

The Estey

Journal of International Law and Trade Policy

Trump's Tariffs and the Changing Global Order

Kawsar Uddin Mahmud

Department of International Relations, University of Dhaka, Bangladesh.

Abstract

This article analyzes the unprecedented tariff regime introduced by the US President Donald Trump in April 2025, marking a seismic shift in American trade policy and the global economic order. With a universal 10 percent baseline tariff, along with a financial strategy, there is also a geopolitical intent. The article critically assesses the economic fallout, including recession risks, supply chain disruptions, and inflation, as well as its broader implications for global alliances, US hegemony, and the liberal international order. As nations rethink their economic and strategic priorities, this tariff shock may herald a fragmented, protectionist era marked by intensified great power competition and declining multilateralism.

Keywords: economic nationalism, global trade order, liberal international order, protectionism, Trump tariffs, US-China rivalry, US foreign policy.

Introduction

On April 2, 2025, the United States (US) President Donald Trump, standing in the Rose Garden of the White House, made one of the most critical economic speeches in recent times. Dubbing it “Liberation Day,” Trump unveiled sweeping tariffs that sent immediate shockwaves through global financial and diplomatic arenas (Harithas et al. 2025). This development established a one-size-fits-all 10% baseline tariff on nearly all imports to the US, along with “reciprocal” tariffs of up to 50% against

countries the US considered to be operating excessive trade surpluses with the government. Financial markets responded with immediate panic. Within 24 hours, global markets lost more than \$2 trillion as traders absorbed the ramifications of what is, in effect, the most significant change in American trade policy in over a century.

Trump's tariff policy is especially shocking due to its universality and intensity. The initial historical comparisons surfaced quickly, with analysts pointing out that the weighted average tariff rate of 29% is greater than the infamous 'Smoot-Hawley' tariffs of the 1930s, widely cited by economists as having exacerbated the Great Depression (Greenhouse 2025). According to Yale University's Budget Lab, these new tariffs have the highest effective rate since 1909, overturning nearly 80 years of US primacy in promoting free trade via rules-based liberal international order (LIO) (The Budget Lab 2025). By the way, Trump described those tariffs as the "medicine" to remedy America's trade disparities and to rejuvenate the country's manufacturing sector. "If anything ever happened from a war standpoint, we would not be able to do it," Trump said, noting how much America relies on foreign products for manufacturing (Janda 2025).

However, as nations race to respond with retaliatory tariffs or diplomatic overtures and concessions, the immediate question for the world is *whether these tariffs are merely a negotiating tool or reflect a permanent geopolitical reconfiguration of the global trading system*. The early signs have been of the latter. Furthermore, as one White House official put it curtly, "This is not a negotiation, it is a national emergency" (Islam 2025).

Trump's New Tariff Regime: Game or Shock?

Trump's tariff policy has created seismic changes in how America views trade with the world, with the 10% tariff as the baseline and the addition of "reciprocal tariffs". The range of states in the firing line is also unprecedented, risking a global trade war (Mangan et al. 2025). Bangladesh at 37%, Vietnam at 46%, Taiwan at 32%, and even US allies like the European Union and Japan face hefty tariffs too, at 20% and 24%, consecutively. The US tariff on China was initially the highest at 34%. On the other hand, marking a retaliatory response, China imposed 34% reciprocal tariffs on imports of US goods.

Apart from this first phase of tariffs, in another massive blow, on April 9, Trump declared that tariffs should be increased to 104% (Buchwald and Gan 2025). In response, China declared it would raise its tariffs in retaliation against Trump, with a total tariff of 84% on US goods (Gijs 2025). By the middle of April, bringing about another blow, White House officials confirmed that the US tariff rate on Chinese

imports now effectively totalled 145% (Swanson 2025). In response to that, muddling in a “tariff game”, the State Council Tariff Commission of China announced it would raise tariffs on US imports from 84% to 125% (Huld 2025).

Interestingly, although the Trump administration paused the tariff imposition on the other countries for 90 days, the only country left for the pause was China, marking a new dynamic in the “Trade War” (Halpert 2025). Due to the ongoing tensions between the two economic giants regarding the war, it becomes uncertain to predict anything about the tariff game. However, the Trump administration’s formula is simple: no matter whether it’s our NATO ally, our Middle East ally, or our longtime enemy, any country that has a trade surplus with the US is treated as if it owes the US a penalty equal to that amount of surplus.

However, some analysts regarded Trump’s tariff policy as comparable to the 1971 “Nixon Shock,” when President Richard Nixon unilaterally suspended the dollar’s convertibility to gold, sealing the fate of the Bretton Woods system (The Economic Times 2025). Yanis Varoufakis, former Greek finance minister, argued that “The Nixon Shock ... was able to secure its “primary long-term aims: ensure those twin deadly American ‘deficits’ (trade and government budget)”,...but Trump’s one is unlikely to be fruitful (Varoufakis 2025). The key difference is that the global economy in 2025 is much more interdependent than in 1971, and the US will have much more serious economic competition, above all from China. The critical question of this new era is whether US hegemony can enjoy the same long-term benefits from Trump’s gambit.

Economic Impacts: Markets, Inflation, and Recession Risks

With Trump’s new tariff announcement, financial markets globally plummeted, with even sharper drops seen in Asia (Liu and Liu 2025). The Nikkei fell to an 18-month low, and Japan’s banking sector lost almost a quarter of its value within three days of trading. The S&P 500 in the US posted its most significant one-day decline since the pandemic began—nearly 5%. These losses come as investors worry that tariffs will disrupt supply chains, increase production costs, reduce consumer spending, and ultimately lead to a global recession. Soon thereafter, the forecasters began to downgrade their economic predictions. JPMorgan economists revised their US GDP growth forecast from 1.3% to -0.3%, a whopping 1.6 percentage point downward revision that takes it into recession territory (Hunnicut 2025). According to the analysts, the chances of a global recession currently stand at 60%, whereas Goldman Sachs has calculated the probability of this event at 45% (Reuters 2025).

This will have an immediate and tangible effect on American consumers. Prices for textiles and apparel are expected to rise by 17%, and food prices are projected to increase by 2.8%. At least initially, tariffs appear to cause more jobs to be lost than gained (Armstrong 2025). Also, the most iconic example of this intricate web of North American supply chains that tariffs would disrupt is the automotive sector. At the same time, the Canadian, Mexican, and other responses involve a corresponding 25% tariff on vehicles manufactured in the US, muddying the waters for the industry even further. Despite all the market turmoil and economic risks, some administration officials are unrepentant. Commerce Secretary Howard Lutnick said, “We’re going to see a lot of people realise the big winner here is the great American economy” (CBS News 2025). However, this shift from globalized supply chains to domestic ones is, without a doubt, a radical economic shift that may cause production disruptions worldwide.

Geopolitical Ramifications: Dismantling Trade Order and Alliance System

For decades, from the Bretton Woods Agreement in 1944 through the General Agreement on Tariffs and Trade (GATT) and then the World Trade Organization (WTO), the core of US foreign policy and American leadership—whether Republican or Democrat—has been free trade. Trump’s break from that consensus is not simply a change in tactics but a repudiation of basic principles underlying America’s global role since WWII (Mahmud and Obaidullah 2025). The logic underpinning the post-war economic architecture was straightforward: greater prosperity through trade would promote democracy and avert the authoritarian movements that had arisen from the financial turmoil of the 1930s. Trump’s America First approach turns that logic on its head: If you believe that the stability of the international system is in your national economic interest, then you will act to support the system (The White House 2025).

British Prime Minister Keir Starmer argued that “the world as we knew it has gone. We can no longer take old assumptions for granted” (Starmer 2025). Darren Jones, his chief treasury secretary, took this further: “Globalisation as we’ve known it for the last number of decades” was “effectively over” (McKiernan 2025). Nevertheless, the previous ‘free trade’ economic order could offer a framework in which states could resolve trade disputes peacefully and establish interdependencies that helped regulate great power relations. Its decline could spell an age of “deals and alliances,” not rules, an international environment more suited to 19th-century great power politics than the post-war multilateral order. Moreover, Trump’s policy has far-reaching geopolitical implications that go beyond economics (Mahmud and Hossain 2024). At the same time, authoritarianism is on the rise worldwide, and the intensifying geopolitical competition

between the US and China has created a distinct environment. The danger that economic decoupling will harden into larger geopolitical camps rises dramatically.

The tariff regime also radically changed how America traditionally managed its alliances by slapping substantial new tariffs on key allies—the EU, Japan, South Korea, and Taiwan. Such an approach could jeopardize trust among partners who need to cooperate on common challenges, ranging from climate change to the rise of China. As a result, the US's decline as the beholder of the LIO opens up the possibility for new regional arrangements and power centres to form. China, which faces high US tariffs, could use the situation to expand its reach, whether through the Regional Comprehensive Economic Partnership (RCEP) or connecting with countries bilaterally that are looking for alternatives to an ever-more capricious US (Zreik 2022).

A New Era of Protectionism and the China Conundrum

The tariff policy embodies a growing bipartisan consensus in Washington that China is more than an economic competitor, but a force rising in status to challenge American primacy. Also, Trump pointed to an especially perilous dependence on Chinese manufacturing: “One shipyard in China now builds more ships in a year than all of the American shipyards combined” (Soon and Curtis 2025). This framing moves economic policies into a broader context of great power and national security competition. These tariffs would have a significant impact on China. According to Goldman Sachs, this could cut Chinese GDP growth by at least 0.7 per cent this year—a blow to the economy (Holland, Chiacu, and Payne 2025). However, Beijing's response has been cautious but steady. The symmetry of the response suggests a desire to demonstrate resolve without escalating the situation to a large scale.

China has relied on a development strategy built on an export-led growth model since the late 1970s, with the reforms of Deng Xiaoping (Xie and Lu 2022). Exports continue to play a crucial role in supporting China's employment and technological development. Some analysts argue that Trump's tariffs could reveal profound structural weaknesses in the Chinese economy. However, the new era of protectionism has also given China some significant advantages. Its economic model, directed by the state, enables proactive coordination in the face of external pressures, such as industrial subsidies, currency manipulation, and targeted aid for industries under stress. The Chinese government can control information to shape public expectations and nationalist sentiment more effectively than democratic governments, which will also face these pressures. Furthermore, China has been preparing for an economic showdown with America since at least 2018, when the first wave of Trump tariffs indicated a sea change in American policy (Collinson 2025).

Above all, Trump's China policy rejects the theory that economic entanglement would spur political liberalisation and seamless incorporation into the rules-based international order. It points to a world growing even more fragmented into rival economic blocs, with poorer prospects for cooperation on common challenges, such as climate change, pandemic prevention, and financial stability.

Allies Adrift and the Shifting Geopolitical Map

The revolution in protectionism initiated by Trump may have had the most deep-seated and lasting repercussions for the United States' alliance structure, the complex of security partnerships that have formed the basis of the global order since WWII (Cívico 2025). The Trump administration has trampled strategic interests in exchange for narrow economic ones, imposing high tariffs on close friends like Japan (24%), the European Union (20%), South Korea (16%), and Taiwan (32%)—casting doubt on America's reliability as a security partner. It is a dramatic break from decades of American foreign policy, which had long believed that economically integrating with allies would strengthen security ties. Since the Marshall Plan rebuilt Western Europe and the Cold War administration connected economic impact with preferential trade arrangements with Asian allies, generations of leaders have understood that prosperity shared is the glue that holds together alliances against common adversaries (Denmark 2020). However, Trump's acumen in extracting economic pain from allies indicates an entirely different calculus, where bilateral trade balances supersede shared values or security interests.

The implications are profound for Japan. Japan has remained a lynchpin of American strategy in the Indo-Pacific region for more than seventy years, hosting around 54,000 American troops and struggling against ageing and increasingly formidable challenges on its security front by both China and North Korea. Sentencing the 24% tariff on Japanese goods—higher than those slapped on Iran (10%)—screams an unnerving message about the value the administration puts on this partnership. Meanwhile, Prime Minister Shigeru Ishiba's cautious response, suggesting Japan would pursue negotiations, added to cautious diplomacy: "The outcome will not come overnight," highlights the tightrope many an ally of America must walk (Kihara 2025). Resist too aggressively and risk riling up an already uncertain administration about allies' pledge of protection; suffer the economic damage in silence and appear impotent at home, but establish a perilous precedent for future ties.

European allies are facing a similar conundrum. Given the baseline 10%, the EU's 20% tariff rate is much higher, which may be an intentional strategy to split traditional European allies. It also fits nicely with Trump's past disparagement of multilateral

institutions such as NATO and the EU, which Trump seemed to see as taking advantage of the US. In this regard, Polish Prime Minister Donald Tusk called the tariffs “a serious and unpleasant blow because it comes from the closest ally”.

Conclusion

Countries around the world have responded in a dynamic manner. What they have said—and how they have responded is as telling of the new power dynamics that are remapping world trade as it is varied. While some have chosen reactive measures and others more amiable, everything boils down to a nation-state’s economic negotiation position, actual political realities at home, and its grand strategy towards the US. However, on the horizon, beyond the immediate policies, those nations are beginning to contemplate more profound structural changes to accommodate a world in which the benefits of relying on access to the American consumer market can no longer be taken for granted. European firms may redouble efforts to explore new export destinations in Asia and Africa. At the same time, Asian manufacturers may attempt to strengthen regional integration rather than focus on US exports.

It is a trend that historian Adam Tooze suggests will also be accelerated by tariff shock, creating “friend-shoring” or “ally-shoring”, where supply chains will start to be rearranged based on price and geography of political reliability. Both corporations and countries are adjusting their risk calculations to factor in the potential for sudden, large supply shocks to historical trade flows. The variety of national reactions reveals a more profound truth about the new trade environment: the US or the EU—as the world’s singular most valuable consumer market—has natural leverage, but they cannot—and will not—win everything alone. Because global supply chains are highly interdependent and alternative markets and political imperatives loom large for foreign leaders, America cannot reforge the international economic order in its image.

The global trade architecture emerging from nations adapting to this new reality will likely be more fragmented, less stable, and more overtly aligned along geopolitical blocs than the WTO-centered system it displaces. Whether this yields the national manufacturing boom Trump sees for America is an open question. Still, it has already irrevocably altered the way nations perceive their economic security and, consequently, their trade relations. In sum, Trump’s sweeping tariff regime marks a watershed moment in American monetary policy and the broader architecture of the global order. By imposing unprecedentedly high and intense tariffs, the US has effectively abandoned decades of commitment to free trade and multilateral cooperation. It is, however, clear that we have entered a new era—one defined by protectionism, power politics, and the

unravelling of the post-war consensus that long underpinned global prosperity and peace.

References

- Armstrong, Peter. 2025. "Trump Wants to Upend the Entire Global Order. Can He Stomach the Price Tag?" CBC News, April 3, 2025.
<https://www.cbc.ca/news/business/trump-tariffs-price-tag-global-economy-1.7501340>.
- Buchwald, Elisabeth, and Nectar Gan. 2025. "Tariffs on China Set to Rise to at Least 104% on Wednesday, White House Says | CNN Business." CNN. April 8, 2025.
<https://www.cnn.com/2025/04/08/business/trump-china-tariff/index.html>.
- CBS News. 2025. "Transcript: Commerce Secretary Howard Lutnick on 'Face the Nation with Margaret Brennan,' April 6, 2025 - CBS News." April 6, 2025.
<https://www.cbsnews.com/news/transcript-commerce-secretary-howard-lutnick-on-face-the-nation-with-margaret-brennan-april-6-2025/>.
- Cívico, Juan Carlos Palacios. 2025. "Trump Protectionism and Tariffs: A Threat to Globalisation, or to Democracy Itself?" The Conversation. March 13, 2025.
<http://theconversation.com/trump-protectionism-and-tariffs-a-threat-to-globalisation-or-to-democracy-itself-252072>.
- Collinson, Stephen. 2025. "Analysis: Trump's Tariff Onslaught against China Launches a Battle the US May Not Be Able to Win | CNN Politics." CNN. April 9, 2025. <https://www.cnn.com/2025/04/09/politics/china-trump-tariffs-trade-war/index.html>.
- Denmark, Abraham M. 2020. *U.S. Strategy in the Asian Century: Empowering Allies and Partners*. Columbia University Press. <https://doi.org/10.7312/denm19764>.
- Gijs, Camille. 2025. "China Retaliates against Trump with Total 84 Percent Tariff on US Goods." POLITICO. April 9, 2025. <https://www.politico.eu/article/china-retaliates-with-fresh-50-percent-tariff-on-us-goods-in-latest-trade-war-salvo/>.
- Greenhouse, Steven. 2025. "Trump's 'Liberation Day' Could Mean Recession in the US and Pain Worldwide." The Guardian, April 5, 2025, sec. Opinion.
<https://www.theguardian.com/commentisfree/2025/apr/05/trump-liberation-day-tariffs-recession-economy>.
- Halpert, Madeline. 2025. "Trump Exempts Smartphones and Computers from New Tariffs." April 13, 2025. <https://www.bbc.com/news/articles/c20xn626y81o>.
- Harithas, Barath, Kyle Meng, Evan Brown, and Catharine Mouradian. 2025. "Liberation Day' Tariffs Explained," April.
<https://www.csis.org/analysis/liberation-day-tariffs-explained>.
- Holland, Steve, Doina Chiacu, and Julia Payne. 2025. "Trump Threatens to Hike China Tariffs Further as Market Plunge Continues." Reuters, April 8, 2025, sec. World. <https://www.reuters.com/world/trumps-tariff-medicine-injects-turmoil-into-global-markets-2025-04-07/>.

- Huld, Arendse. 2025. "Trump's China Tariffs Raised to 145% - Overview and Trade Implications." *China Briefing News*. April 11, 2025. <https://www.china-briefing.com/news/trump-raises-tariffs-on-china-to-125-overview-and-trade-implications/>.
- Hunnicut, Trevor. 2025. "Trump Compares Tariffs to 'medicine' as Asian Markets Convulse." *Reuters*, April 7, 2025, sec. World. <https://www.reuters.com/world/more-than-50-countries-have-contacted-white-house-start-trade-talks-trump-2025-04-06/>.
- Islam, Faisal. 2025. "Trump Tariffs: This Is the Biggest Change to Global Trade in 100 Years." April 3, 2025. <https://www.bbc.com/news/articles/clylj2v4klzo>.
- Janda, Michael. 2025. "Trump Is out to Destroy the Global Economic Order, and It Will Cost Us All." *ABC News*, April 4, 2025. <https://www.abc.net.au/news/2025-04-05/trump-tariffs-upend-80-year-old-world-economic-order/105139464>.
- Kihara, Leika. 2025. "Japan Will Ask US to Cut Tariffs but Results Won't Come 'Overnight', PM Ishiba Says." *Reuters*, April 7, 2025, sec. Japan. <https://www.reuters.com/world/japan/japan-will-ask-us-cut-tariffs-results-wont-come-overnight-pm-ishiba-says-2025-04-07/>.
- Liu, Juliana, and John Liu. 2025. "Global Markets Plunge: Trump's Tariff Turmoil Sends European and Asian Stocks into Tailspin | CNN Business." *CNN*. April 7, 2025. <https://www.cnn.com/2025/04/06/business/japan-nikkei-plunges-hnk-intl/index.html>.
- Mahmud, Kawsar Uddin, and Md. Sakib Hossain. 2024. "Trump 2.0 and the Future of Bangladesh-US Defence Relations." *The Daily Star*. November 20, 2024. <https://www.thedailystar.net/opinion/geopolitical-insights/news/trump-20-and-the-future-bangladesh-us-defence-relations-3757041>.
- Mahmud, Kawsar Uddin, and Md. Obaidullah. 2025. "Will Trump 2.0 End the Liberal International Order?" *The Daily Star*. March 29, 2025. <https://www.thedailystar.net/opinion/views/news/will-trump-20-end-the-liberal-international-order-3859616>.
- Mangan, Dan, Kevin Breuninger, Jesse Pound, Christina Wilkie, Megan Cassella, Erin Doherty, and Holly Ellyatt. 2025. "Trump's Tariffs Risk a Global Trade War, as Leaders Plan next Steps." *CNBC*. April 2, 2025. <https://www.cnbc.com/2025/04/02/trump-tariffs-live-updates.html>.
- McKiernan, Jennifer. 2025. "Treasury Minister Darren Jones Says Globalisation Era over after Trump Tariffs." April 6, 2025. <https://www.bbc.com/news/articles/ckg10yjp7meo>.
- Reuters. 2025. "Goldman Sachs Raises Odds of US Recession to 45%, Second Hike in a Week." *Reuters*, April 7, 2025, sec. U.S. Markets. <https://www.reuters.com/markets/us/goldman-sachs-raises-odds-us-recession-45-2025-04-07/>.

- Soon, Weilun, and Laura Curtis. 2025. "Why Trump Is Also Targeting China's Shipbuilding Dominance." Bloomberg.Com, April 1, 2025.
<https://www.bloomberg.com/news/articles/2025-04-01/why-trump-wants-to-regain-us-shipbuilding-dominance-from-china>.
- Starmer, Keir. 2025. "The World as We Knew It Has Gone. Nobody Wins from a Trade War." The Telegraph, April 5, 2025.
<https://www.telegraph.co.uk/politics/2025/04/05/keir-starmer-nobody-wins-from-trade-war/>.
- Swanson, Ana. 2025. "Trump Has Added 145% Tariff to China, White House Clarifies." The New York Times, April 10, 2025, sec. Business.
<https://www.nytimes.com/2025/04/10/business/economy/china-tariffs-145-percent.html>.
- The Budget Lab. 2025. "The Fiscal, Economic, and Distributional Effects of a 20% Broad Tariff | The Budget Lab at Yale." March 31, 2025.
<https://budgetlab.yale.edu/research/fiscal-economic-and-distributional-effects-20-broad-tariff>.
- The Economic Times. 2025. "Donald Trump Tariff Plan: Top Wall Street Analyst Dan Ives Mocks Donald Trump's Tariff Chart: A 9th Grader Would Get Laughed at for This in Basic Economics Class." April 4, 2025. <https://tinyurl.com/ypfhxaxb>
- The White House. 2025. "President Trump's America First Priorities." The White House. January 20, 2025. <https://www.whitehouse.gov/briefings-statements/2025/01/president-trumps-america-first-priorities/>.
- Varoufakis, Yanis. 2025. "Will 'Liberation Day' Transform the World? The Nixon Shock Set a Radical Precedent - Yanis Varoufakis." DiEM25. April 2, 2025.
<https://diem25.org/will-liberation-day-transform-the-world-the-nixon-shock-set-a-radical-precedent/>.
- Xie, Li, and Xiangyun Lu. 2022. "Export-Led Growth Strategy and Government Quality." In , 5–31. https://doi.org/10.1007/978-981-16-6757-2_2.
- Zreik, Mohamad. 2022. "The Regional Comprehensive Economic Partnership (RCEP) for the Asia–Pacific Region and World." Journal of Economic and Administrative Sciences 40 (1): 57–75. <https://doi.org/10.1108/JEAS-02-2022-0035>.