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## Editorial. Trump's Tariff War: Impacts and Implications for World Trade and the Global Economy

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The States President Donald Trump's aggressive tariffs regime towards world major economies have resulted in a mixed bag of economic outcomes across the regions. Due to the Trump's announcement, the US economy Squeezed by 0.3 per cent during quarter 1 of 2025, resulting into the first decline in last three years, Similarly, China's factory operation goes down to a 16-month low, while Taiwan's GDP surged 5.4 per cent on pre-tariff tech exports. Europe saw 0.4 per cent growth before tariffs hit and Canada is on track to miss GDP estimates. From the US and Europe to China and Taiwan, the repercussions of his aggressive trade policies are visible in everything from factory output to GDP forecasts.

The main logic given by Trump administration for the sweeping tariff policy is to restore balance to USA's trade relations with major trading partners and protect US industries. But the reality is somewhat different. When analysed the available economic data, trends and situation revealed a far more imbalanced scenario across regions of the world. Trade experts are of then firm opinion that sweeping rise in US tariff in 2025 are impacting in a big way the world trade. Added to this, the increase in existing tariffs may distort output patterns and also may lead to a sharp reconfiguration of world value chains, resulting in a less efficient and more opaque trade system.

### Emerging Observations

In February and March 2025, the rise in tariff has impacted imports from Canada, Mexico, and China especially steel and aluminium and cars. It is believed that the US sweeping so-called "reciprocal" tariffs are affecting most of its trade partners. The structure of these new measures, rather than being driven by actual discrepancies between US tariffs and those imposed by trade partners, is instead guided by the ratio of trade deficits to imports, with a minimum increase of 10 percentage points – far exceeding market expectations (Baldwin and Barba Navaretti 2025, Evenett and Fritz 2025).

Southeast Asian countries namely - Vietnam, Indonesia, and Malaysia are among the most seriously affected. Similarly for the EU, the announced tariffs would raise the effective tariff rate to around 17per cent, up from below per cent before the beginning of Trump's second term. China's initial retaliation to the US' announcement triggered a tit-for-tat escalation of symmetric tariff hikes, which led the two countries to reach a bilateral tariff rate of around 12 per cent (Francesco *et al.* May 2025).

Understanding the implications of sweeping tariff measures does require a clear-cut view of the tariff landscape prior to President Trump's second term. Yet accurately measuring applied tariffs remains a challenge (Caliendo *et al.* 2023, Teti 2024). To overcome the limitations of the widely used WITS database – particularly its omission of tariffs imposed through trade disputes – we use as a starting point the 2019 CEPII MACMap-HS6 database (Guimbard *et al.* 2012) and incorporate detailed data on tariff escalation between the US and China during Trump's first term (Fajgelbaum *et al.* 2024), as well as tariff reductions granted under Biden's term. As a matter of fact, the new tariffs measures are certainly higher than that to be required to achieve genuine reciprocity.

Keeping in mind, the magnitude is exceptionally high even by historical parameters – the new tariffs may have far reaching effects on macroeconomic aggregates, trade patterns, and the structure of global value chains (GVCs). Based on the available database there could be three possible scenarios to examine the potential impact of the 2025 measures on global trade and economy.

First there is a mild scenario involving the February and March 2025 measures, the observed tariff escalation with China, and the suspension of the reciprocal tariffs announced on 2 April. In this ‘status quo’ scenario, we also include the retaliation implemented by China and Canada. The ‘full’ scenario, instead, assumes no suspension of the 2 April tariffs, combined with the extension of tariffs to pharmaceuticals and electronics, as already announced. We assume that these products will face tariff increases in line with those previously imposed on steel, aluminium, and cars – *i.e.* a 25-percentage point hike (Francesco *et al.* May 2025).

Lastly, we also evaluate the possibility that affected countries retaliate by matching US tariff increases at the sector level (‘full + retaliation’).

With these given observations, it has become imperative that academicians and experts should be invited to study the emerging issues in in-depth, intensively, and extensively in terms of impacts, implications and bring out the possible solutions to minimise the effects on global trade and economy. This has been possible in the form of the Special Issue.

The special issue which is in hand; has seen the light of the day, with enormous interest shown by the contributors. The special issue has covered the significant issues which are directly and indirectly related to the global trade and global economy.

These papers have been provided the intensive; extensive and the needed in-depth knowledge on the topic. The special issue will prove to be an asset for the academician, policy thinker, and administrative people.

In completing the special issue many people and organization have extended the needed support. First, the contributors are grateful to accept the invitation for contributing well developed and documented papers. Second, the reviewers who have spared their valuable time in reviewing the papers on voluntary basis and shortest possible period. Third, the Editor in Chief of the journal PhD Laura Ungureanu; without her sustained help and efforts the special issue could not have been possible. Lastly, the publisher of the journal, who has taken the keen interest and the responsibility of publishing the volume in given period.

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