Gate Research

The New Crypto Order Under a Tariff Storm

Structural Shifts and Opportunities in Stablecoins, RWA, and DeFi

Abstract

- **Global Market Turbulence and Broad Crypto Decline:** Following the release of the "Reciprocal Tariff" policy in April 2025, global financial markets experienced intense volatility. On April 7, the cryptocurrency market suffered a significant downturn, with Bitcoin briefly dropping to around $74,600, and the total crypto market capitalization shrinking by 7% in a single day.

- **Strong Reaction from Traditional Markets:** After the tariff policy was enacted, U.S. stock markets lost $5.9 trillion in market capitalization over two trading days. The Volatility Index (VIX) surged 50.9% in a single day, and gold prices hit a historical high of $3,167.70 per ounce.

- **On-Chain Stablecoin Activity Surges:** Between January 20 and April 9, 2025, the total market capitalization of stablecoins grew by 11.13%, reaching $233.5 billion. On April 7, on-chain stablecoin transaction volume reached a two-month high of $72 billion, and daily active addresses exceeded 300,000—reflecting strong demand.

- **RWA Shows Resilience and Rapid Growth:** Within a week of the tariff rollout, the RWA sector dropped only 3.1%, much lower than other crypto sectors (which saw declines exceeding 10%), indicating its robustness. The total RWA market cap surpassed $32 billion, and trading volume surged 99% within five days of the tariff's implementation.

- **Tokenized Gold Trading Volume Soars:** In the seven days leading up to April 11, weekly trading volume of tokenized gold exceeded $1 billion—the highest since March 2023. Since the tariff announcement, PAXG trading volume has soared over 900%, XAUT is up more than 300%, and KAU has skyrocketed by 83,000

- **DeFi TVL Declines and Liquidation Risk Intensifies:** Impacted by the broader market downturn, the DeFi sector' s total value locked (TVL) dropped 35.34% from January 20 to April 9, 2025, falling to $135.2 billion. In the week following the tariff implementation, TVL fell 13.88%. On-chain liquidation risks have significantly increased, with AAVE V3 recording $94.39 million in collateral token liquidations on April 6 and 7.

- **Crypto Market Opportunities Amid Tariff Storm:** Stablecoins and RWA show strong potential for hedging and cross-border settlement. DeFi is exploring algorithm-driven tariff

arbitrage models using dynamic collateralization ratios, geographic arbitrage, and regulatory hedging to navigate new financial strategies under trade barriers.

Topic Tags:

Gate Research, tariffs, stablecoins, RWA, DeFi

Gate Research: The New Crypto Order Under Tariff Storm —Structural Shifts and Opportunities in Stablecoins, RWA, and DeFi

1 Introduction

In April 2025, the U.S. implemented a ”reciprocal tariff” policy—imposing baseline tariffs on imports and punitive tariffs on specific countries—which triggered severe volatility across global markets. On April 7, the cryptocurrency market plummeted, with Bitcoin dropping to around $74,600, and major cryptocurrencies seeing double-digit losses, leading to a 7% wipeout in market capitalization in just one day. Traditional financial markets were also shaken, with U.S. stock futures falling and the fear index soaring.

Against the backdrop of global trade protectionism, reciprocal tariffs are becoming a key instrument in geopolitical contests between major powers. These policies influence global financial markets, including crypto, through mechanisms such as exchange rates, capital flows, and compliance costs. As bridges between traditional and digital economies, stablecoins, RWA, and DeFi face structural opportunities alongside regulatory and market risks.

This paper explores how reciprocal tariff policies transmit through macroeconomic channels to affect global financial markets. It further examines how these policies impact the ecosystems of stablecoins, RWA, and DeFi, evaluating the inherent risks and potential opportunities.

2 Chain Reactions in Global Financial Markets Triggered by Reciprocal Tariffs

2.1 The Reciprocal Tariff Policy

On April 2, 2025, U.S. announced the implementation of a sweeping new reciprocal tariff policy. Under this policy, starting April 5, the United States would impose a unified base tariff of at least 10 percent on all imported goods. Additionally, from April 9, higher ”reciprocal” tariffs ranging from 11 percent to 50 percent would be levied on goods from countries deemed ”serious violators of trade rules.” Notably, the higher tariffs initially set to take effect on April 9 were temporarily suspended for 90 days on that day, except China. U.S. also declared that tariffs on Chinese goods would be raised to 125 percent, effective immediately. Nevertheless, the 10 percent base tariff officially occurred on April 5. The key elements of the policy are as follows:

Base Tariff (Effective April 5): A flat 10 percent tariff on all imported goods entering the U.S. market, intended to enhance the competitiveness of domestic products by adjusting price ad-

vantages.

Punitive Tariffs (Originally Scheduled for April 9, Now Suspended for 90 Days): Countries found to engage in unfair trade practices, violate international trade rules, or cause significant harm to U.S. industries would face an additional reciprocal tariff ranging from 11 percent to 50 percent, on top of the base rate. Initially announced rates included: China (an additional 34 percent, bringing the total to 54 percent), the EU (20 percent), Japan (24 percent), Vietnam (46 percent), and automobile imports (25 percent). Canada and Mexico, already subject to a 20 percent tariff since February, were not included in this new list. According to Trump's April 9 remarks, tariffs on Chinese goods would be increased to 125 percent, effective immediately.

Policy Responses from Other Countries: The European Commission announced it would proceed with its plan to impose 15 to 25 percent tariffs on certain U.S. imports starting April 15. On April 4, China responded to Trump's "Liberation Day" tariff policy by addressing the 34 percent tariff rate, and on the evening of April 9, it announced that tariffs on U.S.-origin goods would be raised from 34 percent to 84 percent. Meanwhile, Canada imposed a retaliatory 25 percent tariff on U.S. auto imports.

Although there was a partial delay in implementing the tariffs on April 9, the base tariffs have already taken effect. Global trade tensions continue to escalate, with the risk of a broad and complex multilateral trade war looming large.

Figure 1: 2025 Reciprocal Tariff Policy Timeline

Date	Event Details
2025/04/10	China's retaliatory measures against U.S. tariffs (April 2 and April 8) come into effect.
2025/04/09	- Canada's 25% retaliatory tariff (non-USMCA vehicles) takes effect. - U.S. imposes 1%-74% tariffs on surplus countries. - EU confirms retaliation against U.S. steel/aluminum tariffs, some effective from April 15.
2025/04/08	- U.S. implements global differentiated tariffs (1%-74%) on surplus countries. - U.S. imposes additional 50% tariff on China.
2025/04/05	U.S. enacts a uniform 10% tariff on nearly all countries.
2025/04/04	China and Canada announce new retaliatory tariffs.
2025/04/03	Revisions to April 2 uniform tariff list.
2025/04/02	U.S. announces new tariffs on 60 countries at 12.2% uniform rate.
2025/04/01	New Section 232 tariffs on autos and Venezuelan oil.
2025/03/25	Proposal for "secondary" tariffs on Venezuela and importers of its oil.
2025/03/21	Timeline update for EU retaliation to U.S. Section 232 tariffs.
2025/03/18	Updates on IEEPA & Section 232 steel/aluminum tariff impact analysis.
2025/03/07	Updates on Canada, Mexico, China tariffs; economic analysis in progress.
2025/03/04	Proposal for new tariffs on Canada, Mexico, and China.
2025/03/03	Reduction in lumber and agricultural tariffs.
2025/02/27	Updated tariff models for EU and China.
2025/02/20	Trade war timeline compiled; U.S. tariff analysis updated.
2025/02/13	Expanded U.S. steel/aluminum tariff analysis.
2025/02/11	Added tariff revenue data for U.S. and Biden administrations.
2025/02/10	Restructured content; estimated China retaliation impacts.
2025/02/06	Assessment of revoking China's duty-free status.
2025/02/04	Added income distribution and historical context.
2025/02/01	U.S. imposes new 10% tariff on Canadian energy exports.
2025/01/31	Analysis of proposed 25% tariffs' impact on Canada and Mexico.
2025/01/29	25% tariffs on Canada and Mexico announced, effective February 1.

Gate Research, Data from: taxfoundation

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2.2 Macroeconomic Effects of the Reciprocal Tariff Policy

Reciprocal tariffs directly raise the prices of imported goods, impacting consumer spending and business costs. They also trigger exchange rate fluctuations, shifts in capital flows, and increased market uncertainty, posing significant volatility risks to the global economy and financial markets.

1. Intensifying Inflationary Pressure

– Imported inflation transmission: The base tariff (10 percent) and targeted punitive tariffs (up to 125 percent) increase import costs. These costs are passed on to end consumers, leading to broad-based price increases.

– Expectation reinforcement: Continued price hikes strengthen inflation expectations. Businesses and consumers accelerate purchases, creating a self-reinforcing cycle of rising prices and upward-adjusted expectations.

2. Trade Imbalance and Structural Transformation

– Suppressed imports and strained exports: High tariffs compress imports, reducing the trade deficit. However, retaliatory tariffs from counterparties also weaken the competitiveness of U.S. exports.

– High costs of supply chain restructuring: Tariff barriers force supply chain shifts. For example, Southeast Asia may replace China as a hub for electronic component manufacturing. Yet, the cost of restructuring supply chains is high. In Apple's case, relocating its global supply chain to the U.S. is expected to be time-consuming, extremely costly, and prone to production disruption risks.

3. Changes in International Capital Flows

– Disrupted capital flows and dollar shortage concerns: A reduction in U.S. imports directly cuts the outflow of dollars, potentially triggering global concerns about a dollar shortage. Declining dollar reserves among U.S. trading partners could especially threaten liquidity in emerging markets.

– Exchange rate volatility and safe-haven demand: Worsening trade imbalances could lead to depreciation pressures on local currencies. As a result, the global capital flow landscape may shift, with funds flowing back into the U.S. or into traditional safe-haven assets, impacting overseas asset prices and exchange rate stability.

– U.S. Treasury supply-demand imbalance and rising financing costs: Historically, the large U.S. trade deficit led to dollar accumulation abroad, which in turn funded U.S. debt through Treasury purchases. The tariff policy, by limiting dollar outflows, weakens foreign investors' capacity to buy U.S. Treasuries. Reduced external demand may drive up Treasury yields, increase U.S. borrowing costs, and even trigger liquidity risks with the U.S. fiscal deficit remaining high.

4. Real Economy and Consumer Impact

– Consumption structure shift: Rising prices squeeze real incomes, reducing discretionary spending while increasing the weight of essential goods. Consumer behavior shifts toward conservatism.

– Higher business costs: Companies reliant on imported raw materials face pressure, with shrinking profit margins. Some may exit the market, leading to increased industry consolidation.

Figure 2: Tariff Policy Macroeconomic Transmission Mechanism

Layer	Primary Mechanism	Impact Pathway
Consumers	Price transmission → Decline in purchasing power	Rising prices → Decrease in real income → Compressed consumption
Enterprises	Limited ability to pass on costs → Shift in investment	Profit squeeze → Localization adjustments → Short-term pain
Capital Markets	Increased risk aversion	Capital flows into inflation-resistant assets like gold and BTC
Policy Regulation	Interest rate control vs. stimulus in parallel	Tightening to curb inflation ↔ Fiscal stimulus to stabilize growth

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2.3 Shockwaves in Traditional Financial Markets: $5.9 Trillion Wiped Off U.S. Market Cap in Two Days

News of the tariffs sent shockwaves through financial markets. On April 7, 2025, under the shadow of global ”reciprocal tariffs,” global financial markets faced a ”Black Monday,” with major stock markets plunging at the open. Asset performance details are as follows:

On April 3, after the U.S. officially announced the reciprocal tariff policy, traditional financial markets reacted violently. That day, the S&P 500 fell by 4.84 percent and the Nasdaq dropped by 5.97 percent, wiping out about $2.8 trillion in U.S. market capitalization. Investor sentiment sharply reversed, and demand for safe-haven assets surged. The Volatility Index (VIX) spiked 39.5 percent in one day, and gold prices climbed to a historic high of $3,167.7, reflecting deep fears of an economic downturn.

On April 4, China announced retaliatory tariffs of 34 percent on certain U.S. goods, escalating market panic. As countries rolled out countermeasures, fears of a full-scale trade war surged. That day, the S&P 500 plunged another 5.97 percent, and the Nasdaq fell 5.82 percent, resulting in an additional $3.1 trillion loss in market cap. Over two days, the total loss reached $5.9 trillion. At the same time, ETFs tracking U.S. Treasury bonds with maturities over 20 years rose 1.09 percent, the VIX surged to 45.3 points (up 50.9 percent), and large volumes of capital flooded into safe-haven assets.

April 7 brought renewed volatility. An unconfirmed report suggesting that tariff implementation might be delayed by 90 days briefly lifted investor sentiment. The S&P 500 rose as much as

3.56 percent intraday, and the Nasdaq gained 0.10 percent. However, the White House quickly denied the rumor, and sentiment deteriorated sharply. The S&P 500 dropped to an intraday low of 4,835.04, a 4.7 percent decline, before closing down 0.23 percent. The Nasdaq fell as much as 1.29 percent intraday but managed to close slightly higher, up 0.10 percent at 15,603.26.

On April 8, sentiment briefly stabilized as some investors bet that the U.S. might soften the stance or delay implementation at the last minute, especially as final negotiations approached a midnight deadline. However, White House Press Secretary Karoline Leavitt confirmed that the tariff plan would proceed as scheduled, despite nearly 70 countries requesting negotiations to mitigate the impact. Her statement triggered another round of sell-offs, wiping out early gains as the market plunged in the afternoon.

On April 9, U.S. announced that tariffs on Chinese goods would be raised to 125 percent, while implementing tariffs on other countries would be postponed by 90 days. At the same time, reciprocal tariffs were uniformly adjusted to 10 percent. Following the announcement, U.S. stock indices rebounded sharply, reflecting market optimism toward the ”differentiated treatment” strategy.

Figure 3: Financial Market Asset Volatility During Tariff Announcements

Date	S&P 500 Index	Nasdaq Index	U.S. Market Cap	Market Cap Change ($)	Market Cap Change (%)	VIX Volatility Index	Gold Price	20-Year Treasury ETF
Apr 3	-4.84%	-5.97%	$53.71 trillion	-$2.8 trillion	-5.10%	39.5%	$3,167.7	-0.06%
Apr 4	-5.97%	-5.82%	$50.55 trillion	-$3.1 trillion	-5.88%	+50.9% (to 45.3 pts)	$2,982	1.09%
Apr 7	-0.23%	0.10%	$50.40 trillion	-$150 billion	-0.30%	+3.69%	$2,983	-3%
Apr 8	-1.57%	-2.15%	$49.56 trillion	-$847 billion	-1.68%	+11.39%	$3,086	-1.85%
Apr 9	9.52%	12.16%	$54.30 trillion	+$4.74 trillion	+9.57%	-35.75%	$3,119	0.59%

Gate Research, Data from: Investing.com & MacroMicro

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2.4 Broad Crypto Market Decline, RWA Shows Resilience

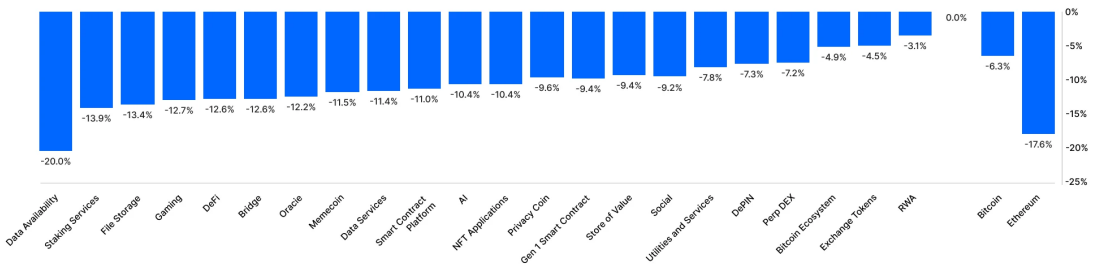
Impacted by the tariff policy, financial markets broadly came under pressure, and the crypto market was no exception. On April 8 alone, the crypto market dropped by 10.7 percent within 24 hours. Since January 20, 2025, the total global crypto market capitalization has plummeted

from around $3.621 trillion to approximately $2.51 trillion as of April 8—shrinking by over $1.1 trillion in just over two months, a decline of more than 30 percent.

Before the ”Liberation Day” tariff announcement, Bitcoin had been consolidating around $85,000 for several weeks. However, between April 2 and April 9, following the rollout of the tariff policy, Bitcoin’s price fell by about 6.11 percent (from $82,537 to $77,489). From January 20 to April 9, Bitcoin dropped roughly 24.22 percent (from $102,263 to $77,489). Moreover, on April 6 alone, there was a long-position liquidation of 7,500 BTC (approximately $570 million), marking the largest single-day long liquidation since 2023. That day, Bitcoin plunged from nearly $84,000 to a low of $77,440, triggering mass liquidations of leveraged long positions due to insufficient margin. Following this, derivative traders turned cautious, and the open interest value on April 7 dropped by nearly 10 percent to $91.19 billion.

During this period, the effects of the tariff policy created divergent trends across crypto sectors. Over the past 7 days, the RWA (Real World Assets) sector fell by only 3.1 percent, showing notable resilience. In contrast, many other sectors suffered sharp declines. Data shows that major sectors like Gaming, DeFi, Cross-Chain Bridges, and Oracles all dropped by over 10 percent, specifically -12.7 percent, -12.6 percent, -12.6 percent, and -12.2 percent respectively. Data Services, Smart Contract Platforms, and AI sectors also saw significant losses, with Data Services down as much as 20 percent—mainly due to their tight links to supply chain costs, which are particularly sensitive to tariff policies. Comparatively, RWA assets demonstrated stronger stability, largely because they offer innovative solutions for cross-border trade and financial asset tokenization.

Figure 4: Crypto Sector Volatility During Tariff Announcements)



Gate Research, Data from: Artemis

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Overall, Trump’s tariff policy has heightened turmoil in global financial markets, exposing vulnerabilities in the traditional financial system and driving up inflation expectations for the U.S.

dollar. This has pushed some investors to seek inflation-resistant assets. In this context, the crypto market displays complex dynamics—opportunities lie within the crisis. Bitcoin, as ”digital gold,” may attract more safe-haven capital. Furthermore, the U.S. using tariff policy to shift its debt burden could weaken confidence in the dollar. Against this backdrop, stablecoins, RWA, and DeFi, linked to the dollar or traditional assets, are increasingly viewed as potential tools for international trade settlement and real-world asset transactions, possibly opening structural opportunities.

3 Opportunity in Crisis: RWA and Stablecoins Ignite a New DeFi Wave

With risk assets like U.S. equities broadly declining, liquidity concerns persist even as gold and U.S. Treasuries gained from safe-haven demand. This new era of economic conflict drives capital toward more flexible and efficient hedging vehicles and pushes markets to explore alternatives beyond the traditional financial system.

In the short term, heightened risk aversion has led some capital to flow into Bitcoin and other crypto assets. However, Bitcoin’s high volatility limits its scalability. Meanwhile, implementing tariff policies could trigger liquidity shocks in the dollar. Although dollar-backed stablecoins like USDT and USDC fundamentally rely on the U.S. dollar system, their global accessibility and on-chain programmability give them greater flexibility and efficiency in cross-border transactions and settlements—gaining traction in international trade. This also opens potential avenues for decentralized assets like Bitcoin.

Amid this shift, different crypto asset classes are showing distinct strengths:

- **Stablecoins**, as ”digital dollars,” are gaining ground in global cross-border payments. In 2024, on-chain stablecoin transaction volume reached $5.6 trillion, equivalent to 40 percent of Visa’s payment volume, making them key tools for managing exchange rate risks and capital controls.
- **RWA** (tokenized real-world assets) have exceeded $20 billion in on-chain value. Assets highly sensitive to tariffs, like agricultural products and metals, are leveraging tokenization to significantly lower trust costs in cross-border trade.
- **DeFi**, as a novel risk management framework, provides flexible tools to hedge policy uncertainty. Algorithmic market makers are gradually replacing traditional trade finance intermediaries, forming new arbitrage models to mitigate tariff shocks.

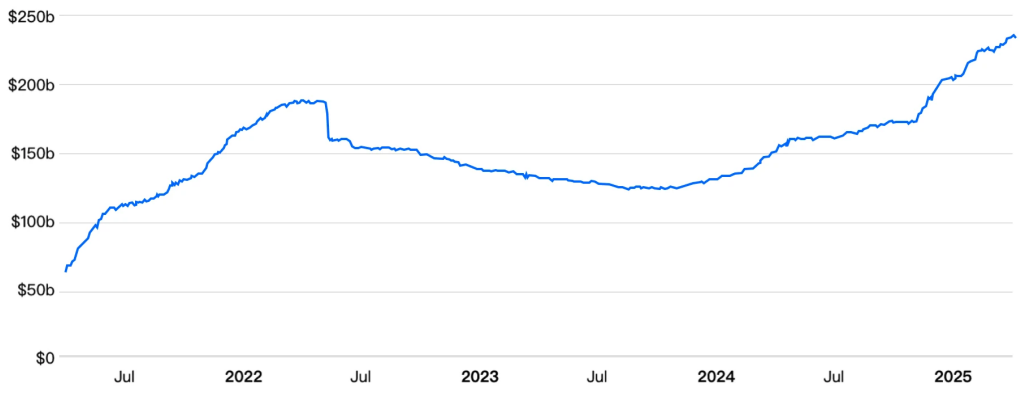
In summary, under a backdrop of escalating global tariff policies, the logic of market hedging is undergoing quiet transformation. Short-term pressures may become structural growth opportunities for stablecoins, RWA, and DeFi.

3.1 The Stablecoin Capital Surge: A New Cross-Border Financial Infrastructure Piercing the Tariff Wall

3.1.1 The Rise of Stablecoins Amid Tariff Uncertainty

Amid growing geopolitical uncertainty exacerbated by tariff policies, stablecoins have emerged as the core channel for capital flight and value transfer, functioning as a kind of ”Noah’s Ark” for capital thanks to their digital dollar attributes. From January 20, 2025 to April 9, the total market cap of stablecoins rose from $210.1 billion to $233.5 billion—an increase of 11.13 percent. Although there was a slight dip (down 0.5 percent) during the week after the tariff implementation (April 2 to April 9) due to market volatility, the overall upward trend remains strong.

Figure 5: Stablecoin Market Capitalization



Gate Research, Data from: DeFiLlama

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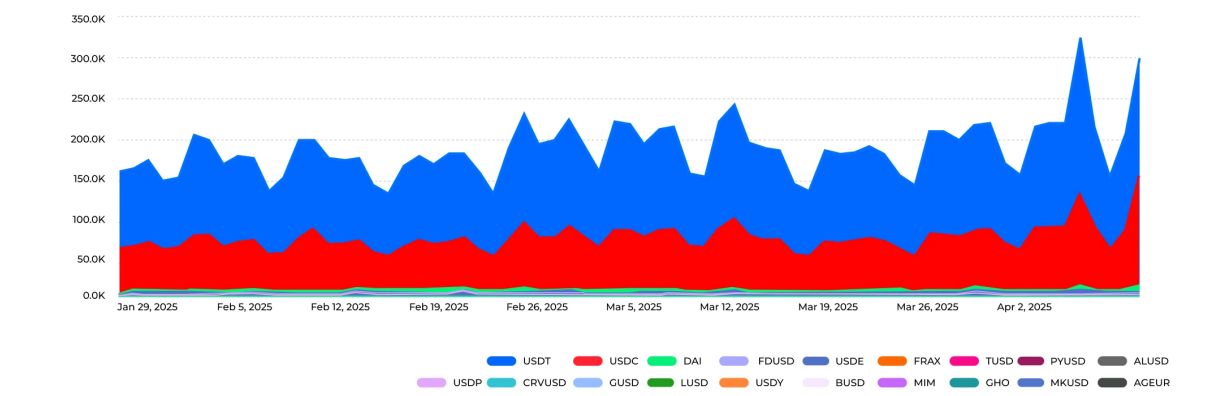
At the same time, a surge in on-chain activity has further validated the strong market demand for stablecoins. Daily active addresses surpassed 300,000, and on April 7, on-chain transaction volume reached $72 billion—the highest since February. Leading stablecoins USDT and USDC dominate the market, while emerging players like FDUSD and USDe rapidly expand their market share. Stablecoin supply across major public chains has generally increased. For instance, on April 8, Circle minted 250 million USDC on the Solana network, bringing the total USDC minted on Solana in 2025 to $12 billion.

Figure 6: 2025 Stablecoin Daily Active Addresses



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Unlike traditional altcoins, institutional funds are increasingly treating stablecoins as safe havens. Usual Protocol's USD0 has a market cap nearing $800 million, with its liquidity pools expanding rapidly on major platforms like Morpho and Curve. Ondo Finance's USDY, a yield-bearing stablecoin backed by U.S. Treasuries with a 4.65 percent annualized return, has attracted global capital and reached a market cap close to $600 million. Stablecoins have now transcended their original role as trading media, functioning instead as "offshore dollars" in the trade war—evading traditional banking regulation while offering high on-chain liquidity yields.

3.1.2 Tariff Policy Driving Stablecoin Demand Growth

Following the implementation of tariff policies, global trade costs and exchange rate volatility have intensified, while the efficiency of traditional cross-border settlements has declined. This has pushed enterprises and investors to seek alternatives. Dollar stablecoins (such as USDT and USDC), which bypass the traditional banking system and offer low-cost cross-border payment capabilities, have evolved into a "shadow dollar channel" for global trade—potentially even influencing the transmission of Federal Reserve monetary policy.

Stablecoins are typically pegged 1:1 to the U.S. dollar or other fiat currencies. They combine the efficiency, security, and transparency of crypto assets with immunity from the extreme volatility seen in assets like Bitcoin. Rising global economic uncertainty has driven investors toward these tools for risk hedging and liquidity reserves, making this one of the core growth drivers for stablecoins. Especially during times of dollar liquidity shortages, offshore markets are more inclined to use stablecoins as substitutes, reflected in the premium often seen on USDT in OTC

markets. When the Fed adopts accommodative policies, some newly printed dollars also flow into crypto markets, prompting increased issuance of USDT and USDC to meet both trading and hedging needs.

Therefore, regardless of dollar strength or weakness, market demand for stablecoins continues to rise—during dollar shortages, they act as substitutes; amid currency devaluation expectations, they serve as safe havens. Stablecoins are steadily becoming an on-chain reflection and functional alternative to the U.S. dollar. Any fluctuation in the dollar system only reinforces the perception of the ”digital dollar.” If the dollar enters a devaluation cycle, stablecoin usage and asset-carrying capacity may rise in tandem, potentially pushing their market cap to new highs. Furthermore, the growing use of stablecoins in payment and settlement across emerging markets continues to intensify global demand.

3.1.3 Stablecoins: Building Cross-Border Payment Infrastructure Amid Tariff Dilemmas

Frequent global trade frictions and restricted capital flows have exposed traditional cross-border payment systems to challenges such as high costs, long processing times, and layered intermediary fees. Stablecoins, as an alternative solution, offer near-instant settlement and dramatically reduced fees—for example, transferring USDT on the Tron network costs less than $0.01, whereas a SWIFT wire transfer typically costs $20–40. This provides a far more efficient path for global payments. The stablecoin market has expanded from under $120 billion at the start of 2023 to over $215 billion by early 2025. This growth signals that stablecoins have broken out of the crypto trading niche and are becoming widely accepted as digital cash. Traditional institutions, including PayPal, have launched related products (e.g., PYUSD in late 2023), further accelerating market maturity. Today, stablecoins can already be applied in three key areas to address tariff barriers and enhance cross-border payments: cross-border settlement, remote payroll, and grassroots payments.

3.1.3.1 Cross-Border Settlement and Remittances: Circumventing Tariffs, Clearing, and Local Currency Risks

In cross-border settlements, traditional financial systems face high costs, slow timelines, capital controls, and local currency depreciation. Stablecoins are beginning to transform this landscape through their speed, cost-efficiency, and resistance to interference. In Latin America, Mexico has become a hub for stablecoin-based remittances, with fintech companies like Bitso using USDC to offer fast, low-cost transfers between the U.S. and Mexico. Brazilian businesses are

also turning to stablecoins to cut payment costs. In sub-Saharan Africa, stablecoins like USDT are widely used in cross-border remittances and B2B transactions, slashing fees and enabling instant payments. They also offer locals easier access to U.S. dollars and help bypass fragile banking systems.

3.1.3.2 Cross-Border Payroll and Outsourcing: ”Digital Dollar Paychecks” for Freelancers

Stablecoins are reshaping how remote salaries are paid globally. Companies can now pay international workers instantly using USDC, avoiding wire transfer fees and long delays. In 2024, Remote.com and Stripe launched a USDC payroll service across 69 countries, enabling employers to pay salaries in digital dollars and allowing employees to receive funds on the Base network the same day. This is especially beneficial in regions with an underdeveloped banking infrastructure.

3.1.3.3 Financial Inclusion and ”Grassroots Dollarization”: Stablecoins as a Monetary Alternative

In countries suffering from high inflation or exchange rate instability, stablecoins are becoming tools for everyday payments and savings, accelerating grassroots dollarization. Argentinians use USDT as ”digital cash,” while USDC is an anti-inflation reserve. In Turkey, residents use stablecoins to hedge against currency risks, with trading volumes as a percentage of GDP ranking among the highest globally. In Africa, stablecoins are rapidly gaining popularity via mobile wallets, helping the unbanked population access the global financial system.

In short, if the trade war continues to escalate, stablecoins may become the stealth channel for global capital flows, breaking free from traditional financial constraints and ushering in a new wave of digital dollar competition. When dollar sovereignty is no longer tied to the SWIFT system, its global influence can expand through blockchain. This marks the evolution of a hedging tool and signals a potential reshaping of the global financial order. Stablecoins are evolving from a niche crypto product into a foundational pillar of global finance. Their market cap could grow from hundreds of billions to trillions of dollars, with use cases expanding from simple transactions to payments, settlements, payroll, savings, and remittances. As regulatory frameworks improve, stablecoins will push the global financial system toward greater efficiency, openness, and inclusion. The next five years may be the critical turning point from ”niche utility” to ”global value network.”

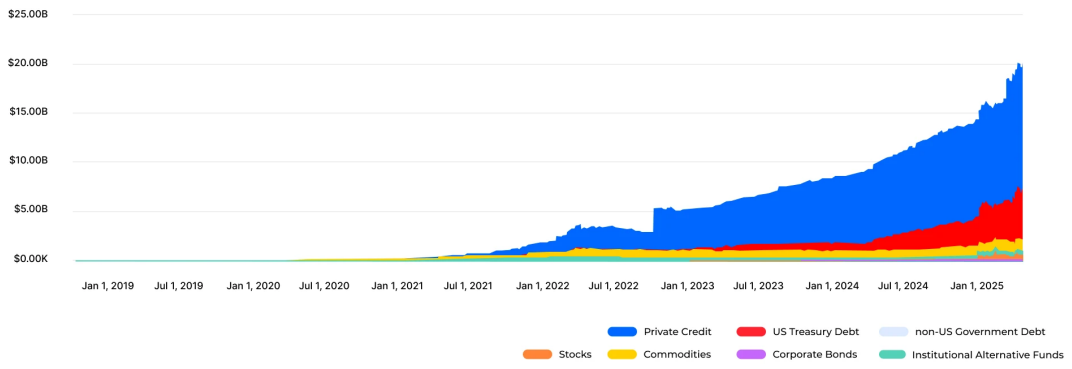
3.2 Surge in RWA Demand: On-Chain Restructuring of Tariff-Sensitive Assets

3.2.1 Institutions Bet on RWA as Smart Money Starts to Shift

Driven by uncertainty under the new tariff policies, investors increasingly focus on stablecoins and real-world assets (RWA). Ondo Finance, in collaboration with traditional financial institutions, has attracted significant institutional capital by issuing yield-bearing RWA tokens. Platforms like Maple Finance have transitioned into RWA-backed lending protocols and achieved substantial growth. Major Wall Street firms such as JPMorgan, BlackRock, and UBS are also expanding into the RWA market. Notably, BlackRock's BUIDL fund has tokenized a portion of its U.S. Treasury holdings, offering an annual yield of 4.44 percent. According to PwC, the RWA market could exceed $10 trillion by 2030, making it one of the most certain growth sectors in the digital asset space.

As of April 10, 2025, the total market cap of RWA has surpassed $32 billion. Capital inflow into stablecoins within on-chain protocols has increased significantly. On-chain asset value rose from $15.431 billion on January 20 (Trump's inauguration) to $20.051 billion on April 8, marking a 29 percent increase. Even in the five days following the implementation of the tariff policy, growth continued at 2.5 percent. Although overall trading volume from January 20 to April 10 fell by 48 percent—reflecting early market hesitation—after the tariff announcement, trading volume surged from $1.505 billion on April 2 to $3.003 billion on April 10, a 99 percent increase. This demonstrates how macro-level catalysts rapidly activate risk-averse trading and asset repricing behavior.

Figure 7: On-Chain Capital in Real-World Assets (RWA)



Gate Research, Data from: rwa.xyz

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3.2.2 Why Tokenized RWA Is Saving Traditional Finance

Traditional financial markets face unprecedented challenges amid global trade frictions, restricted capital flows, and inefficient settlement systems. Tokenizing real-world assets—such as bonds, real estate, and commodities—brings these instruments on-chain, enabling automated trading, reduced costs, and precise capital allocation, while removing costly intermediaries. The advantages of RWA tokenization are reflected in the following five areas:

- **A Safe Haven for Stable Returns:** In times of extreme market volatility, RWAs offer more reliable yields by anchoring to real-world assets on-chain.
- **Enhanced Market Liquidity:** Many traditional assets suffer from low liquidity. Tokenizing these assets allows them to be traded instantly as digital assets, giving investors more flexible allocation options.
- **Increased Market Transparency:** Blockchain technology ensures full traceability of transactions, reducing the risk of opaque operations by centralized institutions and strengthening investor trust.
- **Solving Cross-Border Investment Barriers:** Tokenized assets simplify and reduce the costs of cross-border investments, eliminating geographic restrictions and promoting global capital allocation.
- **Driving Financial Democratization:** Tokenization lowers the entry barrier to private credit, commodities, and real estate markets, enabling retail investors to access returns traditionally reserved for institutions.

3.2.3 RWA Opportunities Under Tariff Policy: Disruption and Restructuring in Parallel

Amid escalating global trade frictions, frequent geopolitical conflicts, and increasing macroeconomic policy shocks, RWA is rapidly transitioning from a fringe innovation to a financial mainstream pillar. It is becoming a critical bridge connecting real-world assets with on-chain markets. Its rise is driven by technological progress and reflects the market's urgent demand for safe-haven assets and structural adjustment tools. RWA has emerged as a "digital tool" for hedging against global policy shocks—by reducing the cost of cross-border transactions and financing, easing cash flow pressures, and enabling asset repricing, it facilitates deeper structural changes in the global economy.

At the same time, the RWA ecosystem is reaching a turning point, with regulatory clarity and institutional participation advancing simultaneously. The European Union's MiCA regulation and Hong Kong Monetary Authority's RWA sandbox mechanism are establishing the framework for compliance. Financial giants like BlackRock and Goldman Sachs are actively entering the space through tokenized funds such as BUIDL, signaling that RWA is becoming a vital bridge between traditional and decentralized finance.

3.2.3.1 A "Digital Tool" for Hedging Trade Barriers

RWA tokenization significantly reduces cross-border trading and financing costs, effectively easing the cash flow strain imposed by tariffs. For commodities that are highly sensitive to tariffs, price increases have directly stimulated demand for physical asset tokenization. Meanwhile, supply chain disruptions and tariff differentials between jurisdictions have created arbitrage opportunities involving RWA and stablecoins.

Examples include:

- **GCL Energy Technology** tokenizing photovoltaic plant revenue rights to greatly enhance cross-border financing efficiency.
- **Polytrade** optimizing supply chain finance by automatically connecting buyers, sellers, and insurers.
- **Goldfinch** providing unsecured loans to businesses in emerging markets via decentralized credit, bypassing traditional banks.
- **Ant Group Digital Technologies** tokenizing charging station revenue rights to facilitate asset securitization and reduce financing thresholds.

3.2.3.2 Safe-Haven Growth and De-Dollarization Potential

The impact of U.S. trade policy has weakened trust in the dollar, driving up demand for safe-haven assets. Tokenized U.S. Treasuries and gold tokens, thanks to their physical backing and on-chain liquidity, have seen significant increases in both trading volume and capital inflows. In the seven days leading up to April 11, tokenized gold trading volume exceeded $1 billion—the highest since the U.S. banking crisis in March 2023.

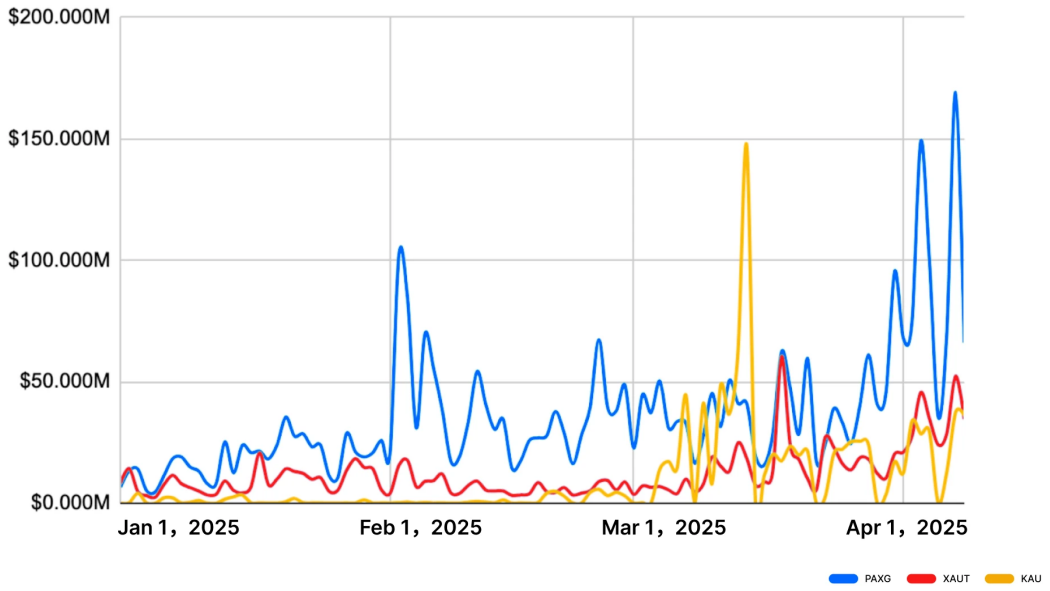
Since the first announced the tariff policy on January 20:

- **Paxos Gold (PAXG)** trading volume surged over 900%.
- **Tether Gold (XAUT)** increased more than 300%.
- **Kinesis Gold (KAU)** skyrocketed by 830 times.

Additionally, bond-related RWAs are exhibiting both interest rate and trade policy sensitivity. For instance, in response to rising inflation expectations in 2023, MakerDAO shifted from USDC to tokenized U.S. Treasury products. RWAs tied to emerging market debt remain highly volatile.

Moreover, RWA innovation is also advancing non-dollar asset flows through green finance initiatives, such as the Hong Kong Monetary Authority's tokenized green bond pilot, which supports RMB cross-border settlement, and stablecoin experiments like the development of a Hong Kong dollar-pegged stablecoin. These trends are accelerating the global de-dollarization process.

Figure 8: Tokenized Gold Trading Volume



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3.2.3.3 Supply Chain Restructuring Sparks New Use Cases

RWA drives a deep integration between traditional industrial supply chains and blockchain technology, restructuring global industry networks and financial infrastructure. As tariff policies push up global logistics and raw material costs, companies are seeking more efficient financing and transaction methods, leading to numerous real-world applications of RWA.

Examples include:

- **Hong Kong office properties** being tokenized as NFTs to lower investment thresholds, accelerating fractional ownership and improving global real estate liquidity.
- **Siemens' suppliers** optimizing cash flow management by tokenizing accounts receivable, thereby enhancing overall supply chain efficiency.
- **TotalEnergies** issuing tokens backed by renewable energy project revenues to attract investors.
- **CapitaLand (Singapore)** tokenizing shares in real estate assets to reduce entry barriers, allowing a broader base of investors to participate.

Additionally, fluctuations in construction material costs due to tariffs have prompted adjustments in collateral ratios and yields for real estate-related RWAs, highlighting the dynamic nature of this evolving field.

In summary, amid a global landscape of growing policy uncertainty, RWA stands out for its safe-haven characteristics, asset innovation potential, and structural transformation capabilities, making it one of the most promising and reliable segments in the digital financial ecosystem.

3.3 DeFi Innovation: An Algorithm-Driven Paradigm for Tariff Arbitrage

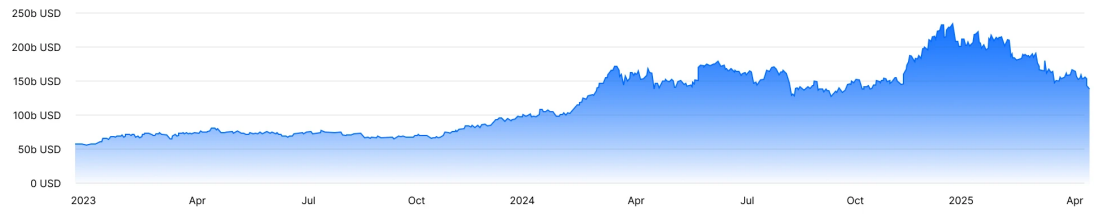
Under the dual pressures of global macroeconomic turbulence and tariff policy shocks, the DeFi market is experiencing cyclical volatility, with the risk of ”bank run-style” sell-offs. Although technologies such as cross-chain protocols can partially hedge systemic risks, the high degree of interconnectedness between platforms may trigger cascading effects in extreme scenarios, exacerbating market instability.

In addition, macro tightening is causing liquidity to dry up, impacting borrowing rates and trading activity across DeFi platforms. Regulatory authorities may also tighten control over financial markets, creating additional uncertainty for DeFi ecosystems. However, this could also catalyze a shift toward compliance and accelerate model innovation within the space.

3.3.1 DeFi Market Turbulence Under Tariff Shock

The overall downturn in the crypto market has reduced investors' risk appetite, weakening participation in DeFi. Recently, Total Value Locked (TVL) in DeFi has declined significantly. From January 20 to April 9, DeFi TVL dropped from $209.1 billion to $135.2 billion—a 35.34 percent decrease. Following the tariff policy rollout from April 2 to April 9 alone, TVL fell from $157.0 billion to $135.2 billion, a decline of 13.88 percent.

Figure 9: DeFi TVL



Gate Research, Data from: DeFiLlama

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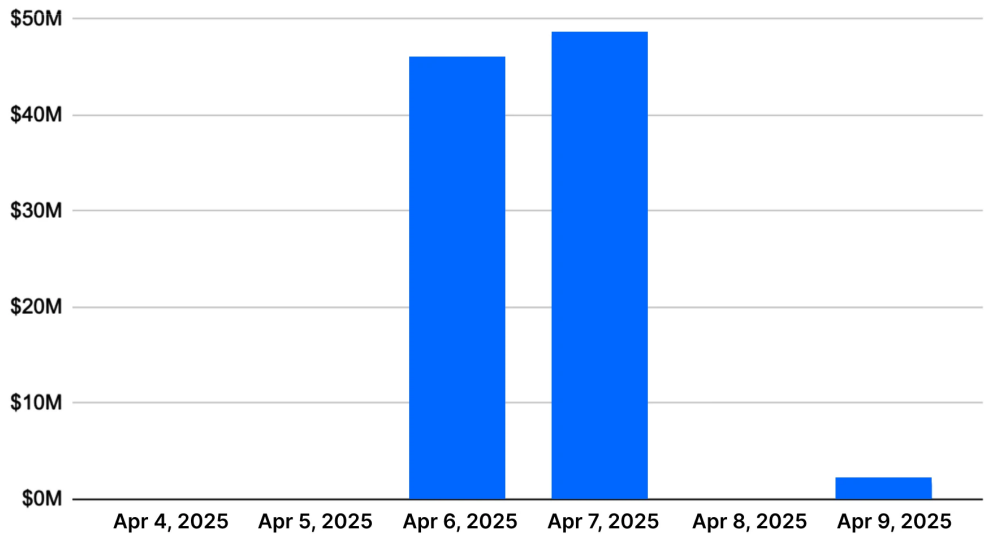
At the same time, rising economic uncertainty has increased asset price volatility, triggering liquidation risks and systemic instability within DeFi protocols. Recently, on-chain liquidations have occurred frequently. For example, on April 6 and 7, AAVE V3 saw a total of $94.39 million in collateral liquidations, with WETH being the most heavily affected asset—highlighting the leverage risks during market downturns. Several whale addresses had their borrowing positions fully liquidated as ETH prices dropped sharply.

Figure 10: Daily Liquidation Volume on AAVE V3, April 2025



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3.3.2 Macro Linkages: U.S. Dollar Liquidity and the DeFi Yield Curve

Amid global trade frictions and shifting financial conditions, the liquidity environment of the U.S. dollar is profoundly shaping the DeFi market structure. The primary transmission channel is via interest rate dynamics: when dollar liquidity tightens, the on-chain supply of stablecoins shrinks, lending rates spike, and the DeFi yield curve steepens. Conversely, during periods of Fed monetary easing and falling interest rates, DeFi yields on stablecoins become more attractive, drawing capital inflows and flattening the yield curve.

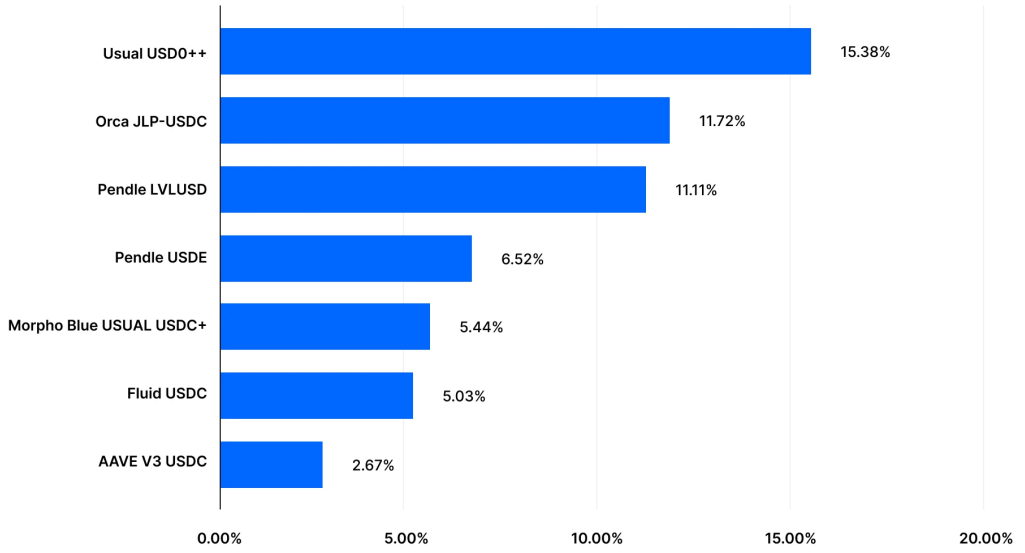
Currently, DeFi annual yields are generally higher than those of traditional money market funds. The highest-yielding platforms are often structured or strategy-based protocols, such as:

– **Usual USD0++ (15.38%)** –A structured stablecoin protocol employing risk/reward enhancement mechanisms.

– **Orca JLP-USDC (11.72%)** and **Pendle LVLUSD (11.11%)** –Offering returns through liquidity incentives, options, or LP token enhancements.

– Mid-tier products (5–7%) like **Pendle USDE** and **Morpho Blue USDC+** represent more neutral-risk automated strategies or RWA-backed stable yield products. Despite lower risk, their yields still significantly exceed those of traditional CeFi platforms, indicating persistent demand for on-chain stablecoin liquidity.

Figure 11: DeFi Product Yields as of April 10, 2025



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One risk to watch: if inflation expectations rise, stablecoin lending rates could spike again, causing the DeFi yield curve to shift dramatically—flattening during liquidity easing and steepening sharply under inflationary pressures.

Overall, as long as global dollar liquidity remains loose, capital will continue flowing into DeFi in pursuit of higher returns. This trend will likely boost the price of high-quality on-chain assets, lower the risk-free rate, and shift the yield curve in favor of borrowers—ultimately reshaping the risk-reward structure of the on-chain capital market.

3.3.3 DeFi's Resilience and Innovation Opportunities

Despite facing significant challenges, DeFi is demonstrating resilience and may even find new avenues for growth in a global trade war. First, the rising demand for inflation hedging is chan-

neling new capital into DeFi. The tariff war has triggered imported inflation pressures, prompting investors to seek alternative assets outside the traditional system. DeFi, with its combination of high yield and openness, is gradually emerging as a viable option for inflation-hedged portfolios. Its decentralized nature also stands out in a geopolitical environment where traditional financial systems face growing risks of asset freezes and political interference.

Second, continued technological innovation in DeFi is attracting new capital and users. Innovations such as tokenized government bonds, AI-driven strategies, and automated market making are expanding the boundaries of DeFi products and driving market evolution. Its composable infrastructure also provides a solid foundation for building cross-border, real-time, and customizable financial tools.

On this basis, DeFi is beginning to nurture a new algorithm-driven paradigm for tariff arbitrage. Leveraging composability and automation, it is exploring new financial hedging and arbitrage strategies in the context of tariff barriers, including:

3.3.3.1 Lending Protocol Strategies

- Introduce dynamic collateral ratio models that adjust requirements based on tariff policy shifts, enabling automatic response to regulatory changes.
- Focus on developing RWA-backed collateral pools to generate stable returns linked to real-world assets.

3.3.3.2 Geographic Arbitrage Strategies

- Deploy nodes in regions with lower tariffs or more lenient regulations to capture higher local credit yields.
- Use oracle technology to automatically select the most cost-efficient cross-border payment routes, minimizing transaction costs.

3.3.3.3 Regulatory Hedging Strategies

- Invest in highly compliant DeFi funds to benefit from tax incentives available in specific jurisdictions.
- Use privacy protocols to handle sensitive cross-border transactions, mitigating surveillance and regulatory risks.

3.3.3.4 Structural Arbitrage Opportunities

- Some tariff-arbitrage-oriented protocols, such as SynthTrader on Arbitrum, have seen rapid TVL growth.

– Stablecoin usage in cross-border payments is rising significantly, particularly as an emerging replacement tool in B2B trade settlements.

However, these strategies are not without risks. Regulatory arbitrage could expose certain addresses to sanctions or lead to liquidity pools being delisted from centralized exchanges (CEXs) due to the use of mixers. Fragmented liquidity may cause TVL in DeFi protocols from sanctioned regions to plummet and increase the cost of asset transfers across bridges.

DeFi derivatives are also emerging as tools for managing new types of risk. For example, synthetic asset platforms have launched futures products tracking tariff volatility indices, while options platforms are seeing rising volumes and implied volatility premiums on contracts linked to tariff policy.

In summary, although liquidation risks and regulatory pressures remain, in an environment of abundant stablecoin liquidity, DeFi, thanks to its high yield potential and decentralization, continues to attract traditional capital and may usher in a new phase of structural growth for the crypto market. DeFi is now constructing an algorithmic paradigm for tariff arbitrage, dynamically repricing asset yields by capturing interest rate fluctuations and cross-chain arbitrage opportunities.

Emerging risks such as regulatory arbitrage and liquidity fragmentation must not be overlooked. The key challenge ahead lies in achieving a balanced evolution between innovation and compliance, helping DeFi transition from ”experimental finance” to ”systemic finance.”

4 Risks and Reflections: Reassessing the Future of the Crypto Market Amid the Tariff Storm

The ”reciprocal tariff” policy implemented in April 2025 struck like an unexpected storm, sweeping through not only global traditional financial markets but also delivering a significant shock to the emerging cryptocurrency sector. Within just a few days, global stock markets plunged, and the crypto market followed suit, with the prices of major assets like Bitcoin falling sharply. The total value locked in DeFi also dropped considerably. This wave of financial turbulence, triggered by trade protectionism, clearly illustrates that any unilateral policy can set off a chain reaction with far-reaching consequences in an interconnected global economy.

Yet, crisis often breeds opportunity. Against the backdrop of uncertainty and liquidity constraints in traditional finance, stablecoins—thanks to their ”digital dollar” characteristics—have emerged as a preferred tool for cross-border payments and value transfer, becoming a haven for capital seeking safety and settlement efficiency. The tokenization of real-world assets (RWA) has improved market liquidity, transparency, and accessibility by bringing traditional assets onto the blockchain. For tariff-sensitive assets in particular, on-chain verification and transaction mechanisms can potentially reduce cross-border trade costs and lower trust barriers. Meanwhile, although DeFi has faced volatility and liquidation risks, its inherent innovation and algorithm-driven arbitrage strategies are exploring new ways to navigate tariff barriers, including dynamic collateral adjustments, geographic arbitrage, and regulatory hedging.

However, we must soberly acknowledge that these opportunities come with significant risks. Regulatory uncertainty remains a sword of Damocles hanging over the crypto market. In an era where protectionism is rising and nations are tightening financial oversight, emerging sectors like DeFi face increasing compliance costs and policy-related risks. Moreover, the market’s own volatility, potential systemic risks, and new challenges such as regulatory arbitrage and liquidity fragmentation all demand a high degree of vigilance from participants.

This tariff storm offers a timely lens through which to reassess the direction of the crypto market’s future. The potential of stablecoins, RWA, and DeFi as bridges between the traditional and digital economies depends on technological innovation and the evolution of the global macroeconomic landscape and regulatory environment. How effectively we seize opportunities while managing risks will determine whether these emerging asset classes can truly become integral parts of the global financial system—and play a vital role in future economic transformations.

For investors, entrepreneurs, and regulators alike, this tariff crisis is not just a profound warning, but also a crucial opportunity to rethink and reconfigure the future of digital finance.

Author: Ember

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research@gate.me