

The Global Economic Impact of President Trump's 2025 Tariffs: Sectoral Disruptions and Geopolitical Consequences

Lakshmi Nagineni¹ and Ethan Aryan J²

Student (BCom), Department of Commerce
Don Bosco College, K R Puram, Bangalore, India^{1,2}

Abstract: *This paper talks about the latest and most recent heated topic in the world economy and trade, 'The new Trump's Tariffs', which trump officially signed an executive order on, imposing a minimum 10% tariff on all U.S. imports effective April 5. In 2025, President Donald Trump's administration implemented a new wave of aggressive tariffs as part of his renewed "America First" economic strategy, including a 25% levy on imported automobiles and a 145% duty on Chinese goods. These actions have significantly disrupted global trade, leading to increased inflation, supply chain challenges, and strained international relations. This paper examines the multifaceted effects of these tariffs on various industry sectors and the broader global economy. It also explores the geopolitical ramifications, particularly the shifting alliances and economic strategies of key global players*

Keywords: Trump tariffs, protectionism, global economy, trade war, inflation, supply chain disruption, automotive industry, energy sector, agriculture, geopolitics, US-China relations, Fentanyl tariff

I. INTRODUCTION

In the contemporary globalized economy, trade policy stands as one of the most powerful instruments of economic diplomacy. Over the past decade, the world has witnessed a reconfiguration of trade strategies, primarily driven by nationalist economic ideologies and protectionist ambitions. One of the most controversial and impactful developments in this arena has been the resurgence of tariffs under the leadership of former—and once again current—U.S. President Donald J. Trump. In 2025, his administration introduced a new wave of sweeping tariffs targeting a broad spectrum of imports, reigniting international trade tensions and initiating a seismic shift in the dynamics of the global economy. The resurgence of protectionist trade policies under President Trump's 2025 administration has reignited global economic tensions. The imposition of sweeping tariffs has not only affected domestic markets but also sent ripples across international economies. This paper delves into the immediate and long-term impacts of these tariffs, analysing their effects on various industries and the global economic landscape. These tariffs, ranging from a blanket 10% duty on most global imports to more targeted and punitive measures—such as the staggering 145% tariff on Chinese goods and a 25% levy on automobiles and critical raw materials—were rolled out under the stated objective of revitalizing American manufacturing, protecting domestic jobs, and addressing long-standing trade imbalances. In tandem, tariffs were imposed on goods from traditional allies like Canada and Mexico, while a 25% tariff was enforced on countries engaging in trade with Venezuela, as part of a broader geopolitical strategy. While the political rhetoric surrounding these policies emphasized national strength and economic resurgence, the broader implications paint a more complex picture. These measures have disrupted global supply chains, strained alliances, and raised costs for both producers and consumers. For instance, the automotive sector, a critical pillar of North American economic cooperation, has seen sharp production slowdowns and plant closures due to increased cross-border component costs. Similarly, industries reliant on imported raw materials—such as construction, technology, pharmaceuticals, and energy—have reported cost spikes and declining profit margins. Beyond the immediate industrial consequences, the 2025 tariffs have also triggered broader macroeconomic reverberations.



II. DISCUSSIONS

SUDDEN RAMP UP ON TARIFFS IN 2025

Trump did impose tariffs during his first term, especially targeting China, the EU, and other countries to push for what he saw as “fairer” trade deals and to protect American industries. But in 2025, his decision to ramp up or introduce new, more aggressive tariffs seems to be more drastic. Here’s why it likely happened:

1. Political Strategy for Re-Election or Legacy

Since 2025 is the first year of his return to the White House, he’s trying to quickly deliver on his “America First” promises. Drastic moves like high tariffs appeal to his base and show that he’s taking strong action right out of the gate.

2. Trade Deficit and Manufacturing Push

Trump has always criticized the U.S. trade deficit. With economic concerns around global dependence—especially after COVID and supply chain issues—he’s probably doubling down on domestic manufacturing by making imports more expensive.

3. Targeting China Again

Relations with China have remained tense. New tariffs could be aimed at reducing reliance on Chinese tech, electronics, or materials, especially as competition between the two superpowers grows in areas like AI, semiconductors, and green tech.

4. Global Shift in Trade Alliances

The world is changing fast, and Trump’s team may feel that new global dynamics give the U.S. more leverage now. By setting higher tariffs, they might be pushing countries to renegotiate deals or bring companies back to American soil.

5. Economic Nationalism

With inflation still a concern in many countries, Trump’s administration could be using tariffs to try to protect American jobs and reduce dependency—even if it risks retaliation.

It’s a bold, high-risk move, especially with the global economy still in recovery mode, but it fits Trump’s pattern of using tariffs not just for economics, but for geopolitical leverage too.

III. METHODOLOGY USED BY TRUMP TO IMPOSE TARIFFS FOR SPECIFIC NATIONS

Trump’s tariff strategy isn’t based on a standardized economic formula but more of a strategic-political methodology, influenced by trade data, national interests, and leverage. Here’s a breakdown of the approach he (and his advisors) typically uses to select and calculate tariffs for specific countries:

1. Trade Imbalance Analysis

- Method: Countries with large trade surpluses with the U.S. are often targeted.
- Example: China had a massive trade surplus, so it faced higher tariffs (up to 60% in 2025).
- Logic: If the U.S. imports way more than it exports to a country, Trump argues that the relationship is unfair and uses tariffs to “level the field.”

2. Industry-Specific Dependence

- Method: Identify industries where the U.S. is highly dependent on foreign imports (e.g., steel, electronics, rare earth minerals).
- Logic: Tariffs are used to make foreign goods more expensive, encouraging domestic production or diversification of suppliers.
- Example: China supplies a majority of rare earths—thus, high tariffs are imposed to reduce strategic dependence.



3. Political Leverage & Geopolitical Strategy

- Method: Countries seen as economic or political threats (e.g., China), or those not cooperating on issues like immigration, drugs, or defence funding, may face harsher tariffs.
- Logic: Tariffs become a negotiating tool or punishment—sort of like economic diplomacy.
- Example: Tariffs on Mexico were once threatened to force stricter border control.
- Import volume and value

4. Retaliatory or Reciprocal Logic

- Method: If a country imposes tariffs or unfair barriers on U.S. goods, Trump often uses “tit-for-tat” logic to match or exceed those.
- Example: The EU applies high duties on U.S. cars—Trump threatens similar or higher rates on European cars in return.

5. National Security Justification

- Method: Use of Section 232 (explained earlier) allows tariffs if a country is seen as a risk to U.S. security.
- Logic: Doesn’t always rely on pure economics, but strategic risk assessments.
- Example: Steel from China and Russia was tarified on the grounds it weakens U.S. defence readiness.

6. Flat-Rate Policy for Shock Impact

In 2025, Trump proposed a universal 10% tariff on all imports, not country-specific.

- Logic: Simpler, easier to implement across the board, and sends a strong message to bring production back home.
- Used As: A blanket tool, while country-specific tariffs like the 60% on China act as targeted reinforcements.
- Industry importance to the U.S.
- Sensitivity to price hikes
- Likelihood of retaliation
- Potential impact on inflation and consumers

IV. IMPACT OF THIS DRASTIC DECISION?

1. Macroeconomic Impacts

The Organisation for Economic Co-operation and Development (OECD) has reported that the new tariffs are decelerating economic growth in the United States and globally, while also reigniting inflation. The uncertainty surrounding these trade policies has led to reduced business investments and consumer spending, further dampening economic activity. [6][7]

2. Sector-Specific Tariffs

Steel and Aluminium: A 25% tariff was reinstated on all steel and aluminium imports, effective March 12, 2025, revoking previous exemptions for certain countries.

Proposed Tariffs on EU Alcohol Imports: A 200% tariff was proposed on all EU alcohol imports, including wine, champagne, and spirits, in response to the EU’s planned tariffs on American whiskey.

3. Geopolitical Consequences

The aggressive tariff policies have strained relationships with key U.S. allies, including Canada, Mexico, and the European Union. In response, these countries have imposed retaliatory tariffs on U.S. goods, further escalating trade tensions. China, targeted by significant U.S. tariffs, has sought to strengthen economic ties with other nations, potentially reshaping global trade alliances.



4. Sectoral Disruptions

Automotive Industry: The 25% tariff on imported vehicles and parts has disrupted North America's integrated supply chains. This has led to increased vehicle prices and production halts, with companies like Stellantis temporarily closing factories in Canada and Mexico, resulting in significant job losses.

Energy and Agriculture: Tariffs on Canadian oil and Mexican agricultural products have led to increased fuel prices and food costs in the U.S. This has strained the energy sector and raised concerns about food security.

Construction and Housing: Increased tariffs on Canadian lumber and Mexican gypsum have escalated building costs, exacerbating the housing affordability crisis in the U.S.

Technology and Healthcare: Tariffs on imported components have raised production costs for tech companies and medical equipment manufacturers, potentially leading to higher consumer prices and reduced access to essential goods.

5. Country-Specific "Reciprocal" Tariffs

Starting April 9, 2025, higher tariffs were applied to approximately 60 countries, reflecting the tariffs those nations impose on U.S. goods.

6. Tariffs on North American Partners

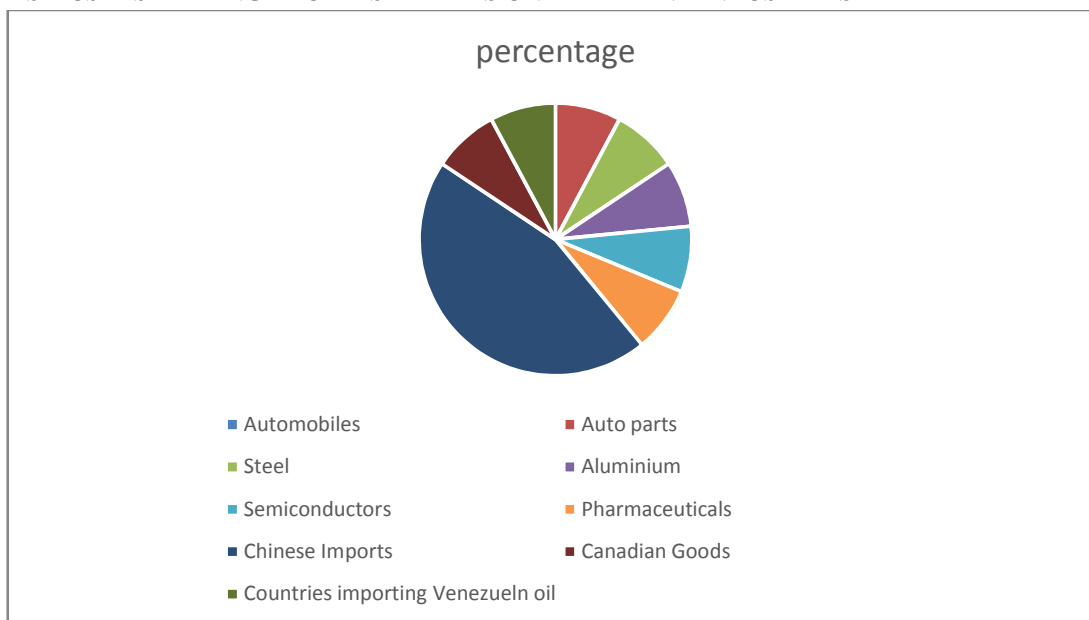
Mexico: A 25% tariff was levied on all imports, including automotive parts and agricultural products.

Canada: Similarly, a 25% tariff was imposed on all imports, with a reduced 10% tariff on Canadian energy products.

7. Elevated Tariffs on Chinese Imports

Combined Tariffs: Chinese goods faced a cumulative tariff of up to 145%, combining a new 125% duty with an existing 20% "fentanyl tariff."

STATISTICS DISPLAYING TRUMP'S TARIFFS ON DIFFERENT INDUSTRIES



REFERENCE TABLE FOR THE STATS:

INDUSTRY	TARIFF RATE	DETAILS
AUTOMOBILES	25%	Applied to all imported vehicles, including those from Canada and Mexico.



AUTO PARTS	25%	Tariffs on imported auto parts, effective May 3, 2025.
STEEL	25%	Tariffs reinstated on all steel imports, removing previous exemptions.
ALUMINIUM	25%	Tariffs increased from 10% to 25%, including on derivative products like canned beer.
SEMICONDUCTORS	25%+	Tariffs imposed on imported semiconductors, with potential increases over time.
PHARMACEUTICALS	25%+	Tariffs applied to imported pharmaceuticals, with rates expected to rise.
CHINESE IMPORTS	UP TO 145%	Cumulative tariffs on Chinese goods, combining various duties.
CANADIAN GOODS	25%	Tariffs on most Canadian imports, with some exceptions for USMCA-compliant goods.
MEXICAN GOODS	25%	Tariffs on Mexican imports, with certain exemptions under USMCA.
COUNTRIES IMPORTING VENEZUELAN OIL	25%	Tariffs imposed on all goods from countries that import Venezuelan oil.

V. CONCLUSION

As of 2025, former President Donald Trump's renewed tariff policies have had wide-reaching consequences on both the U.S. and the global economy. These tariffs, reintroduced and expanded during his campaign and early post-presidency influence, targeted major trading partners such as China, Mexico, and the European Union, with levies ranging from 10% to 60% on a broad spectrum of goods—including steel, automobiles, technology components, and consumer products. Trump's rationale for imposing these tariffs centred on reducing America's trade deficit, protecting domestic manufacturing jobs. In the short term, the tariffs have contributed to significant disruptions in global trade flows. Domestically, American consumers and businesses are bearing the brunt of the economic fallout. Additionally, household spending power has eroded due to rising prices, with consumer goods becoming up to 2.3% more expensive. On average, families are facing a financial burden of \$3,800 more per year, disproportionately impacting lower-income Americans. Financial markets have also reacted negatively. Following the announcement and expansion of the tariffs, the U.S. stock market experienced its worst two-day loss in history, erasing over \$6.6 trillion in value. In conclusion, Trump's 2025 tariffs have ushered in a new era of economic nationalism with deep and complex consequences. While aimed at reviving American industry and reasserting control over trade, the tariffs have instead triggered inflationary pressures, economic slowdown, strained global relations, and increased uncertainty. As trade blocs realign and markets adjust, the long-term impact of these policies could redefine the global economic order for years to come.

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