Innovation Investment’. SSRN Scholarly Paper No. 3744966. Social Science Research Network, 4 December 2023.
<https://doi.org/10.2139/ssrn.3744966>.
- Christiano, Lawrence J., Roberto Motto, and Massimo Rostagno. ‘Risk Shocks’. *American Economic Review* 104, no. 1 (2014): 27–65.
<https://doi.org/10.1257/aer.104.1.27>.
- Collins, Aengus, and Philipp Grosskurth. ‘“Uncertainty” Is the Watchword among Chief Economists’. World Economic Forum, 2025.
<https://www.weforum.org/stories/2025/05/wef-chief-economists-outlook-tariffs/>.
- Dixit, Avinash, and Robert Pindyck. *Investment under Uncertainty*. 1994.
<https://press.princeton.edu/books/hardcover/9780691034102/investment-under-uncertainty>.
- European Commission. ‘The Cost of Uncertainty – New Estimates’. European Commission, 2024.
https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/autumn-2024-economic-forecast-gradual-rebound-adverse-environment/cost-uncertainty-new-estimates_en.
- Gambetti, Luca, Dimitris Korobilis, John Tsoukalas, and Francesco Zanetti. ‘Agreed and Disagreed Uncertainty: Rethinking the Macroeconomic Impact of Uncertainty | CEPR’. Vox EU, 2025.
<https://cepr.org/voxeu/columns/agreed-and-disagreed-uncertainty-rethinking-macroeconomic-impact-uncertainty>.
- Handley, Kyle. ‘Exporting under Trade Policy Uncertainty: Theory and Evidence’. *Journal of International Economics* 94, no. 1 (2011): 50–66.
<https://doi.org/10.1016/j.jinteco.2014.05.005>.
- He, Ye, Bingqian Li, Yunqiao Yu, and Xiao Zhang. ‘The Impact of Trade Policy Uncertainty on Short-Term Financing’. *International Review of Economics & Finance* 94 (July 2024): 103346.
<https://doi.org/10.1016/j.iref.2024.05.025>.
- Liu, Qing, Yuqing Li, Shuaihang Li, and Feifei Wu. ‘Lose to Gain: Heterogeneous Impact of Trade Policy Uncertainty on Firms’ Domestic Sales’. *Economic Modelling* 119 (February 2023): 106118.
<https://doi.org/10.1016/j.econmod.2022.106118>.
- McMahon, Michael. ‘Why Is Uncertainty so Damaging for the Economy?’ *Economics Observatory*, 2020.
<https://www.economicsobservatory.com/why-uncertainty-so-damaging-economy>.
- Osnago, Alberto, Roberta Piermartini, and Nadia Rocha. ‘Trade Policy Uncertainty as Barrier to Trade’. WTO Working Paper, 2015.
- Sampognaro, Raul. ‘Regardless of the Outcome, Uncertainty in Trade Policy Will Have Significant Effects on Global Trade’. 22 April 2025.
https://www.ofce.sciences-po.fr/blog2024/en/2025/20250422_RS/.

Wang, Mingyao, Normaziah Mohd Nor, Norhuda Abdul Rahim, Faisal Khan, and Ziyu Zhou. 'Trade Policy Uncertainty and Corporate Financialization: Strategic Implications for Non-Financial Firms in China'. *Cogent Economics & Finance* 13, no. 1 (2025): 2460078. <https://doi.org/10.1080/23322039.2025.2460078>.

Xu, Pei, Zehu Jin, and Xianghua Wu. 'How Does Trade Policy Uncertainty Affects Innovative Behavior in Export-Oriented Enterprise: Evidence From Listed Export Companies'. *Dynamics in Nature and Society* 2025, no. 1 (2025). <https://onlinelibrary.wiley.com/doi/full/10.1155/ddns/8838618>.

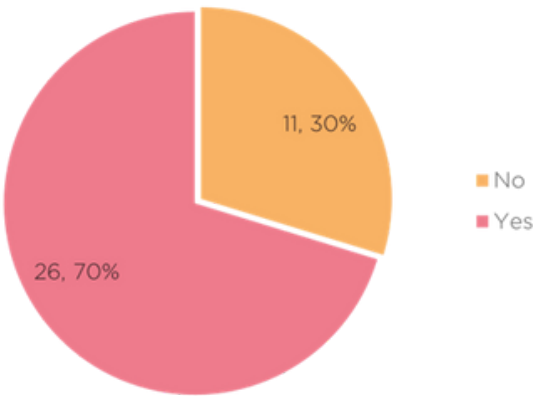
ANNEX 1: Overview of the Survey methodology and respondent profiles

The survey was deployed online from July 18 to August 2, 2025. The target sample was senior leaders of export companies. Sampling was non-random, a mix of convenience sampling due to the online and voluntary nature of the survey, and purposive sampling due to targeted follow-ups with select exporters. Therefore, respondents do not represent all exporters nor their respective sectors. Furthermore, it is likely that exporters who were interested in or impacted by the trade policy uncertainty participated in the survey. It is also possible that more than one respondent is from the

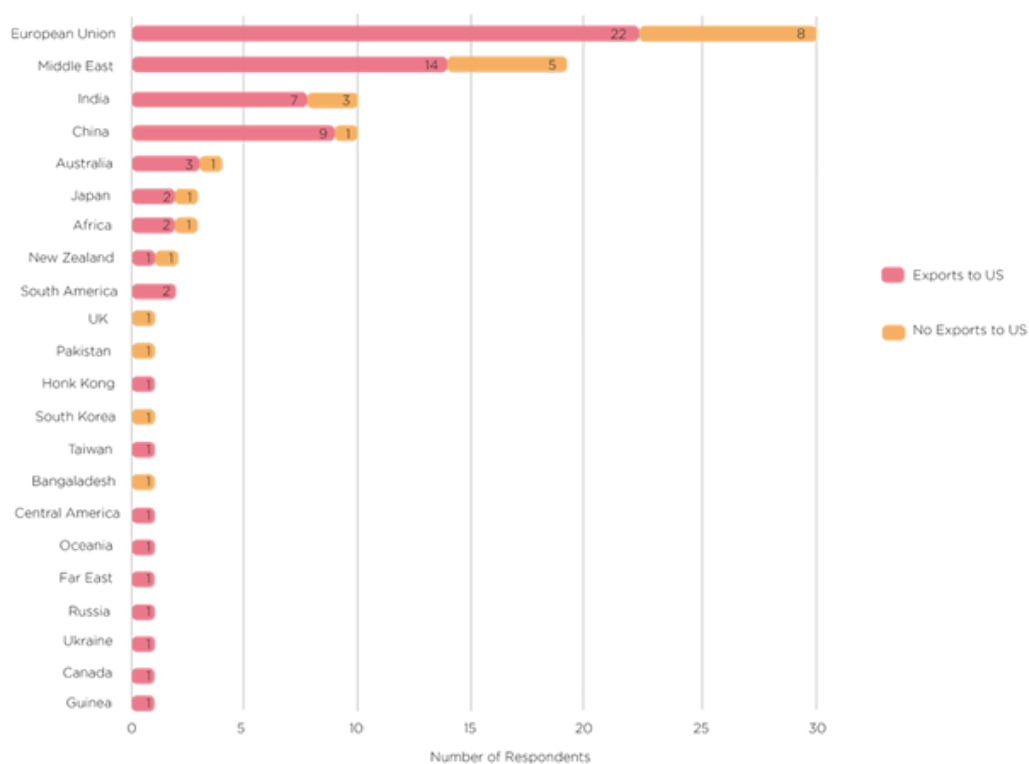
same firm. So, the findings are neither causal nor generalisable. 39 unique respondents completed the survey. Two respondents from the construction and financial services sectors were not currently exporting but had nonetheless completed the survey questions on the impact of trade policy uncertainty. Their responses were excluded from the analysis.

Most of the respondents (26/37) are currently exporting to the United States (US) (see Figures 9 and 10). All respondents who are exporting to the US also export to at least one other market. European Union (EU), the Middle East, India, and China are the markets that feature most prominently among other markets that respondents export to. Apparel & Textiles is the most represented sector among the respondents (14/37). Though respondents are from 14 different sectors, only 6 sectors have more than one respondent. The sole respondents from the Roofing, Ceiling & Allied Products, Seafood, and Toys Sectors do not export to the US (see Figure 11). Respondents are distributed across firm size brackets except for the smallest, for which there is only one respondent (see Figure 12). Most respondents are from firms employing at least 50 employees. Among the apparel sector respondents, most are from larger firms with at least 300 employees, while 4 respondents are from SMEs.

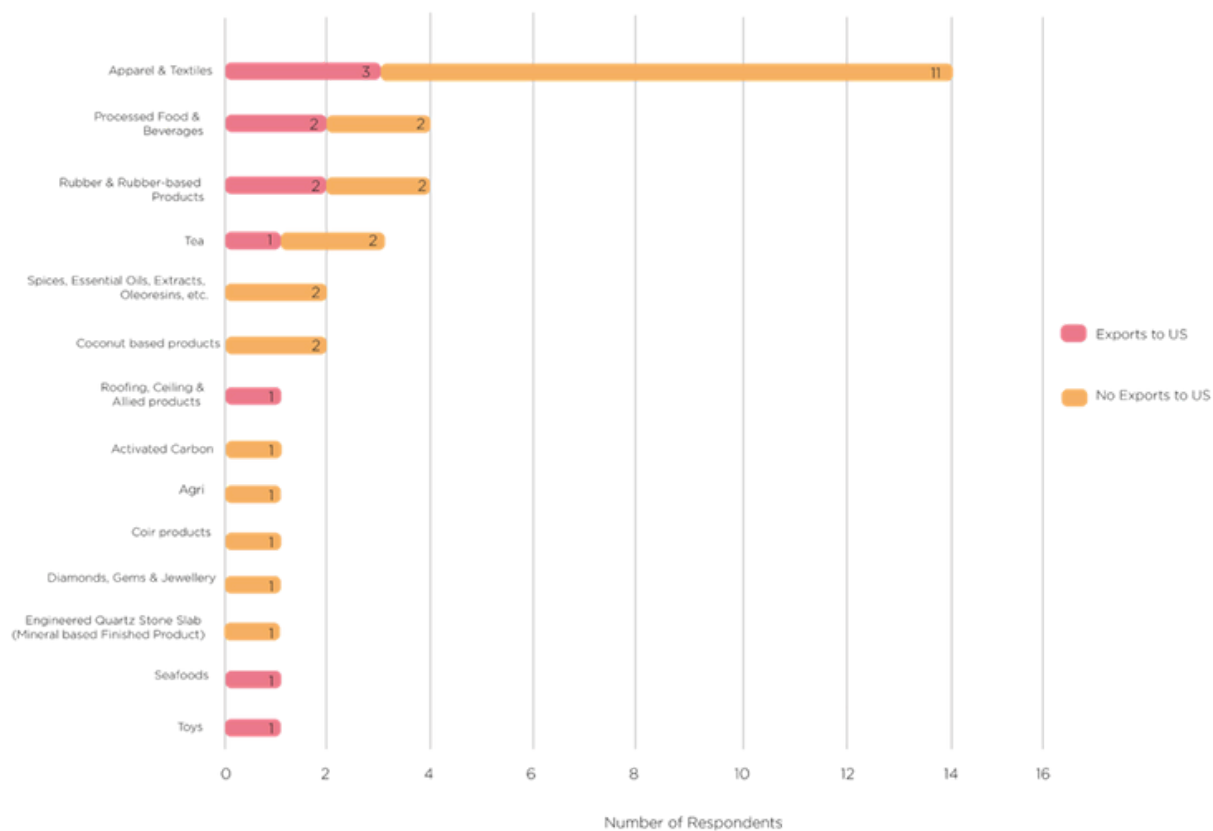
Figure 9: Respondents by export destination



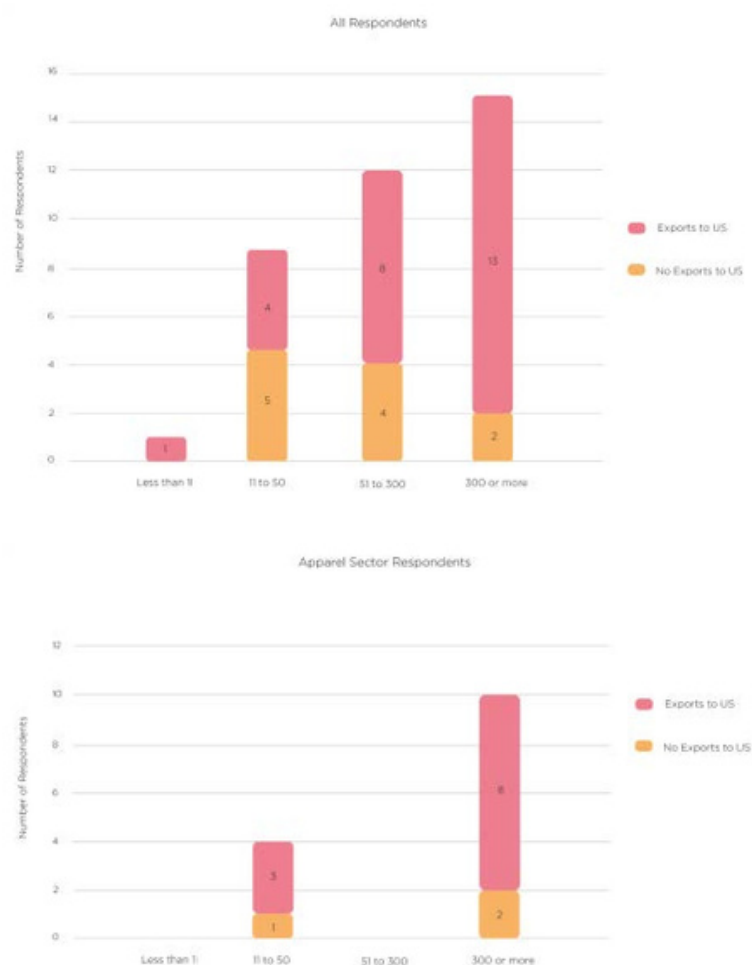
Source: Author's construction using survey data

Figure 10: Respondents by export destination (detailed)

Source: Author's construction using survey data

Figure 11: Respondents by sector

Source: Author's construction using survey data

Figure 12: Respondents by firm size

Source: Author's construction using survey data

Authors: Anushka Wijesinha and Senith Abeyanayake are researchers at the Centre for a Smart Future (CSF) in Colombo, Sri Lanka. Anushka Wijesinha is Director - CSF, and Senith Abeyanayake is Research Associate - CSF.

This work is available through open access, by complying with the Creative Commons licence [Deed - Attribution-NonCommercial-ShareAlike 4.0 International - Creative Commons](https://creativecommons.org/licenses/by-nc-sa/4.0/).

SOUTHVIEWS is a service of the South Centre providing opinions and analysis of topical issues from a South perspective.

The views contained in this article are attributable to the author(s) and do not represent the institutional views of the South Centre or its Member States.

**For more information, please contact Anna Bernardo of the South Centre:
Email abernardo@southcentre.int, or telephone +41 22 791 8050.**