

## Impact of Trump Tariffs on Global Trade, GDP and Employment: An Analysis

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**Abstract:** With Trump's return to the White House in 2025, many expected that he would fulfill his campaign promise to impose tariffs on alleged unfair participants within the global trade system. On April 2, 2025, also known as 'Liberation Day', he acted on his poll promise by significantly increasing tariffs (or reciprocal tariffs) on most of the United States' trade partners, which resulted in market turmoil and pushed businesses into a prolonged period of uncertainty. Understanding the macroeconomic implications of Trump's tariffs, as well as any potential long-term effects, could help the world manage these challenges effectively. Given this situation, it is crucial to continuously assess the impact on the global economy, especially on world trade, GDP and employment. This article seeks to assess the impact of 'Trump Tariffs' on the following global macroeconomic variables - world trade, global GDP and global employment using quantitative and qualitative analyses comprising review of existing literature on the topic, trends for the variables of interest and simple time series analysis for the period 1990 to 2025. In this dynamic landscape (Trump had suspended the implementation of his reciprocal tariffs in April 2025 itself), stakeholders must move away from rigid strategies and instead develop flexible, analytical skills to navigate this tumultuous new environment. All in all, this article reiterates the virtue of free trade over protectionist policies.

**Keywords:** employment; GDP; trade; Trump tariffs.

**JEL Classification:** F13; F16; F26; J21; O47.

### 1. Introduction

With the return of Trump to the White House in 2025, it was widely anticipated that he could go ahead with his campaign promise of tariff imposition on purported unfair players in the global trade regime. On April 2, 2025 (or 'Liberation Day'), he followed through on his poll promise and delivered by massively hiking tariffs (or reciprocal tariffs) on a majority of US trade partners, thereby shaking markets and plunging businesses into a prolonged phase of uncertainty. Gaining better insights into the macroeconomic effects of Trump tariffs, along with any potential long-term impact, could enable the world cope effectively with the same. In the light of this challenge, it becomes imperative to consistently evaluate the repercussions on world economy. In this ever-changing environment (Trump had paused the imposition of his reciprocal tariffs in April, 2025 itself), stakeholders must abandon inflexible strategies and instead cultivate adaptable, analytical capabilities to manoeuvre through this chaotic new terrain (Carlsson-Szlezak *et al.* 2025).

To further understand the context of this study, it is important to place it in the lens of traditional Economic and Trade theory. Historically, international trade has served a vital function. It is a fundamental element of global economic development as it helps in fostering innovation, efficiency and prosperity by allowing nations to focus on their respective comparative advantages and letting them produce only those commodities in which they are truly good (Baldwin, 2016; Krugman *et al.* 2018).

With multilateral accords like the GATT and the WTO lowering tariffs and encouraging the free flow of products and services across international borders, trade liberalization has significantly increased during the last few decades (Irwin, 2017; World Bank, 2020) (Irwin, 2017; World Bank, 2020). In spite of numerous benefits of a liberalised trade regime, some major economies (such as the US) have time and again reverted to protectionist measures due to political and economic forces, challenging this prevailing consensus (Rodrik, 2018; Meltzer, 2019).

Such moves have sparked intense debate among politicians, economists and business leaders regarding the potential impact of tariffs, which have affected a wide array of traded commodities globally (Bown & Irwin, 2019; Penn Wharton Budget Model, 2025).

So then, why are such measures imposed in the first place? Reasons could include the following. The need to revive domestic manufacturing, reduce long term trade deficits and tackling unfair trade practices emerge as the most important (Milner & Yoffie, 1989; Freund & Pierola, 2020). This is especially important in view of the repercussions of tariffs extending beyond any one economy (say, the US) or a single trading system, resulting in complex and far-reaching economic consequences (Fontoura Gouveia *et al.* 2017; UNCTAD, 2019). This also implies that the effects of tariffs, given their extensive nature, transcend their immediate impact on import prices. As per some empirical studies and economic models, widespread tariffs could adversely affect middle class households by raising consumer prices and hence, diminish their real incomes that ultimately reduces consumption (Amiti *et al.* 2019; Autor *et al.* 2016).

Moreover, as revealed by the increasing trade frictions between the United States and China that began in 2018 and worsened in 2025 (Gopinath *et al.* 2022), tariffs can lower productivity, unsettle international supply chains, and provoke retaliation from affected trading partners. The so-called trade war has exacerbated market uncertainty and impeded investment and growth because both nations have imposed significant tariffs on commodities valued at hundreds of billions of dollars in future rounds (Blanchard *et al.* 2025; Morgan *et al.* 2023). The revival of protectionist trade policies also presents additional risks to the rules-based international order. Overall, such actions undermine the multilateral trading system (Milner & Yoffie, 1989; Handley & Limão, 2017). In conjunction with the increasing interconnectedness of global supply chains, the probability of these protectionist and strategic trade policies having far-reaching effects is on the rise (Blanchard *et al.* 2025; Gopinath *et al.* 2022).

A timely review of the origins, evolution, and results of the most recent tariff policy is essential in light of these rapid changes. Therefore, using a range of policy and scholarly sources, this essay aims to analyze the tariff measures implemented by the United States from strategic, political, economic, and academic viewpoints. It specifically aims to investigate the effects of the recent round of Trump tariffs on global trade, employment, and GDP - the three primary macroeconomic issues of any economy, using simple econometric models. This paper aims to contextualize the present surge of protectionism within the wider scope of international trade theory and historical context, while also highlighting the potential long-term consequences for both the United States and the global community.

The aim of this study is to provide a comprehensive examination of the political, strategic, and economic aspects of the tariffs enacted by the second Trump administration, with the intention of unraveling their complex effects, particularly concerning the macroeconomic factors mentioned earlier. This study employs extrapolated data for the year 2025 from various sources (specified in the methodology section).

The following sections make up this article. The study topic is introduced in the first section, followed by a review of previous research on the subject in the second, an explanation of the methodology used in the third, the results of the study in the fourth, and a conclusion outlining the study's implications for future policy.

The next section reviews existing literature on the subject.

## 2. Literature Review

This segment reviews existing literature thematically.

### 2.1 Theorizing Tariffs and their Genesis in the Infant Industry Argument

A tariff is a tax on imports that seeks to limit their entry into a nation by making imported goods costlier than those produced domestically. There are several benefits and costs associated with tariffs. The advantages are listed as follows. Tariffs increase government revenue, raise domestic manufacturing capabilities and employment opportunities, increase investments in the local economy, foster innovation in nascent industries till the time they could withstand competition on their own and generate a feeling of national pride for some. Benefits aside, tariffs are also associated with costs for the tariff-imposing economy. Retaliation from affected trade partners causing shrinkage of export industries and job opportunities in them, raising costs of inputs for those firms that use imported inputs in their production processes, sharp price rise for domestic consumers, wage price inflation, higher interest rates to combat tariff-induced inflation leading to costlier loans, recessionary tendencies in the tariff-imposing country, reduces international cooperation on non-trade issues due to bitterness created by tariffs and loss of innovation and competitiveness in domestic firms (Contractor, 2025).

The concept of the 'Infant Industry' suggests a viewpoint that is either partially or somewhat valid regarding the advantages of tariffs. According to the underlying principle, the chances of local businesses or start-ups making

successful investments and thriving in a certain industry or technology may be at risk if established international competitors are allowed to enter a nation without any restrictions (Saure, 2007).

Therefore, new firms in a developing industry or technology may be given the chance to thrive under the government's protection from global competition if tariffs or other trade barriers first keep imports and foreign competition out of a nation. According to the argument, these fledgling domestic businesses will be more resilient to global competition after they have grown, attained economies of scale, and advanced through the learning curve. Therefore, tariffs can be eliminated to remove the protective measures after a suitable amount of time. As of 2025, China is the technological leader in solar panels, electric vehicles, and batteries, and American and European companies are lagging behind. Unrestricted imports from China would make it harder for the US and EU to invest in and conduct research and development in these areas. As a result, Chinese electric vehicles are subject to a 30% duty when imported into the EU and a 100% tariff when imported into the US (White House, 2024). Tariffs on crystalline silicon photovoltaic (PV) solar cells have also gone up from 25 percent to 50 percent, and duties on Chinese batteries have gone up from 7.5 percent to 25 percent. The goal of these tariffs is to protect homegrown businesses and encourage them to spend money on R&D so they can eventually compete in these product areas. The 'infant industry' theory (Saure, 2007) has the drawback of only functioning in specific circumstances. Frequently, the "infant industry" that is shielded from global competition and benefits from its domestic position does not grow; instead, it becomes sluggish, uncreative, and uncompetitive globally, which drives up prices for its captive clients (Contractor, 2025).

The negative effects of the infant industry thesis may be best shown by the Electric Vehicle (EV) sector in the United States. A new analysis (Higgins, 2024) shows that American manufacturers are now retreating from their goal of creating an affordable domestically built EV, since they are protected from competition with China by a significant 100 percent tariff on Chinese EV imports. A simple EV from the Chinese automaker BYD costs \$12,000, while a more sophisticated hybrid costs \$16,000. On the other hand, in October 2024, the average price of a new electric vehicle sold in the US was \$48,623. Elon Musk, the president of Tesla Motors, changed his mind in 2024, saying, "I think having a typical \$25,000 model is stupid," and that "It would be silly." In 2022, the company had contemplated bringing the price of the Model Y down to less than \$25,000. Higgins (2024). Due to "slumping demand" brought on by excessive prices, Ford Motor Company has stopped producing the F-150 Lightning, which retails for about \$63,000. But Americans can't afford a similar Chinese BYD EV for \$12,000 or a hybrid for \$16,000 because of the current tariffs. In consequence, the US has turned into a "captive protected market." Domestic producers have become complacent as a result of tariff protection in several nations. The lack of reasonably priced EV options seems to have been accepted by US automakers. Regrettably, customers must pay high costs for goods that don't offer any innovation. A nation runs the risk of lagging in technological advancement if it depends too much on tariff protection. In this instance, it also hinders the development of a future focused on cutting carbon emissions (Contractor, 2025).

## 2.2 Understanding the Implications of Tariffs in a Generic Context – Theory and Empirics

Tariffs are basically taxes on imported goods. They make foreign products more expensive in the home country. However, their impact goes beyond just raising prices. They also change wages, exchange rates, and how countries trade with each other. As governments think about using tariffs again, it's important to understand the basic economics behind them. A tariff is a tax on imports. It creates a gap between what the product costs abroad and what it costs at home. For example, if a product is priced at \$100 globally and a 10% tariff is added, the price at home becomes \$110. The \$10 difference is the tariff revenue the government gets, which they can use for spending. Tariffs can also change the global price of a product. If a big country uses a tariff, it can reduce international demand for that product, which might bring the global price down. In the example, the global price might drop to \$95, making the domestic price \$104.50. In this case, some of the tariff cost is passed on to foreign producers (Ossa, 2025).

Large economies often use tariffs to shift costs.

But the idea of an "optimal tariff" doesn't account for the risk of retaliation. If Country A imposes tariffs on Country B, Country B is likely to do the same. This leads to trade wars that hurt both sides. This is why trade negotiations often focus on avoiding such conflicts. When countries act to gain at others' expense, it usually ends up making everyone worse off, which is why there's a push for cooperative trade policies. Economic research shows that WTO rules like reciprocity and non-discrimination help prevent harmful tariffs from escalating (Bagwell & Staiger, 2004). How much tariffs affect consumer prices is something that can be studied. Evidence from the first US tariffs on China shows that prices went up for US consumers (Amiti *et al.* 2019; Fajgelbaum *et al.* 2019). However, these

studies mainly look at short-term changes and may not account for bigger economic adjustments. Standard trade models usually expect some of the tariff cost to be passed on to foreign producers (Ossa, 2025).

A closer look at tariffs shows how they can affect inflation. When a country sets up a tariff, it causes prices of goods in the country to go up right away. But this doesn't always mean inflation continues for a long time. One-way tariffs can lead to lasting inflation through a wage-price spiral, similar to what happens with other supply issues. Tariffs don't just change prices for imported goods - they also affect the prices of goods that are sent out of the country. One reason is that tariffs make the cost of intermediate goods higher, which makes it harder for exporting companies to compete internationally. There are also broader effects on the economy as a whole. Tariffs help some industries that compete with imported goods, which means resources like workers, money, and land move from other areas, including those that export. This happens because of changes in the real exchange rate, which is about how much a country's goods cost compared to others, adjusted for the value of its currency. As industries that make things for export grow, they need more workers, which raises wages in the whole economy. These higher wages make it more expensive for export companies to produce goods, making them less competitive overseas. This can cause the real exchange rate to go up, making it harder to sell goods abroad. Another point to consider is how tariffs affect the value of the domestic currency. One direct effect is that tariffs reduce the need to bring in foreign goods, lowering the demand for foreign money, which makes the domestic currency stronger. There might also be an indirect effect: tariffs can lead people to expect that the government will use tighter money policies to control inflation, which could make the domestic currency even stronger. There is a balance between the effects of tariffs on inflation and on competitiveness. If the currency becomes much stronger, prices in the country might not rise a lot, but exports become more expensive. On the other hand, if the currency only slightly strengthens, prices might go up more, but exports are less affected. In both cases, tariffs have economic costs. There's also a question about how tariffs affect trade balances. The answer depends on whether we look at overall trade, trade with specific countries, or trade in certain industries. Overall trade balances are about how much a country saves versus how much it invests - this is an important economic idea. It works like this: if a household or a country saves money, it must produce more than it uses. To improve the overall trade balance, tariffs could either increase saving or reduce investment, which is possible. For example, families might choose to save more if they think tariffs will only be around for a short time, which means they spend less now. On the other hand, tariffs can stop businesses from investing by making it more expensive to buy machinery or by creating confusion about future rules, which can make companies wait to spend money. Still, most economists believe that overall, tariffs won't have a big effect on the big picture of trade. Factors like government spending and how much people save are usually more important. This idea is backed up by research that shows tariffs haven't had a big effect on overall trade balances so far (Furceri *et al.* 2022). However, tariffs can change trade balances between two countries. It's possible that country A has a trade deficit with country B, country B with country C, and country C with country A - and none of them have an overall trade imbalance (Ossa, 2025).

Tariffs can also change the trade balance in different areas.

For example, raising tariffs on imported goods makes it more expensive to bring in products, which may reduce imports and improve the goods trade balance. But it can hurt the services trade balance because when tariffs go up, the value of the local currency might go up, making it harder for services to sell abroad. As tariffs become a topic again in trade discussions, it's important to remember what economics has known for a long time: tariffs do more than just bring in money or protect local businesses - they are also a tool that can have big, and often unexpected, effects. Their short-term benefits can hide longer-term problems like rising prices, reduced competitiveness, and weaker international relationships. In a time of growing trade conflicts, understanding these trade-offs is more important than ever (Ossa, 2025).

### 2.3 Impact of Trump Tariffs on the World in 2018-2020 and 2025

To understand the bigger picture, it is important to consider a fact that is often ignored: The United States has started a trade war with every other country, but each of those countries is only fighting a trade war with the United States. Taking this imbalance into account changes how we see the situation, showing that the U.S. doesn't have all the advantage. As the world's largest economy, with a big trade deficit - where it buys more than it sells - the U.S. should have been in a strong position if the trade war was limited. It would have suffered less than its trading partners. However, by starting a trade war on all fronts, the U.S. could face serious global effects, while other countries would only feel the impact from their own trade with the U.S. A limited trade war isn't the same as a full-scale one, because both supply and demand shocks add up over time (Carlsson-Szlezak *et al.* 2025). Kasman says, "Growing worries about trade conflicts can greatly affect the economy. Models show that tariffs lead to slower

growth, and studies on the 2018–19 U.S. trade conflict show that U.S. consumers mainly paid the cost, causing slower growth in both the U.S. and around the world." Tariff policies work mainly through how people feel about them. Earlier this year, markets and surveys thought the policy was good for business. But now, there's a big drop in confidence as businesses and households rethink their choices, which can and probably will make the economic damage from tariffs worse. The IMF states that if the U.S. raises tariffs by 10% across the board, and the Eurozone and China respond with their own tariffs, it could lead to a 1% drop in U.S. GDP and a 0.5% drop in global GDP by 2026. Almost half of this economic loss is because of the negative feelings caused by the uncertainty around trade policies (J.P. Morgan, 2025).

### 2.3.1 Impact of 2025 Trump Tariffs on Global Trade. Some Scenarios

Tariffs can make it harder to control costs and follow rules in international trade. Recently, the U.S. raised tariffs on imported goods, which has had a big impact on how firms set prices between different parts of business. Because of this, companies are changing their pricing policies to handle higher costs and make sure they follow customs and tax laws. Carefully looking at and planning transfer pricing can help a company find ways to save on taxes and reduce the financial impact of tariffs. Because of tariffs, many companies are thinking about bringing production back to their home country instead of overseas.

This move requires big investments in land, machines, tools, and training workers. Some states and local governments offer help to lower these costs, like tax breaks, reduced property taxes, and support for building infrastructure and training people. Changes in currency values can also affect the cost of doing business internationally.

Although tariffs don't directly influence foreign currency, how the market reacts to tariff changes can make exchange rates less predictable. This can create big risks, like higher costs for imports, lower competitiveness for exports, and lower profits. To handle foreign exchange risk, it's a good idea to check contracts and pricing plans. A good strategy for managing currency risk can help protect against big swings in currency values.

When making a strategy, it's important to identify which companies, deals, and financial tools will be used.

Hedging helps lock in exchange rates for future deals, which protects against bad currency changes, but it might also mean missing out on good ones. People like financial advisors and accountants should be involved to help plan and carry out the company's strategy (J.P. Morgan, 2025).

### 2.3.2 Impact of 2025 Trump Tariffs on Global Employment. Some Scenarios

The influence of Trump tariffs on worldwide employment remains unclear. The specific effects may only be determined by the conclusion of the financial year 2025-26. The initial aim of these tariffs was Trump's intention to attract manufacturing back to the core of American industry. The declared goal is to rejuvenate the manufacturing sector in the country and generate jobs within it. Nevertheless, the exact consequences of Trump tariffs are still uncertain. They could potentially lead to both an increase and a decrease in employment within the impacted sectors, contingent upon the nature of retaliatory measures implemented by other countries. Similarly, the repercussions on global employment are also yet to be fully understood, as they are variably influenced by these actions and reactions (Jones, 2025).

### 2.3.3 Impact of 2025 Trump Tariffs on Global GDP. Some Scenarios

Even though tariffs have gone down recently, there could still be effects around the world. Experts from J.P. Morgan say the trade conflict will mainly hit the U.S., since it's happening against all other countries. But other nations will also feel the impact. The report predicts that if there's a 10 percent tax on all goods and a 110 percent tax on China, the world's overall economy might shrink by 1 percent (J.P. Morgan, 2025). It's not clear yet how these initial shocks might get worse because of how people feel, how the financial markets react, and how a weaker U.S. economy affects the rest of the world. But these effects could make the damage much bigger and maybe even double the direct impact (J.P. Morgan, 2025). In another situation, if the tax on all goods stays at 10 percent and the tax on China is 60 percent, the immediate effect on the world's economy would probably be a 0.7 percent drop in GDP. This could rise to about 1 percent when we include the effects on other countries. Some studies also suggest that the business world may experience a big drop in confidence, which could lead to a recession. At the start of the year, U.S. business confidence improved after the elections. But the worry about more tariffs and the direction of Trump's policies is now making businesses hesitate, which will directly affect how much they spend and hire. This drop in confidence might get worse by midyear (2025-26), as the early gains in world industries fade and the April tariff announcement makes businesses less confident (J.P. Morgan, 2025). Research also suggests that if the U.S. goes into a recession, it could lower growth expectations in other parts of

the world. A recession is already expected in Canada and Mexico. Growth predictions in Europe, China, and some Asian emerging markets have also been slightly lowered. Consequently, the fourth quarter of 2025 is predicted to see worldwide real GDP growth of 1.4 percent, lower than the 2.1 percent growth at the beginning of the year (J.P. Morgan, 2025).

The approach used in this study is explained in the following section.

### 3. Materials and Methods

This research employs a mixed methods approach that includes both quantitative and qualitative data collection methods. Data from the IMF's World Economic Outlook (WEO), Statista, World Development Indicators (WDI), and ITC's Market Access Map for the years 1990–2025 are used for quantitative analysis. The main variables used in this analysis are global trade trends (exports and imports of goods and services as a percentage of GDP), tariffs (average tariff rates on all imports to the US and comparison of MFN tariffs across the top five economies of the world, namely, the US, China, Germany, Japan, and India), employment (employment to population ratio, 15+, total (percent) as per modelled ILO estimate), and global growth (world real GDP growth rates). Extrapolation and/or projected values based on existing studies/resource materials are utilised in this study (as the tariffs situation is dynamic and subject to change, it is not possible to arrive at exact estimates at this point of time, thanks to the paucity of data). Additionally, simple time series regression analysis is done for the following. *First*, U.S. average tariff rate on all imports (in per cent) as the independent variable and Global Trade (as per cent of GDP) as the dependent variable (data are from 1990-2025). *Second*, U.S. average tariff rate on all imports (in per cent) as the independent variable and Global Real GDP Growth Rate (in per cent) as the dependent variable (data are from 1990-2025). *Third*, U.S. average tariff rate on all imports (in per cent) as the independent variable and Global Employment to Population ratio, 15+, total (per cent) (modelled ILO estimate) as the dependent variable (data are from 1990-2025). It is to be emphasized again that data for the year 2025 are extrapolated. Qualitative information is already sourced from various publicly available research and policy documents and presented under literature review.

The study's findings are presented and discussed in the next section.

### 4. Research Results and Discussion

Trends in trade, tariff rates, employment and GDP growth are depicted and briefly discussed for the top five economies of the world.

Table 1 depicts the trends for global trade from 1990 to 2025.

Table 1. Trends in Global Trade (as Percentage of GDP) from 1990 to 2025

Year	Global Trade (in Percentage of GDP)
1990	38.06
1991	39.00
1992	40.82
1993	40.35
1994	41.28
1995	43.10
1996	43.24
1997	45.08
1998	45.56
1999	46.02
2000	50.42
2001	49.30
2002	49.35
2003	51.03
2004	54.60
2005	56.65
2006	58.81
2007	59.19

Year	Global Trade (in Percentage of GDP)
2008	60.82
2009	52.31
2010	56.66
2011	59.78
2012	59.60
2013	58.89
2014	58.28
2015	55.91
2016	54.11
2017	55.83
2018	57.35
2019	56.12
2020	52.23
2021	57.07
2022	62.84
2023	58.51
2024	41.77
2025	42.88 (Extrapolated)

Source: WDI (WB), 2025

As evident from Table 1, global trade as percentage of GDP hovers between 38 to 60 per cent. There is no uniformly increasing or decreasing pattern visible from existing data. The value for global trade as percentage of GDP in 2025 is extrapolated using data till 2024 and is found to be 42.88 per cent.

Table 2 depicts the trends in average U.S. tariff rates on all imports from 1990 to 2025.

Table 2. Trends in Tariffs applied by the US on the World from 1990 to 2025

Year	U.S. average tariff rate on all imports 1990-2025 (in Percentage)
1990	3.30
1991	3.40
1992	3.30
1993	3.20
1994	3.00
1995	2.50
1996	2.30
1997	2.10
1998	2.00
1999	1.80
2000	1.60
2001	1.60
2002	1.70
2003	1.60
2004	1.50
2005	1.40
2006	1.40
2007	1.30
2008	1.20
2009	1.40
2010	1.40

Year	U.S. average tariff rate on all imports 1990-2025 (in Percentage)
2011	1.30
2012	1.30
2013	1.40
2014	1.40
2015	1.50
2016	1.50
2017	1.40
2018	1.80
2019	2.70
2020	2.80
2021	3.00
2022	2.80
2023	2.40
2024	2.50
2025	11.50 (Projected by Statista) (subject to change under the current Trump Administration, 2025 onwards)

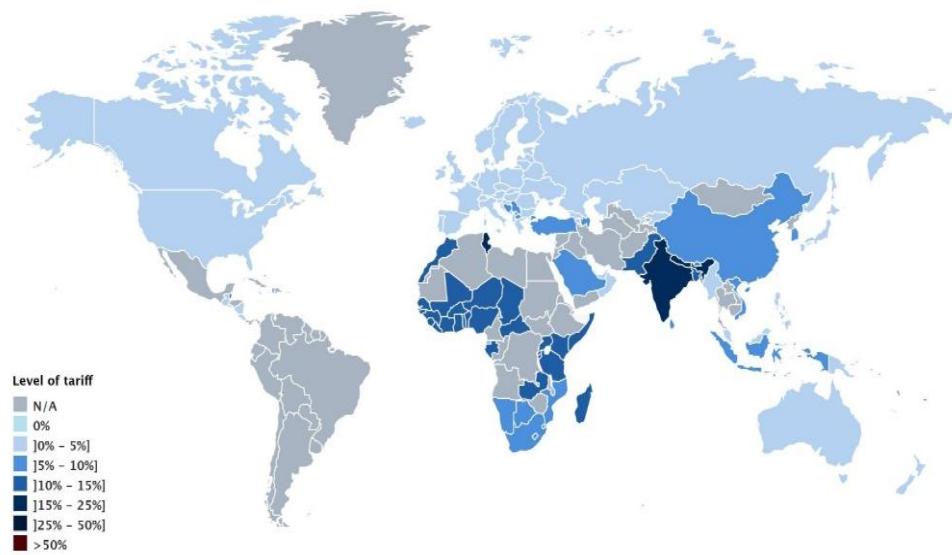
Source: Statista, 2025

As evident from Table 2, average US tariffs on all imports came down from over 3 per cent to 1.40 and 2.50 per cent over the period 1990 to 2025. This changed with the return of Trump to power in 2025. Statista estimates the average US tariffs on all imports in 2025 to be 11.50 per cent. The same may, however, change.

Figures 1 and 2 depict the worldwide average MFN tariffs on all products till 2024 and average of MFN tariffs on all products for the top five economies of the world till 2024.

Figure 1. Worldwide Average MFN Tariffs

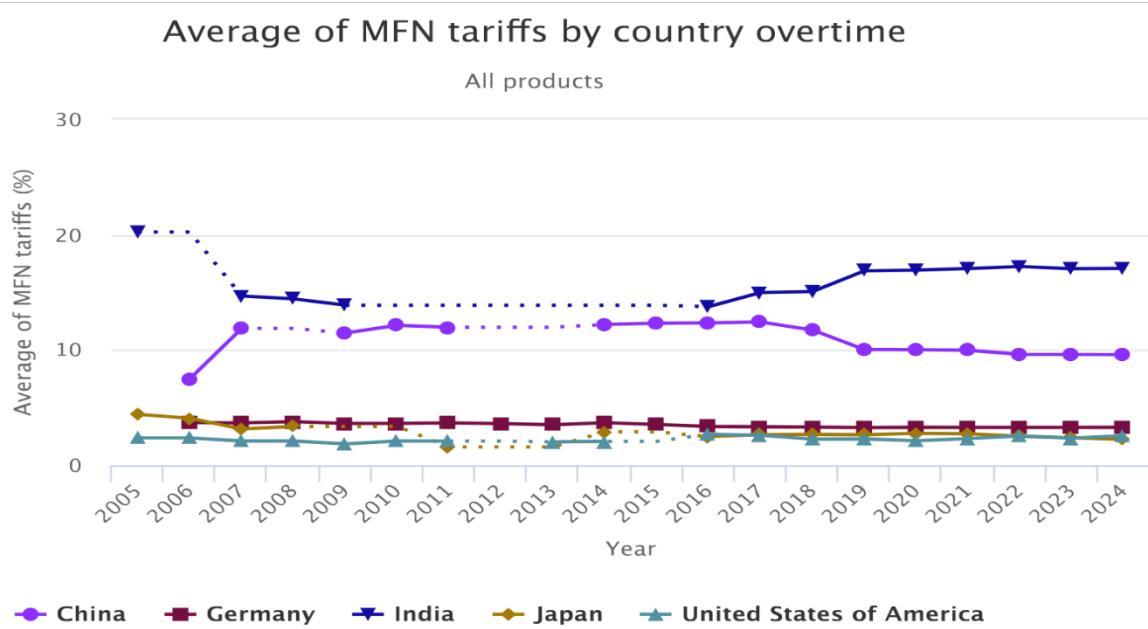
Average of MFN tariffs Worldwide  
All products (2024)



Source: Market Access Map (ITC), 2025

As evident from Figure 1, the US lay in the low tariff segment of the world like other advanced economies. This was unlike some developing countries in Asia and Africa, including India and China that had relatively higher tariff rates.

Figure 2. Average MFN Tariffs on All Products for the top five Economies in the World in 2024



Source: Market Access Map (ITC), 2025

Figure 2 shows that the US had on an average, lowest tariffs; lower than even its developed counterparts of Germany and Japan, not to mention Indian and China (they had higher tariffs than the three developed countries put together).

Trends in the global employment to population ratio (for people over 15 who are of working age) from 1990 to 2025 are shown in Table 3.

Table 3. Trends in Global Employment to Population Ratio (15+) from 1990 to 2025

Year	Global Employment to Population Ratio, 15+, total (in Percentage) (modelled ILO estimate)
1990	61.00
1991	62.13
1992	61.89
1993	61.47
1994	61.25
1995	61.05
1996	60.90
1997	60.82
1998	60.63
1999	60.57
2000	60.56
2001	60.32
2002	59.99
2003	59.82
2004	59.85
2005	59.84
2006	59.79
2007	59.75
2008	59.47
2009	58.84

Year	Global Employment to Population Ratio, 15+, total (in Percentage) (modelled ILO estimate)
2010	58.64
2011	58.57
2012	58.39
2013	58.22
2014	58.11
2015	57.96
2016	57.83
2017	57.70
2018	57.66
2019	57.65
2020	55.82
2021	56.79
2022	57.55
2023	58.10
2024	58.12
2025	61.81 (Extrapolated)

Source: WDI (WB), 2025

As evident from table 3, global employment to population ratio varied from 62 to 57 per cent over the period 1990 to 2025. Extrapolated value for the same in 2025 stands at 61.81 per cent.

Table 4 depicts trends in global real GDP growth from 1990 to 2025.

As evident from Table 4, global real GDP growth varied from 6.60 per cent to 2 or 3 per cent over the period 1990 to 2025. The World Bank and IMF expect global growth to hover between 2 to 3 per cent in 2025 and extrapolated value for the same is 3.35 per cent.

Table 4. Trends in Global Real GDP Growth Rate (in Percentage) from 1990 to 2025

Year	Global Real GDP Growth Rate (in Percentage)
1990	3.20
1991	2.50
1992	2.20
1993	2.00
1994	3.20
1995	3.30
1996	3.90
1997	4.00
1998	2.70
1999	3.60
2000	4.80
2001	2.50
2002	2.80
2003	3.80
2004	5.30
2005	4.70
2006	5.30
2007	5.30
2008	2.90
2009	-0.40
2010	5.20

Year	Global Real GDP Growth Rate (in Percentage)
2011	4.10
2012	3.40
2013	3.40
2014	3.50
2015	3.40
2016	3.30
2017	3.80
2018	3.70
2019	2.90
2020	-2.70
2021	6.60
2022	3.60
2023	3.50
2024	3.30
2025	2.00 to 3.00 (Projected by IMF and World Bank) and 3.35 (Extrapolated)

Source: WEO (IMF), 2025

Table 5. Impact of U.S. tariffs on Global Trade

Variable	Estimate
Global Trade (as per cent of GDP)	-1.86 ** (0.6603)
R-square	0.19
Adjusted R-Square	0.16
N	36
F-Statistic	7.91

\*\* represents significance at 5 per cent level

Source: Author's estimations based on data from Statista and WDI, 2025

Table 5 presents the regression results for average U.S. tariff rate on all imports (in percentage) as the independent variable and Global Trade (as percentage of GDP) as the dependent variable (data are from 1990-2025).

The R-squared value of 0.19 means that about 19% of the changes in global trade can be explained by the model, which shows that the model isn't very good at explaining the data. The F-value is also low, which supports this. The p-value for the regression coefficient is 0.01, which means it is statistically significant at the 5% level. Additionally, if the average U.S. tariff rate on all imports goes up by 1 percentage point, global trade decreases by 1.86 percentage points; as this model suggests.

Ceteris paribus, these results may offer some insights that Trump tariffs could unfavourably affect global trade.

Table 6. Impact of U.S. tariffs on Global GDP Growth

Variable	Estimate
Global Real GDP Growth Rate (in per cent)	-0.10 (0.16)
R-square	0.01
Adjusted R-Square	-0.02
N	36
F-Statistic	0.43

Source: Author's estimations based on data from Statista and WEO, 2025

Table 6 presents the regression results for average U.S. tariff rate on all imports (in percentage) as the independent variable and Global GDP Growth rate (in percentage) as the dependent variable (data are from 1990-2025).

The R-squared value of 0.01 means that about 1% of the changes in global GDP growth can be explained by the model, showing a very poor fit and a low F-value. The p-value for the regression coefficient is 0.52, which is not significant at the 5% level. Additionally, if the average U.S. tariff rate on all imports increases by 1 percentage point, global GDP growth decreases by 0.10 percentage points; as this model suggests.

Ceteris paribus, these results may offer some insights that Trump tariffs could unfavourably affect economic growth in the world.

Table 7. Impact of U.S. tariffs on Global Employment

Variable	Estimate
Global Employment to Population ratio, 15+, total (per cent) (modelled ILO estimate)	0.31** (0.15)
R-square	0.11
Adjusted R-Square	0.09
N	36
F-Statistic	4.31

\*\* represents significance at 5 per cent level

Source: Author's estimations based on data from Statista and WDI, 2025

Table 7 presents the regression results for average U.S. tariff rate on all imports (in percentage) as the independent variable and Global Employment to Population ratio for all aged at least 15 years (in percentage) as the dependent variable (data are from 1990-2025).

The R-squared value of 0.11 indicates that about 11 per cent of the variation in Global Employment is accounted for by the model, indicating a weak fit, along with a low F-value. The p-value of the regression coefficient is 0.05, making it significant at the 5 per cent level. Additionally, a one percentage point increase in the average U.S. tariff rate on all imports leads to a 0.31 percentage point rise in the Global Employment to Population Ratio; as this model suggests.

Ceteris paribus, these results may offer some insights as to how Trump tariffs could affect global employment prospects. However, the same are not free from limitations. *First*, data for the year 2025 are extrapolated as mentioned earlier as well. *Second*, because of the transience of tariff policies and even rates under the current US president, these calculations and estimations are not to be treated as final; this is in the wake of surcharge tariff rates applied over and above the announced tariff hikes for certain nations, including India, as they continue importing Russian crude oil despite the US objections. *Third*, this article is not incorporating the views of different stakeholders impacted by these tariffs through say, interviews or focus group discussions (FGDs). The same could have led to formation of a more comprehensive perspective in the minds of readers and scholars. *Last*, the impact of *Trump tariffs* may not be as straightforward as depicted in this analysis. There could be several channels through which the same may impact the global economy and those could not have been captured in the data available till date.

The final section wraps up this research and enumerates its implications for future policy.

### Conclusions and Future Policy Implications

This study aimed to better comprehend the complex effects of the tariffs imposed during the second Trump administration by extensively examining their economic, strategic, and political elements, especially in terms of the macroeconomic variables of GDP, employment, and trade as discussed earlier in this article, using simple econometric modelling techniques. In conclusion, this research sought to educate policymakers and business executives alike about the intricacies of strategic trade policy instruments, particularly in relation to Trump-era tariff barriers.

The tariff policy of the second Trump administration created a significant impact, generating a sense of pessimism among both the United States' allies and adversaries. In the initial months, the administration implemented a wave of bilateral and global tariffs as a strong affirmation of its '*America First*' policy. Nevertheless, by June 2025, these tariffs were reduced after discussions with essential trading partners. The series of tariff announcements from Washington elicited diverse responses from the affected nations. While major partners like China and the European Union retaliated with similar tariffs, others adopted more calculated countermeasures to manage the challenges posed by the US's persistent tariff strategy. A case in point is India's persistent effort at bringing down tariffs with its major trade partners (including the US) with the help of trade deals. If economic theory is any guide, then it may be said that raising tariffs and other such *beggar -thy- neighbour* policies are not good for

any nation in the world largely owing to their detrimental impact on world trade, GDP growth and employment. It is thus advisable that free trade be promoted and maintained at all costs, even if the results of the same are not fruitful over the short run. Lowering tariffs should not only be sufficient but also necessary for global prosperity.

#### Credit Authorship Contribution Statement

**Kanupriya:** Dr. Kanupriya holds exclusive responsibility for every aspect of this article. She did all the work on her own, including coming up with the idea, doing the research, planning the methods, managing the project, working on the software, analyzing the data, writing the first and final versions of the paper, supervising the work, organizing the data, checking the results, reviewing and editing the writing, and creating the visual parts.

#### Declaration of Competing Interest

The author declares that she has no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

#### Declaration of Use of Generative AI and AI-assisted Technologies

The author declares that she has not used generative AI and AI-assisted technologies improperly during the preparation of this work.

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