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Q. Examine the reasons behind US war of Tarriffs. How this war can impact the global financial system.

Introduction

"The United States can no longer continue with the policy of unilateral economic surrender"

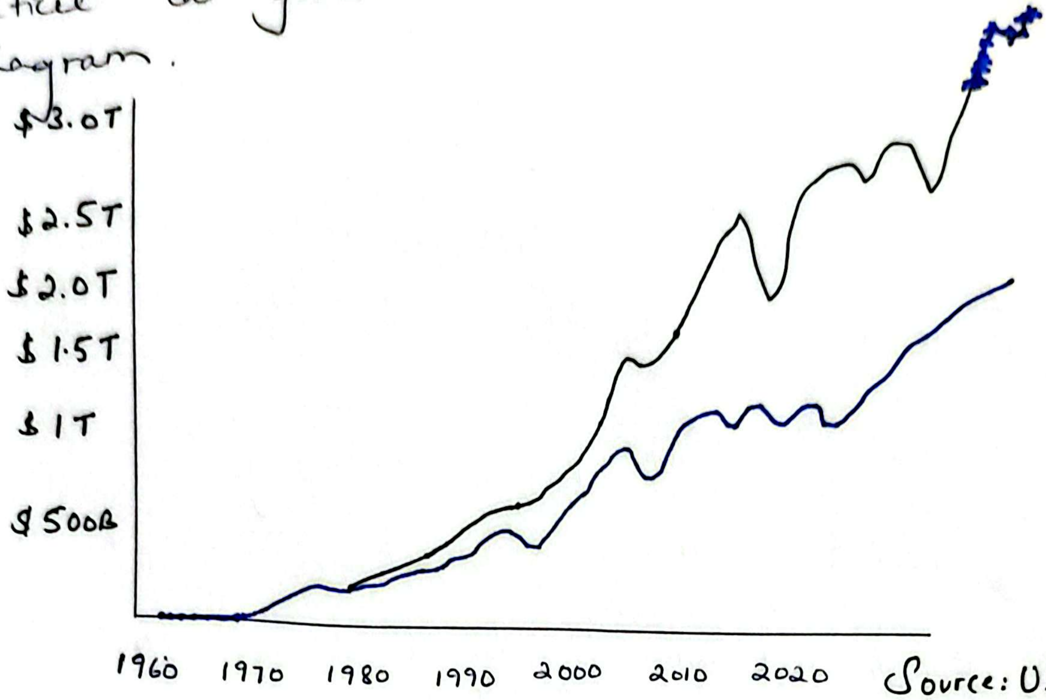
President Trump

Indeed, the tariffs that the Trump administration has imposed on imports from foreign countries have a mercantalist philosophy behind them. The U.S. President Trump has expressed how America has been exploited economically by the world and embraced Proctectionism. Moreover, the rise of China, potentially replacing the U.S. as a global hegemon is also a reason. Furthermore, the U.S is also facing a massive trade deficit. The implications on the global financial system can be profound. It can disrupt global supply chains in critical sectors due to China's counter tariffs on critical minerals. There can be a shift in global alliances, decrease in legitimacy of global financial institutions and even global recession.

Reasons Behind the U.S. War of Tariffs:

1. The Mercantalist "America First" Philosophy of Trump

The Trump administration has repeatedly asserted the "Make America Great Again" slogan. They have a philosophy that the world has greatly benefited from America. And now America has to put itself first by increasing the taxes on imported goods, which can help decrease America's Trade Deficit in goods as illustrated in the diagram.



Source: US Census Bureau

2. Economic Rationale Behind the Tariffs:

The U.S firms and officials have long accused China of stealing intellectual property to develop counterfeit products, pirated software, access trade secrets, and forced technology transfer on condition of doing business in China. To illustrate, one of the independent policy think tank, National Bureau of Asian Research in 2017 found that the annual cost of Chinese IP theft is between $225 billion and $600 billion. Due to the Trump administration placed a 145% tariff on Chinese goods.

3. The Geopolitical Reason of Tariffs.

There has long been debate that China is becoming a world power economically, politically the fact that China deepened its ties with EU, Asean and Canada through trade agreement, positioning itself as a stabliser of global trade.

3. Crisis of Confidence Among U.S. Allies Network

The placement of tariffs on not only China but also the allies of U.S has lessened their confidence in the U.S which is illustrated by the counter tariffs placed by them on U.S goods such as Canada by imposing a $20.7 billion as tariff on U.S. goods, while the EU targeted politically sensitive U.S exports like bourbon and motorcycles.

4. US Tariffs on Pakistan; a window of Opportunity

1. The U.S. Pakistan Mineral Deal as A an opportunity for Pakistan's economic progress.

After the U.S placed a tariff of 145% on China, it placed a counter tariff of 125% and announced to restrict export of critical minerals. Looking for alternative mineral acquiring roots, the US Strategic Metals has committed to a $500 Million Investment deal with Pakistan Frontier Works Organisation.

2. Agricultural Opportunities for Pakistan due to Increased tariffs on India.

The arrival of the Trump Administration

and strategically. With its ambitious projects like the BRI and 'string of pearls' theory regarding its ports in the Indian ocean. The U.S wants to contain its economic growth as the Thucydides Trap proports. For this reason, the US placed a tariff of 145% on China. In fact, the U.S fear of global domination of China can be illustrated by the economist from Bank of America that China would surpass the U.S to become the largest economy by 2027-2028.

Implications of the U.S. War on Tariffs on the Global Financial System

1. It can push global supply chain near breaking point.
   The U.S placed a tariff of 145% on China, after which China placed a counter-tariff of 125%. Furthermore it raised the tariffs on semiconductors and electronics disrupting industries, raising prices by 12% in sectors reliant on Chinese components according to a financial report.

2. China positioning itself as a stabiliser of global trade
   The U.S' erratic economic policies have placed China in a position to capitalise on the vacuum of a reliable economic superpower. This is evident by

has ushered in a new era of Pakistan-US ties on a positive note, which is evident by the fact that it has 19% tariff on it only, which is the lowest in the region. Compaeitively the 50% tax on India gives Pakistani goods, such as cotton and rice a competitive advantage in the market in the form of lower prices for consumers.

5. Conclusion.

Indeed the current Trump administration has increased tariffs to decrease U.S trade deficit, protect U.S manufacturing firms and for challenging Chinese economic growth. The implications can be performed from reshaping global alliance to blocking critical supply chains. However, Pakistan can capitalize on the lowest tariff in the region by competing in competitive goods for a better economy.