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The United States' Protectionist Trade Policies and Their Economic and Financial Implications for the Global Economy: An Analytical Study Covering the Period 2018–2025

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Abstract:
The study aimed to examine the economic and financial implications of US protectionist policies during the period 2018–2025, highlighting their impact on the United States, Europe and China, as well as on the global economy. To achieve this, a combination of descriptive and analytical approaches was employed, alongside inductive reasoning, with the aim of describing protectionist measures and analysing their implications for growth, inflation, international trade flows and the stability of supply chains. The findings indicate that the escalation of tariffs and trade wars has increased uncertainty, raised the cost of cross-border transactions, disrupted supply chains, and weakened the competitiveness of exports, particularly those from Europe. Conversely, these policies have prompted many countries to diversify their trading partners, seek alternative markets and reduce their dependence on the US, which has effectively contributed to reshaping the global trading system. Although protectionism has not led to a complete collapse in global trade, it has halted its growth momentum and added further tension to the global economic landscape. Ultimately, the study concludes that the gains achieved through these policies remain unstable and short-term, whilst the long-term structural damage affects the efficiency of trade and the stability of the international economy. This necessitates that the countries concerned strengthen cooperation mechanisms, diversify their alliances, and move towards formulating fairer and more sustainable trade rules.
Keywords: protectionist trade policies, customs duties, global trade, economic growth.

1. Introduction:

Protectionist trade policies were established decades ago with the aim of achieving US objectives in trade wars with other countries and economic blocs. The United States has continued to pursue and develop this policy. From the Reagan and Bush Senior eras, and the trade wars with Europe and Japan in the 1980s and 1990s, through the Bush Junior era at the start of the second millennium, then on to Trump, then Biden, and then Trump once again, US trade war policies have evolved each time to produce ever stricter standards and targets.

In the wake of the 2008 global financial crisis, criticism of globalisation and free trade mounted across industrialised nations, leading to political polarisation in those countries. At the heart of this criticism lies the view that trade erodes the fabric of social cohesion. Anti-trade sentiment became more pronounced and intensified when US President Donald Trump imposed tariffs on the United States' closest allies and trading partners, including Canada, Mexico and the European Union, citing the need to protect national security, American jobs and industries. Now, developing economies – whose economic strategies were shaped by promises of market access – face the risk of being excluded from those very markets.

The problem lies in the shift by the major powers—including the United States of America—away from the free-trade system they established, the realignment of their priorities, and the rise of domestic political and economic demands. Against the backdrop of the expansion of protectionist trade policies, and the resulting escalation of trade disputes and reshaping of international economic relations, the main research question of this study is as follows:

To what extent have US protectionist trade policies, particularly during Donald Trump's two terms in office, contributed to the reshaping of the global trading system, and what are their economic and financial implications for the United States, its trading partners and the global economy?

The main issue gives rise to a series of sub-questions, as follows:

-What are the most significant protectionist trade policies adopted by the United States in recent years?

-What are the implications of US trade wars for inflation, growth and international trade?

- How have protectionist trade policies contributed to the dismantling of the foundations of the multilateral trading system that the United States sought to build?

Research Hypothesis:

This study is based on the hypothesis that the rise in US protectionist trade policies has contributed to fundamental changes in the structure of the global trading system, leading to increased economic uncertainty, higher costs of international trade, and an impact on growth and inflation rates in many economies, both developed and developing.

Significance of the study:

To enrich the economic literature on protectionist trade policies and to contribute to an understanding of the relationship between US trade policies and global economic and financial variables. To present a recent analysis covering the period 2018–2025, which witnessed a marked escalation in US protectionist measures and the resulting shifts in the global economy. To provide a theoretical and analytical framework that can be utilised in future studies on global trade and international economic relations.

Objectives of the study:

Through this study, we aim to achieve the following objectives:

-To assess the economic and financial implications of US protectionist policies, particularly during the two Trump terms, on the three parties: the United States, the European Union, China and the global economy as a whole. This includes examining their impact on inflation, growth and international trade.

-To understand how these policies have contributed to the reshaping of the global trading system, through the emergence of competing economic blocs and the decline of the World Trade Organisation's role as a trade regulator.

-To assess the impact of US protectionist policies on international trade by analysing their implications for global export and import flows and international supply chains.

- To analyse the shift in US trade policy from multilateralism to unilateralism.

Research Methodology:

To address the research question posed, both descriptive and analytical methodologies were employed, with the latter being considered the most appropriate for studying and analysing the protectionist trade policies adopted by the United States of America during the period 2018–2025, by describing the nature of these policies and their various instruments, and analysing their economic and financial implications for the global economy. The inductive approach was also utilised to identify the relationships between US protectionist measures and global economic and financial indicators.

2. US protectionist trade policies and their implications for the domestic economy

Before the United States formulates its strategy in a trade war against a country or an economic bloc, it is only natural that it should prepare the necessary studies and plans. This typically culminates in the signing of a binding agreement between the United States and the other country, with the aim of redressing the trade deficit or meeting one or more very specific demands.

An analysis of the United States' strategic orientations shows that the process of defining its objectives is based on a set of variables that form the framework for formulating its general policies and guiding its strategic choices, taking into account the following criteria: (Foda, 2025)

- Identification of the adversary:

The United States identifies the adversary – a country that benefits, directly or indirectly, from the US market – taking into account the size of the significant trade deficit with that adversary.

- Setting compensatory targets:

Where the deficit forms the cornerstone of the strategy, compensatory targets are set to offset this deficit by requiring the partner country to purchase US goods and services to a specified value for government procurement in that country over a specified period.

This may be calculated by taking the average value of US exports to the partner country, plus a compensatory percentage to reduce the trade deficit between the two countries. Let us take China as one example, amongst others: in 2018, the trade deficit between the two countries, in China's favour, amounted to 419.2 billion US $. It was determined that 48 per cent of this deficit would be offset over two years through commitments designed by the United States and imposed on China, amounting to 200 billion US $.

- Analysis of the partner country's economy:

The United States may also analyse the partner country's purchasing power, the scale of domestic consumption, its capacity to import, and its logistical capacity for imports. For example, prior to the trade war, China imported 60 per cent of its soya bean requirements from the United States. Following the trade war, the United States set a target annual growth rate for its exports of this commodity to China at between 10 and 15 billion US dollars per year. As for liquefied natural gas (LNG), the United States set the required increase in China's purchases from the United States at 20 billion US dollars.

- Competitiveness analysis:

The US may analyse the target sectors in the partner country based on a comparison of the two countries' competitiveness in these sectors. In the case of China, the target amount 200 billion US $ was spread over two years, during which China is committed to purchasing US goods and services. These include products from the US agricultural sector, the oil and gas sector, and financial services, distributed as follows:

- 40 billion $ for the agricultural sector.
- 50billion $ for the energy and gas sector.
- 75 billion $ for industry.
- 35 billion$ for services.

- Analysis of the returns on the strategy:

The United States may assess the economic returns from the planned trade war, such as the impact on attracting investment from the partner country, industrial development, an increase in US exports to the partner country, job growth and other indicators. The indirect impact resulting from the reorganisation of supply chains may also be taken into account.

- **Unidirectional, targeted pressure and rigorous implementation:**

In addition to the above, this is followed by political and diplomatic pressure to push the partner country to respond to the US list of demands and enter into negotiations. Timetables for the implementation of each demand are also drawn up in accordance with the outcomes of meetings between the two countries.

- Monitoring and follow-up:

The United States is seeking to monitor the implementation of the schedules of commitments through quarterly reports submitted by the partner country. US monitoring revealed that China had fulfilled approximately 60 per cent of its commitments during the two years of the Phase One Agreement, which brought the trade war between the two sides back to the forefront, resulting in the imposition of tariffs on 360 billion $ worth of US imports from China.

We have seen the United States of America, on numerous occasions, raise customs duties on imports from many of its trading partners; however, such measures may be suspended for a period set aside for negotiations between the parties to reach an agreement, or to allow time for compliance with US demands. As we have seen, a number of countries have responded to US measures in recent years.

In light of the above, the economic and trade policies adopted by Donald Trump's administration did not arise in isolation from the context that preceded them, but rather were an extension of the transformations witnessed in the United States. Domestically, the economic and trade policies adopted by the Trump administration stemmed from a vision aimed at restructuring the US economy and enhancing its competitiveness, and their main objectives can be summarised in three interrelated areas centred on: (el-Sawi, 2025)

- Expanding the scope and capacity of domestic production.
- Working to increase employment on a permanent and robust basis.

- Ensuring that national security considerations are given due weight.

The United States adopted a series of protectionist trade measures in 2018; according to President Trump, the US's unequal position in international trade was causing its current account deficit to rise. Following a series of failed talks with its trading partners, the United States imposed tariffs on a wide range of products, as shown in Table 1 below.

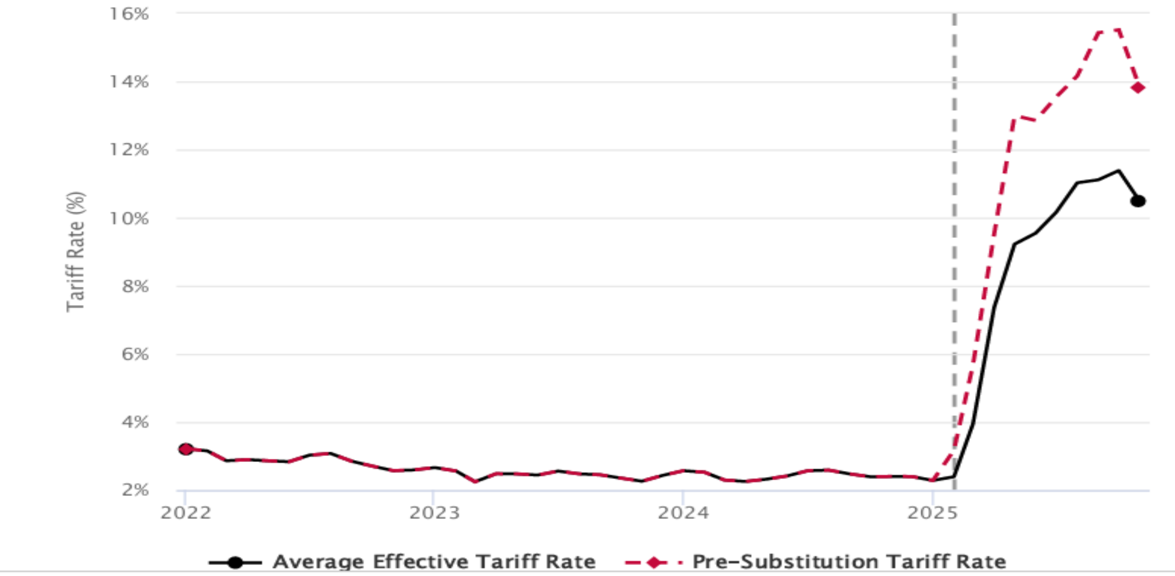
Table 1: US protectionist measures

Imports from	Products	Tariffs in %	Status	Volume of imports affected
All trading partners	Washing machines and solar panels	20–30%	Implemented (Jan 2018)	USD 10.3 billion (0.44% of total US imports)
Exemptions for countries with voluntary export limits	Steel and aluminum	25% and 10%	Implemented (Mar 2018)	USD 47 billion (2.0% of total US imports)
China	A total of 1,333 Chinese goods	25%	Implemented (Mar 2018)	USD 50 billion (2.1% of total US imports)
All trading partners	Cars and auto parts	25%	Under consideration	USD 208 billion (excluding parts) (8.88% of total US imports)
China	Not specified	10%	Under consideration or preparation	Up to USD 500 billion (21.3% of total US imports)

Source: (Benecká, 2018)

Figure 1 illustrates the trend in overall effective customs tariff rates since February 2025. The graph compares the average actual tariff rate observed in customs data with a hypothetical scenario, assuming that imports would have followed historical trends, which we refer to as the "pre-replacement " rate. The gap between these two lines reveals the impact of behavioural responses, as importers adjust their purchasing patterns in response to changes in customs tariffs.

Figure 1: Changes in customs duty rates in the United States of America for the period: 2022–2025

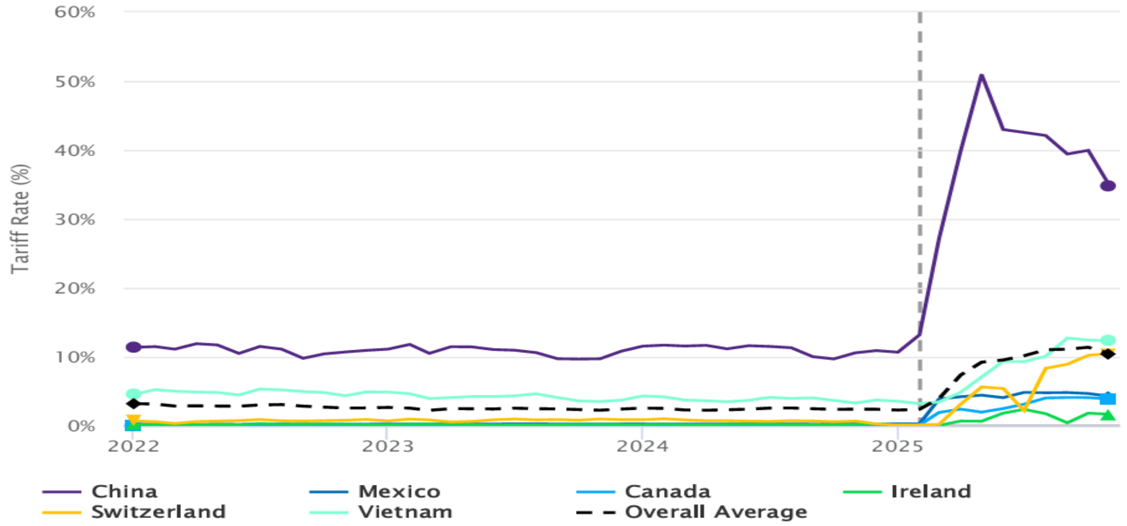


Source: (Wharton, 2026)

Among the United States' major trading partners, China faces the highest effective tariff rate of 34.7 % in November 2025. By major product category, steel and aluminium products face the highest effective tariff rates of 39.8%, reflecting the current tariffs under Section 232 and the subsequent increases on 4 June 2025 from 25% to 50%, as shown in Figures 2 and 3 below.

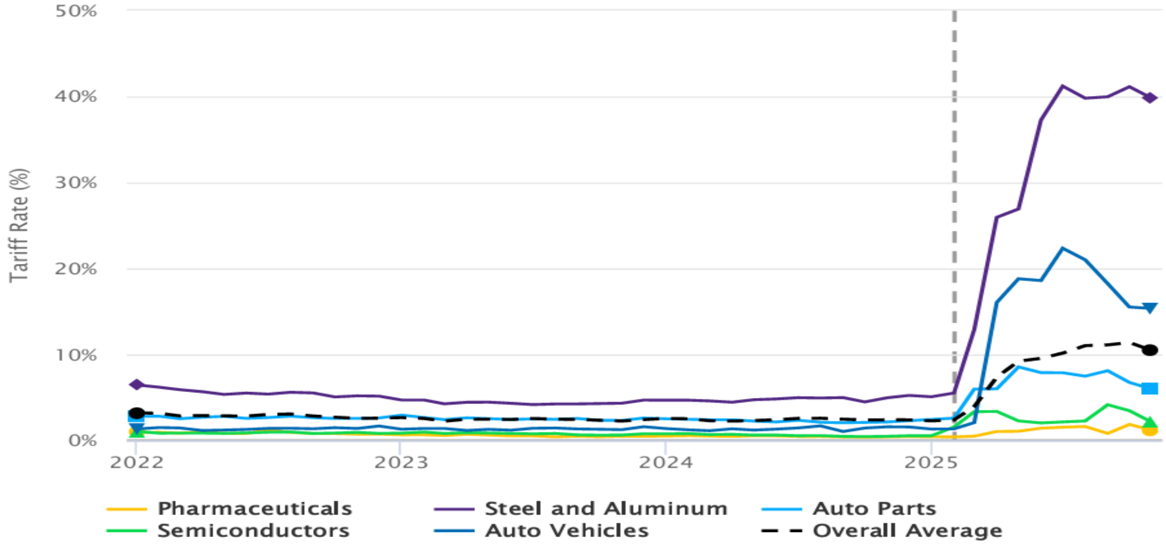
On 12 March 2025, the United States also reimposed and expanded the scope of customs duties on imports from the European Union, which will significantly increase European export costs. As part of these measures, the United States reinstated the tariffs imposed since 2018 on steel and aluminium products, maintaining the 25 % rate on steel and raising the tariff on aluminium from 10% to 25%. In addition to this increase, the US has broadened the scope of its tariffs to include new product categories, such as household goods made of steel and aluminium, or products containing steel or aluminium components, such as machinery, certain electrical appliances and furniture. The US is also expected to introduce a scheme to extend the scope of customs duties to cover additional steel and aluminium products, raising the rate to 25 %. (Roland M Stein, 2025)

Figure 2: Actual customs duty rates applied to the United States' trading partners for the period: 2022–2025



Source: (Wharton, 2026)

Figure 3: Actual customs duty rates for a selection of products in the United States of America for the period: 2022–2025



Source: (Wharton, 2026)

Note: The effective customs duty rate is calculated as the percentage of the customs duty value relative to the value of imports. These rates correspond to the pre- and post-substitution rates shown in Figure 1.

The United States' unilateral action led to an escalation of trade disputes, particularly with China, through the imposition of tariffs on imports totalling 50 billion US $ annually. China responded in early April 2018 by imposing tariffs on selected US imports (soya beans, cars, chemicals, etc.). President Trump then reiterated his readiness to impose tariffs on goods worth 550 billion US $.

The current measures have had limited effects on countries other than China, and several countries have responded to the protectionist measures by imposing retaliatory tariffs on imports of US goods (see Table 2). Canada, the European Union and Mexico account for the largest volume of affected imports.

Table 2: Retaliatory measures taken by the United States' trading partners

Trading partner	Products	Tariffs in %	Status	Volume of imports affected
Canada	Various, including steel, aluminium and agricultural products	10% and 25%	Implemented	USD 12.8 billion
EU	Various, including steel and whiskey	25% and 20%	Implemented	USD 3.3 billion
China	659 products, including soy beans and pork meat	25%	Implemented	USD 50 billion
Mexico	Various, including steel and whiskey	20% and 25%	Implemented	USD 3 billion
Turkey	Various, including steel and whiskey	Up to 40%	Implemented	USD 1.8 billion
India	A total of 30 products	Up to 50%	As from 4 Aug 2018	USD 240 million
Japan	--	--	Under consideration	USD 409 million
Russia	--	Up to 40%	Under consideration	USD 87.6 million

Source: (Benecká, 2018)

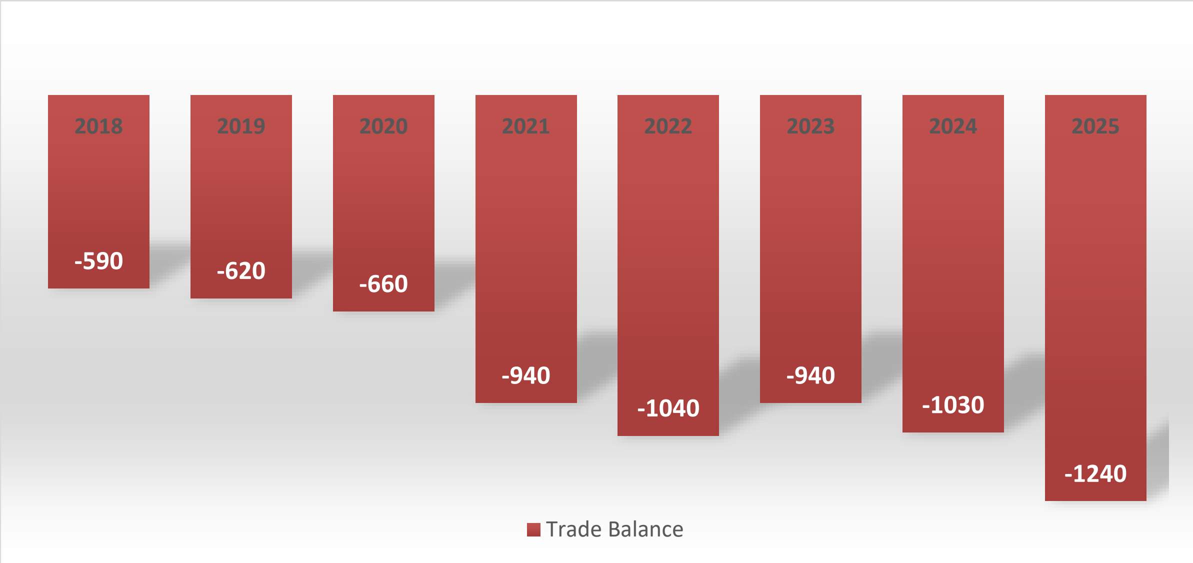
Many countries took certain measures during 2025 at the announcement, preparation or negotiation stage; consequently, a final figure or standard rate for retaliatory tariffs is not available in all cases, with the exception of Canada and China, where more specific and detailed measures were issued. As for the European Union, it has reimposed and expanded the scope of US customs duties, with the European Commission announcing a two-part response: firstly, with effect from 1 April 2025, the European Union will reinstate the full set of countermeasures imposed in 2018 and 2020. These duties affect numerous US exports from various sectors, such as clothing (including leather shoes and jeans), steel products (such as stainless steel, wire and kitchenware), cosmetics, motorbikes, as well as certain food and commercial goods. (Roland M Stein, 2025)

The countermeasures taken by the countries targeted by the United States will have a significant impact on US exporters, particularly in the sectors directly affected by the tariffs. Rising costs: Tariffs have undermined the competitiveness of US companies' exports, as they have been forced to pay more for essential intermediate goods imported for use in domestic production.

Market access challenges: Affected US companies may face a decline in demand as a result of the price increases caused by the tariffs.

As Figure 4 below illustrates, Trump predicted that these steep tariffs would push the US trade balance into surplus. However, as we now know, the reality is that the deficit has widened.

Figure 4: Trends in the United States Trade Balance, 2018–2025
Unit: Billion U.S. Dollars.



Source: (Bank World, 2026)

Targeted economies may also resort to a range of policies that enable them to reduce the effectiveness of US tariffs, including imposing reciprocal tariffs, imposing restrictions on imports and exports, and erecting other non-tariff barriers. Companies can also circumvent the tariffs by exporting their products to a third country and then re-exporting them to the United States from there. China utilised all these methods after Trump imposed tariffs on it in 2018.

Furthermore, exchange rate dynamics will undermine the effectiveness of Trump's tariffs. The rising cost of trade with the United States will increase demand for the dollar, thereby raising its value against other currencies. Conversely, a depreciation of currencies in exporting countries will make their products cheaper in dollar terms, offsetting a significant portion of the costs added by the tariffs. This effect was seen in China in 2018 when the yuan depreciated by 10% against the dollar following the imposition of tariffs. Monetary authorities in export-dependent countries can reinforce market responses by cutting key interest rates, which may increase demand for the dollar.

The domestic benefits that the Trump administration expects from these policies are far more limited than it had hoped, whether in terms of increasing revenue, securing concessions or bringing manufacturing back home. In the long term, however, these measures will prompt economic allies to seek out new partners and forms of cooperation. (Dyer, 2025)

3. The economic and financial implications of US trade protectionism for the global economy

Although tariffs can play an effective role in a broader industrial strategy, they pose numerous domestic economic challenges, such as rising costs and disproportionately harming consumers and small businesses, whilst reducing overall market efficiency. At the international level, the impact of imposed tariffs ultimately depends on the reactions of trading partners and export-oriented economies, as well as economic actors around the world.

In the short term, Trump's policies are having a clear impact on the oil market; against a backdrop of expectations of a decline in global trade volumes and increasing restrictions on international trade within the global economy, oil prices continue to trend downwards. On 7 March 2025, weekly average oil prices stood at around 70 $ per barrel for Brent crude and around 66 $ per barrel for US crude.

If Trump were to go further by imposing additional tariffs on the European Union and India, oil prices would be set to fall even further; this, in turn, would lead to a negative outlook for the rest of the oil market, including investment, transport and the oil insurance market.

However, this analysis assumes that other factors remain constant, meaning that the rest of the world will bow to Trump's policies. We believe that by expanding the list of countries on whose imports he will impose tariffs, Trump will force them to take a stand, but may even lead to a state of isolation or near-isolation for America; this could be the right opportunity for the "BRICS" bloc to play a tangible role in the performance of the global economy, and even to shape a multipolar global economic system. There is one important indicator that may determine how the rest of the global economic partners act, namely the extent to which they view Trump's policy: do they regard it as a personal policy, which will therefore disappear when his term ends? Or will they regard it as an approach specific to the US, and consequently begin to adopt policies contrary to those pursued by the US and move towards establishing new rules for a new global economic order?

Developing and emerging nations may have an opportunity to rebuild international institutions, or to establish new ones, that reflect the interests of as many countries as possible, in contrast to the current situation where the majority of international economic institutions are under the control of the United States and the West. (el-Sawi, 2025)

One year after the introduction of protectionist measures, the United States had not achieved accelerated growth; rather, its growth had declined, as had that of other major economies, as shown in Figure 5. This suggests that the costs of protectionism were beginning to emerge rapidly. In an attempt to mitigate the effects of tariffs, US companies sought to diversify their supply chains, and relocated manufacturing operations to other countries in South-East Asia, such as Vietnam and Malaysia. Furthermore, the retaliatory tariffs imposed by China on US goods, particularly agricultural products, have exacerbated trade tensions and further strained global trade relations.

Despite pursuing protectionist policies, China has not achieved sustainable economic growth; rather, it experienced a slowdown after 2018. This supports the economic view that trade protectionism may provide short-term gains for some sectors, but imposes long-term costs. (Lukas Boer, 2025)

Trump's first term as president was marked by a noticeable slowdown in the Chinese economy. According to the International Monetary Fund, China's GDP growth fell from 6.9 % in 2017 to 6 % in 2019, its lowest rate in nearly three decades. This slowdown was driven by a number of factors, with escalating trade tensions playing a significant role. Export-oriented sectors bore the brunt of the tariffs, making Chinese goods more expensive on the US market. Key industries such as electronics, machinery and textiles were particularly affected. (Rattan, 2025)

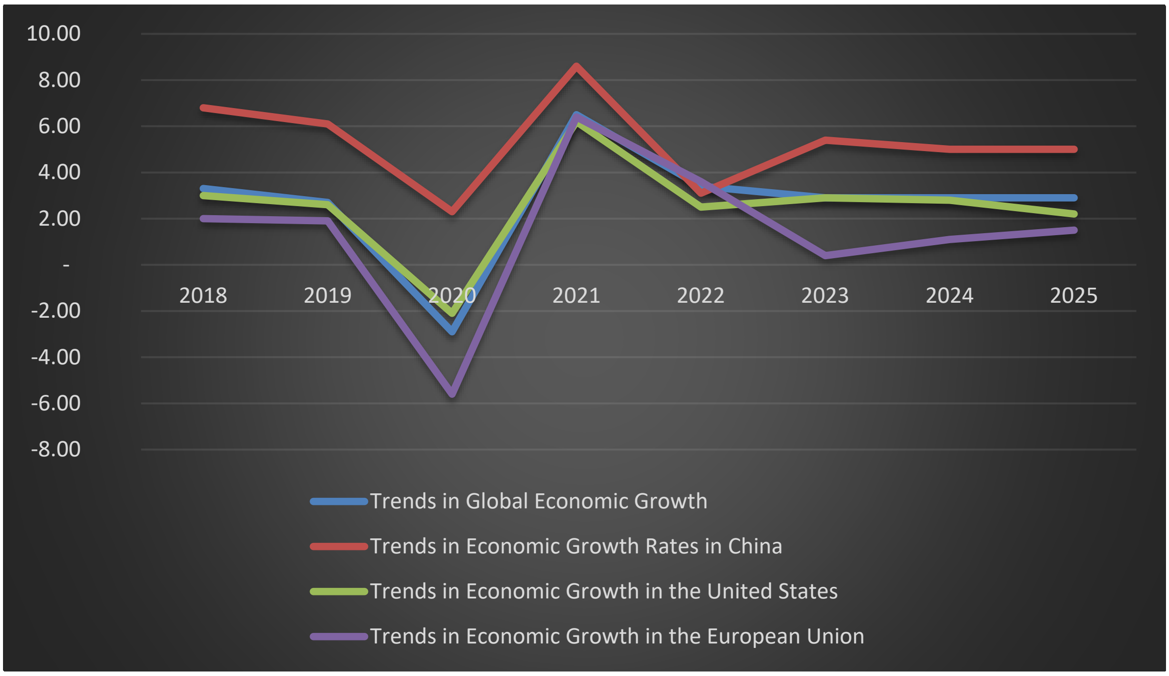
This is expected to have an impact on the Chinese labour market, particularly in industries that rely heavily on exports to the United States. With rising costs and falling demand, many Chinese manufacturers may be forced to cut jobs or reduce production to remain profitable. This downturn may also affect suppliers of raw materials and components, potentially leading to further job losses across all stages of the supply chain. This is likely to result in a further slowdown in the growth of Chinese exports, as rising costs make Chinese goods less competitive in the US market.

In 2023, US imports from China fell by 20.4%, and the new tariffs may accelerate this trend, reducing demand for Chinese exports and reshaping global trade dynamics. The data reveals that China has been relatively less affected by US protectionist policies in terms of long-term growth rates, having maintained growth levels above 5% in most years, as shown in Figure 5.

By contrast, the European Union experienced the weakest economic performance during the period 2018–2025 as a result of its heavy reliance on the US market and its vulnerability to disruptions in global supply chains. Although the European Union was not a direct party to the US–China trade war, it was indirectly affected by the decline in global trade and the slowdown in external demand. The data in Figure 5 shows a decline in European economic growth from 2% in 2018 to 1.9% in 2019, with the downward trend continuing in subsequent years, except for the post-pandemic recovery period. This is due to the reliance of European economies, particularly Germany, on industrial exports, which were subject to significant disruption as a result of trade tensions.

US tariffs have also affected European steel and aluminium exports, leading to a decline in the competitiveness of European exports in the US market. Reports from the European Commission indicate that rising global trade protectionism has contributed to a reduction in opportunities for European economic growth in recent years. In response, the EU and China may strengthen their trade partnerships with other countries, reducing their reliance on the US market. This could involve expanding trade agreements and increasing exports to regions with fewer trade restrictions, thereby allowing China and Europe to diversify their economic relations and minimise the impact of US tariffs. (Rattan, 2025)

Figure 5: Economic Growth Rate Trends, During the Period: 2018-2025.



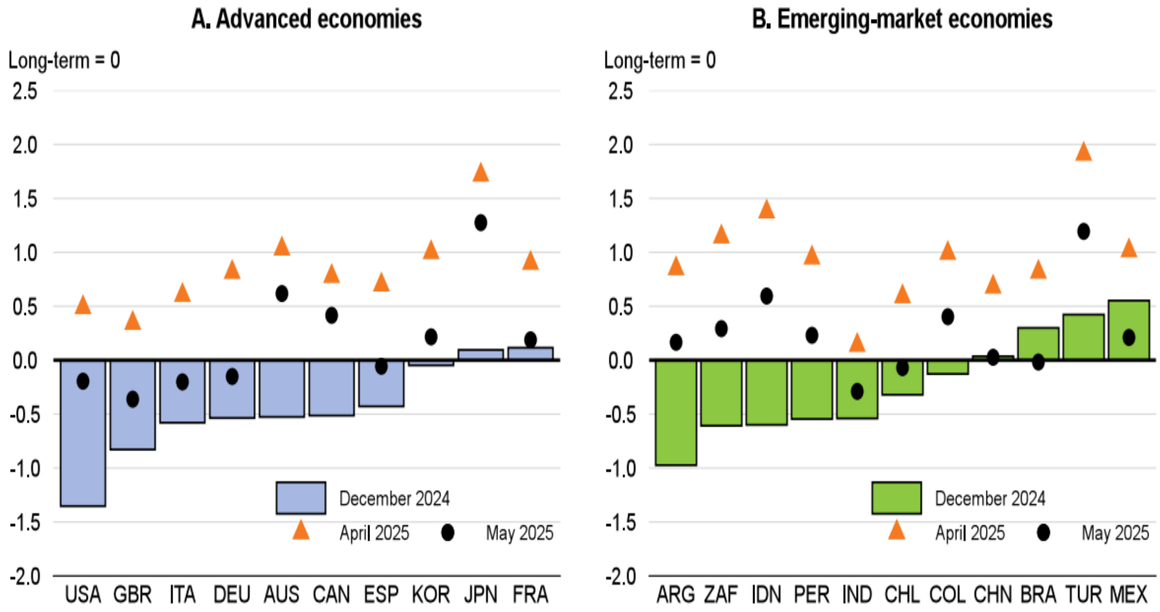
Source: (Bank World, 2026)

Many manufacturing and technology sectors have seen a decline in revenue and profits, particularly companies that rely heavily on Chinese raw materials and supply chains. Furthermore, lower profitability can lead to a decline in cash flows, which are essential for funding dividend payments. Companies may therefore resort to cutting or suspending dividends in an effort to preserve liquidity, and such measures will have a direct impact on investors. (Rattan, 2025)

With the prospect of an escalating trade war, uncertainty prevails in the markets regarding the long-term implications for companies. With every new development in the dispute, the uncertainty deepens, making it difficult to predict the long-term consequences, which could lead to significant volatility in share prices. Meanwhile, in the fixed-income market, bondholders – particularly investors in Chinese, European or US companies – may face increasing financial risks. Rising production costs and weak sales are making it difficult for companies to repay their debts on time. As their financial position deteriorates, credit rating agencies downgrade these companies' bonds, signalling higher risk and increased borrowing costs. This leads to a downward spiral, with companies struggling to meet their financial obligations, resulting in delayed payments or even defaults. (Rattan, 2025)

Financial market conditions remain tighter in 2025 than they were in late 2024 (Figure 6), with market volatility remaining high and risk aversion persisting in certain market sectors, including low-rated corporate bonds and global companies exposed to the US market. Contrary to typical risk reassessments, the US dollar has depreciated since the beginning of April 2025, as investors have significantly reduced their exposure to US financial assets.

Figure 6: Financial conditions are tighter than at the end of 2024



Note: The country financial condition indices, which are standardised around a long-term average, are obtained as the first principal component of a wide range of country-specific and global financial data series (15 country-specific indicators and 12 global indicators) including equities, interest rates, measures of volatility, sovereign and corporate bond spreads and exchange rates. Higher (lower) values of the FCI point to tighter (easier) financial conditions.
Source: (OECD, 2025, p. 21)

Equity markets rebounded in May, following a sharp decline across many advanced and emerging economies after the United States announced higher-than-expected tariffs on all its trading partners in early April. In 2025, stock markets performed strongest in Europe and in selected emerging economies, particularly Brazil and Mexico. In Japan and the US, share valuations have almost returned to their highest levels seen at the end of December 2024. Equity risk premiums have recently fallen following modest increases in the US, the UK and Europe, whilst asset valuations remain high.

There are still persistent signs of some divergence amongst companies depending on their potential exposure to tariff barriers. Since mid-February, the share prices of companies most exposed to the US market have underperformed (Figure 7, Part A). The extent of this decline has varied across regions, with the greatest impact felt in China and the Asia-Pacific economies, whilst European companies have been less affected. Given that the announced tariffs were relatively broad in scope, they had a negative impact on share prices across most sectors. The share prices of US companies with significant international exposure also initially underperformed their more domestically focused counterparts in March and April, particularly in the consumer goods and industrial sectors (Figure 7, Part B), although this situation subsequently eased as the perceived risk of other countries taking widespread retaliatory trade measures against imports from the United States diminished.

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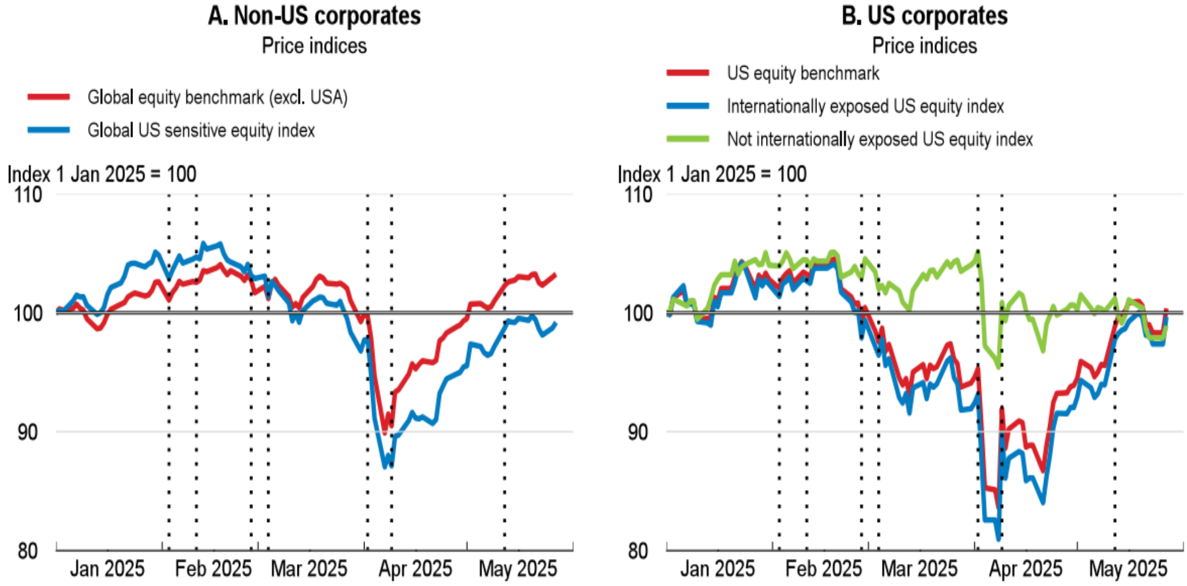
Figure 7: Equity prices of companies sensitive to US tariffs have underperformed



Note : Based on data up to 27 May 2025. Panel A displays two global non-financial corporate equity indices, excluding US companies. The first index reflects the stock performance of firms that are particularly sensitive to recent US policy changes, while the second represents the broader non-financial corporate equity market. Sensitive corporates are defined as ones with sales in the United States equal or exceeding 20% of their total sales. Panel B shows equity indices of internationally exposed and not internationally-exposed US non-financial corporates along with the broader non-financial corporate US equity benchmark. Internationally exposed US corporates are defined as those with international sales equal or exceeding 20% of their total sales. Corporates that are not internationally exposed have a ratio of international sales to total sales of 0%. The seven vertical dotted lines refer to five specific dates: 3 February 2025, the first trading day following the announcement of 25% US tariffs on all imports from Canada and Mexico and an additional 10% on imports on China; 11 February 2025, when a reinstatement of 25% US tariffs on all steel imports and a plan to increase tariffs on aluminium imports to 25% from March was announced; 27 February 2025, when an intention to implement a higher tariff on EU goods and introduce levies on other major trading partners was announced; 4 March 2025, when tariffs on Canada, Mexico, and China were partially implemented; 2 April 2025, when the US announced reciprocal tariffs that raised tariffs on most imports from all trading partners; 9 April 2025, when the US announced an increase of the US tariff rate on China to 145% and lowered reciprocal tariff rates on other partners for 90 days; and 12 May 2025, when the United States and China announced substantially lower tariffs, effective for an initial 90 days.

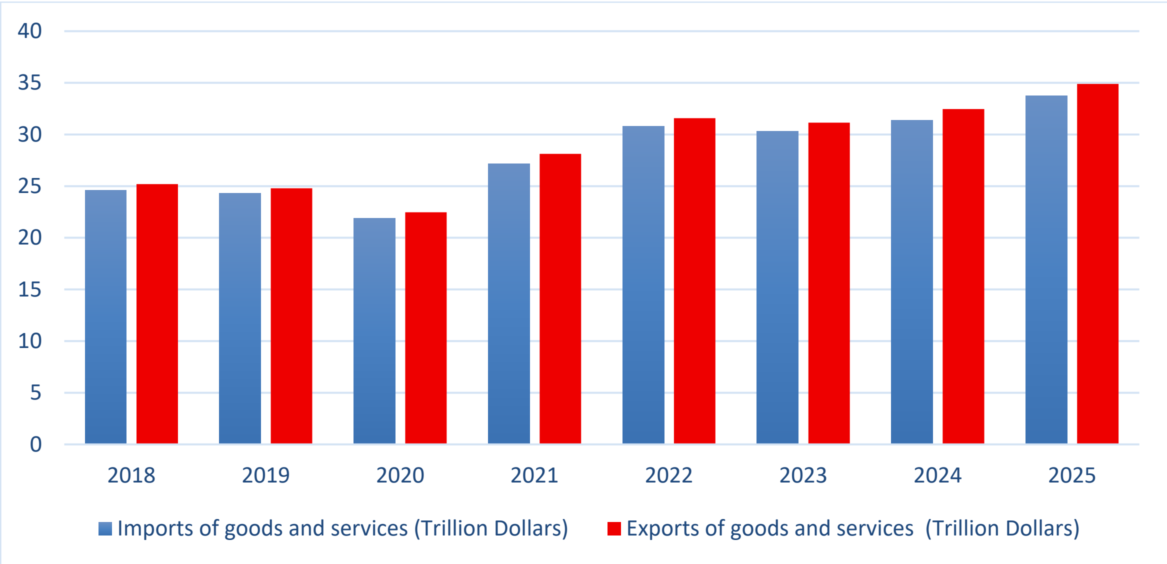
Source: (OECD, 2025, p. 22)

The data shown in Figure 8 indicate that the introduction of US protectionist policies coincided with a slowdown in global trade during the period 2018–2019. Global imports fell by 1.3% and exports by 1.6% between 2018 and 2019, reflecting the direct impact of trade tensions between the United States and China.

Global trade has seen a strong recovery following the pandemic, with global imports rising from 21.87 trillion $ in 2020 to 30.79 trillion $ in 2022 – an increase of 8.92 trillion $ and a growth rate of over 40%. Global exports also rose from 22.47 trillion $ to 31.58 trillion $ during the same period, an increase of 9.11 trillion $ and a growth rate of approximately 40.5%. This improvement is attributed to the reopening of global economies, the resumption of industrial and service sector activity, rising global demand for intermediate and final goods, and the stimulus policies adopted by most major economies.

Following the recovery phase, global trade entered a period of more moderate growth. Imports rose from 30.31 trillion $ in 2023 to 33.73 trillion $ in 2025, an increase of 3.42 trillion $. Exports also rose from 31.15 trillion $ to 34.89 trillion $ over the same period. Although trade continued to grow during the period 2023–2025, this did not offset the structural effects of the US–China trade war, which were reflected in higher international trade costs and the restructuring of global supply chains. (Lukas Boer, 2025)

Figure 8: Total world exports and imports of goods and services during the period: 2018-2025.

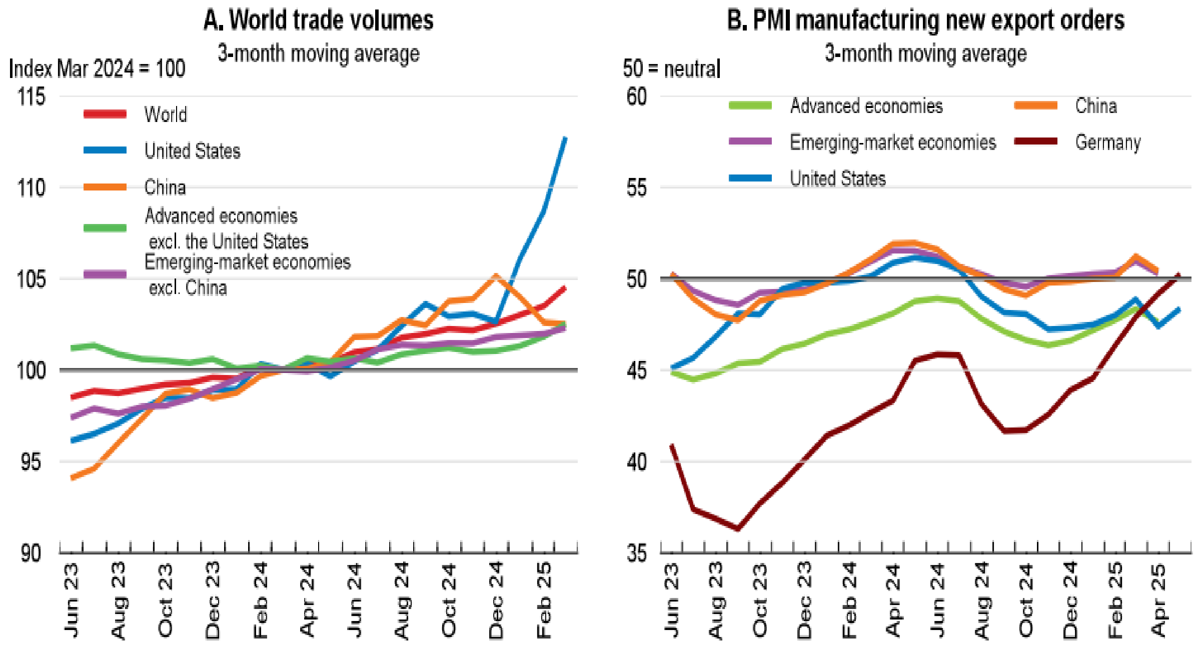


Source: (Bank World, 2026)

Commodity trade volumes rose significantly in late 2024 and the first quarter of 2025, driven by the phenomenon of ‘front-loading’, whereby some exporters brought forward their planned shipments to the United States in anticipation of expected increases in customs duties (Figure 9, Panel A). The sharp rise in US imports was particularly evident in industrial supplies, including steel and aluminium, in late 2024, and in pharmaceutical products in the first quarter of 2025; this was accompanied by a rise in stocks held by manufacturers and many retailers. International air freight volumes also rose in March and April, most likely due to "acceleration". More broadly, global container traffic continued to expand during the first quarter of 2025, and indicators of export orders for industrial products showed a steady improvement in advanced economies, with conditions returning to normal in Germany (Figure 9, Panel B).

However, some signs of weaker performance have begun to emerge. Global container rates fell by 40% in April compared with the start of the year. Shipping routes between Shanghai and the United States have been severely affected, both by the imposition of tariffs, which led to sharp declines, and by the recent reduction in tariffs between the United States and China, which has resulted in a 30% recovery in container freight rates since the announcement, although prices remain 30% lower than they were at the end of 2024. It can therefore be argued that Trump's trade policies did not lead to a permanent contraction in global trade, but they did contribute to slowing its growth and increasing the level of uncertainty within the international trading system. (OECD, 2025, p. 20)

Figure 9 : Near-term trade activity has been resilient



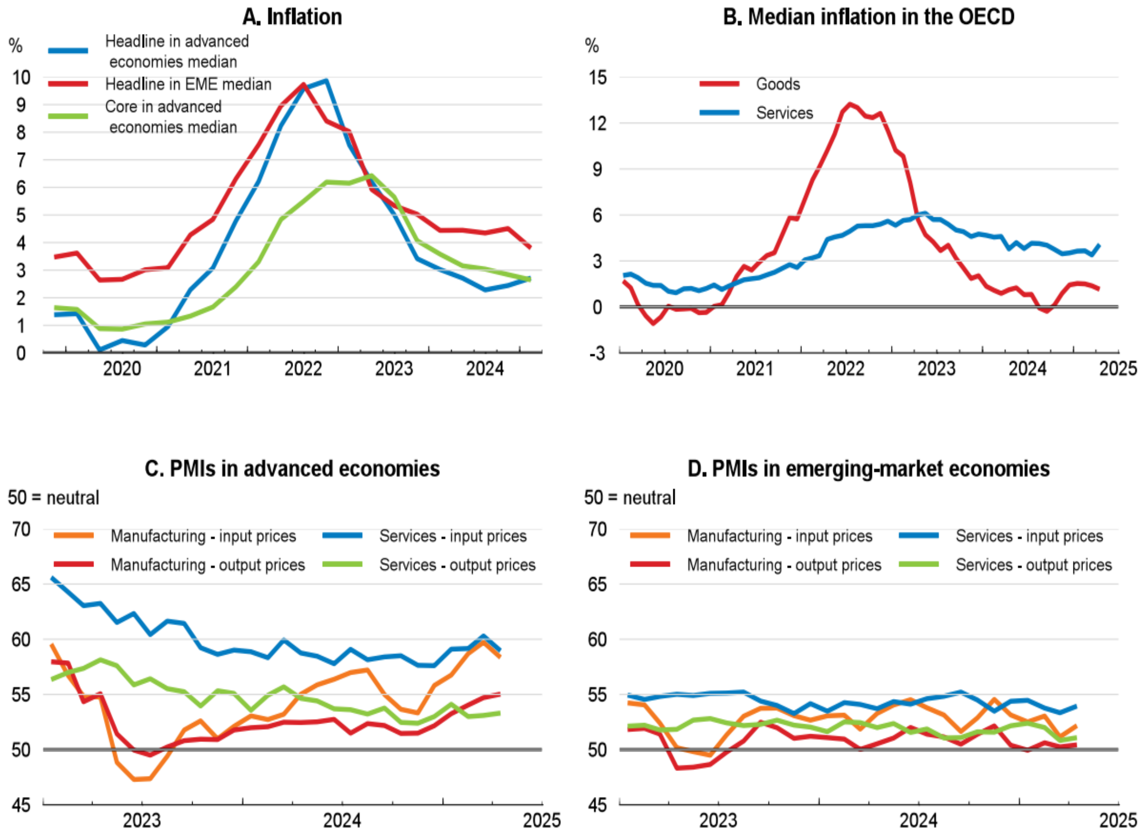
Note: Panel A refers to merchandise trade, average of exports and imports. Panel B includes May flash estimates for Germany and the United States.
Source: (OECD, 2025, p. 20)

Little is still known about how economies actually respond to customs duties, particularly when these trade policies involve countries with the capacity to influence prices. Will exporters' responses be similar across countries? How quickly will prices adjust? Will prices at the border adjust in the same way as they do in shops? Numerous studies have shown that the response of US exporters to foreign retaliatory tariffs was not symmetrical to the response of foreign exporters to US tariffs on imports. Foreign tariffs targeted non-distinctive goods exported by the United States, and US exporters significantly reduced the prices of their exports of these goods prior to the imposition of the tariffs, particularly shipments to China. (Alberto Cavallo, 2019, pp. 32-33)

Inflationary pressures persisted in many economies at the start of 2025, with inflation frequently exceeding target levels (Figure 10, Panel A). In the Organisation for Economic Co-operation and Development (OECD) countries, services price inflation remained high, largely due to stagnant growth in housing costs. At the same time, goods price inflation began to rise, albeit from very low levels, driven mainly by higher food price inflation (Figure 10, Panel B). The recent rise in food prices has been most pronounced in Japan, the United States and the United Kingdom, as well as in some emerging market economies such as Costa Rica and Colombia. Overall, inflation developments in emerging market economies have been more mixed. By contrast, inflation in China remained close to zero until April 2025.

Business surveys point to a rise in the prices of manufacturing inputs and outputs in advanced economies this year, particularly in Canada and the United States (Figure 10, Panels C and D). However, these indicators do not yet point to upward momentum in the prices of final services. Higher import tariffs are expected to lead to an upward adjustment in price levels in the country imposing them. The persistence of the inflationary impact will depend on whether this is accompanied by a rise in nominal wage demands and an increase in corporate profit margins. The magnitude of these secondary effects is likely to be less pronounced in economies with well-anchored inflation expectations. (OECD, 2025, pp. 24-25)

Figure 10: Inflation remains high with goods inflation having recently picked up



Source: (OECD, 2025, p. 25)

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4. Conclusion:

Tariffs are expected to place further pressure on the global economy; effectively addressing the challenges posed by US protectionist trade policies and trade tensions between the United States and China will require investors to be vigilant and adaptable. By closely monitoring economic trends, diversifying their investment portfolios, anticipating potential retaliatory measures, keeping abreast of policy changes and assessing currency risks, investors can better equip themselves to navigate the uncertainty surrounding the changing global economic landscape with greater resilience.

Given that the United States is the largest and most important player in the global trading system, President Trump's trade policies are expected to have far-reaching and cascading repercussions. US tariffs are leading to a shift away from US markets and a search for new trading partners. This emerging model – free trade amongst allies, but with protectionism towards the United States – may offer a glimpse of the future global trading system: fragmented alliances, neglected US markets, and a marginalised World Trade Organisation.

The study was based on the hypothesis that the escalation of US protectionist trade policies has contributed to fundamental changes in the structure of the global trading system, leading to increased economic uncertainty, higher costs of international trade, and an impact on growth and inflation rates in many economies, both advanced and developing alike; this hypothesis is considered valid.

Based on the above, the following conclusions were reached:

-The European Union experienced its weakest economic performance during the period 2018–2025 as a result of its heavy reliance on the US market and its vulnerability to disruptions in global supply chains.

- US tariffs affected European steel and aluminium exports, leading to a decline in the competitiveness of European exports in the US market. Reports from the European Commission indicate that rising global trade protectionism has contributed to a reduction in opportunities for European economic growth in recent years. In response, EU member states and China may strengthen their trade partnerships with other countries, thereby reducing their reliance on the US market.

- Although customs duties can play an effective role in a broader industrial strategy, they pose numerous domestic and international economic challenges, such as rising costs and harm to consumers, whilst reducing overall market efficiency. At the international level, the impact of imposed tariffs ultimately depends on the reactions of trading partners, as well as economic actors around the world. Depending on how they view Trump's policy, will they regard it as a personal policy, and therefore one that will disappear when his term ends, or will they regard it as an approach specific to the US, and consequently adopt policies contrary to those of the US and move towards establishing new rules for a new global economic order.

- The study showed that the United States of America has been involved in a series of trade disputes, which has contributed to rising tensions in its economic relations with its trading partners. This has led to increased uncertainty in the international business environment, as well as disruptions to trade flows, which has had a negative impact on corporate activities and investment flows.

- US–European and US–Chinese relations are witnessing rising levels of tension as a result of geopolitical shifts and new trends in US policy, and these repercussions are expected to have a negative impact on businesses, consumers and financial markets, as the imposition of reciprocal tariffs leads to higher costs for goods and services traded between the two sides, thereby undermining the competitiveness of businesses and increasing the financial burden on consumers.
- Policymakers generally prefer to negotiate with the United States rather than impose retaliatory tariffs, However, some countries are working to reduce their reliance on trade with the US and expand the range of alternative export markets available to them. For example, the Australian Government has launched an expansionary policy to boost domestic manufacturing, diversify supply chains and build up strategic reserves of critical minerals. At the same time, Australia is also strengthening its cooperation with members of the Association of Southeast Asian Nations (ASEAN), the European Union, India and the United Kingdom.
- Given that the announced tariffs were relatively broad in scope, they had a negative impact on share prices across most sectors.
- Although trade continued to grow during the period 2023–2025, this did not offset the structural effects of the US–China trade war, which were reflected in higher international trade costs and the restructuring of global supply chains.
- Trump's trade policies did not lead to a permanent contraction in global trade, but they contributed to slowing its growth and increasing uncertainty within the international trading system.
- Although the United States is the proponent of protectionist policies, it has not achieved sustainable economic growth; rather, it experienced a slowdown after 2018. This supports the economic view that
trade protectionism may provide short-term gains for some sectors, but imposes long-term costs.

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