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Question:

Examine the reasons behind US war of tariffs. How this war can impact the global finance system:

Answer:

Introduction:

2025 is often described as a year marked not only by military tensions but also by intense economic battles, especially trade wars. Among these, the U.S. tariff war stands out as one of the most influential economic confrontations of recent times. Driven by concerns over trade imbalances, intellectual property issues, and the desire to protect domestic industries, the U.S. imposed a series of tariffs that reshaped global trade relations. Such tariff conflicts carry consequences far beyond national borders, affecting global supply chains, financial markets, investment flows, and ultimately the stability of global finance system.

Tariffs: A Conceptual Overview

Tariffs are the tax imposed on foreign made goods, paid by the

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businesses importing to goods to its home country's government. There and several pros and cons of tariffs. The pros include: tariffs protect local industry in the short terms, it generates government revenue, and it give trade leverage to the imposing countries. However, its cons include: higher consumer prices, risks of retaliatory measures and strained trade relations.

Reasons Behind US War of Tariffs.

1. **Trump Administration: The Merchantilist Mind-set:**

The first major reason behind the U.S war of Tariffs is the Trump administration having the Merchantilist mind-set. Trump's administration believes in "zero-sum trade" or "zero-sum competition". In a zero-sum competition deficit means losses and surplus indicates victories. Moreover, Trump assumed the the world benefited from the U.S open economic model and now they need to pay for it in form of tariffs.

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2. Tariffs on Imported Products for Maintaining Job Losses:

According to Economic Policy Institute, from 2001 to 2018, the U.S. has lost around 3.7 Million jobs because of trade deficit. In order to convert these deficits into surplus and maintaining job losses, Trump administration imposed high tariffs on the imported goods.

Total Job Losses = 3.4 Million
From 2001 – 2018
(Economic Policy Institute Analysis).

3. Making US a Manufacturing Hub

Being faced by a huge trade deficit as a result of immense imports from the other countries made the U.S administration led by Donald Trump realize to boost the local markets of the U.S. This will also help the US to emerge as a manufacturing hub.

"Make America Great Again"
Famous Slogan of
Trump's Administration.

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4. China's Rising Technological Power as a Driver of U.S. Tariff War:

China's rapid technology rise and dominance in rare earth production have raised itstrategic concerns in the United States. Through its advancement in technology — Electric Vehicle cars, military equipments and global leader in AI research and applications — China has significantly drawn attention, especially from Western countries. Because of this the U.S. accuses China for stealing American intellectual property (IP Theft) to speed up its progress and imposed high tariffs.

Annual mount of Chinese IP Theft is between 225 Billion $ and 600 Billion $. (National Bureau of Asian Research).

5. Geopolitical Rivalry with China:

The United States observed the change in global political system that caused threat to its national security and U.S. hegemony. China being the 2nd largest economy, U.S. sees it as a competitor is several sectors. The United States wants to control new technology i.e., AI, Semiconductors and Electric vehicles, because they will drive the future. This

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ambition of controlling technology drove the US towards War of Tariffs.

Implications of Tariff War on Global Finance System:

1. Re-routing the Supply Chains:

When tariffs are added, buying goods or parts from other countries becomes more expensive and unpredictable. Many companies rely on global supply chains. Tariffs force companies to change suppliers, find new routes, or move factories, which consume time and money.

Following the impositions of 301 tariffs on China's Solar panels in 2018, Chinese manufacturers shifted assembly operations to Malaysia, Thailand, Combodia and Vietnam.

(World Bank Analysis)

2. Pushed Global Supply Chain Near Breaking Point:

Tariffs imposed by Trump Administration pushed global supply chain to a breaking point. It has placed a huge supply chain shock on critical sectors such as economy and trade of different countries.

Marchandise trade between the U.S.

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and China could decrease by as much as 80% by the next year if the tariff ~~was~~ remains escalated.

(World Trade Organization).

3. Global Economic Growth and Recession Risks:

Because of the increasingly imposition of tariffs and the decrease in trades among the countries at global level have disrupted the supply-demand chain. Disruption in supply-demand chain delays invesment decisions in businesses and consumer face higher prices for imported goods. This overall disruption and delays hampers economic growth of both developed and developing economies. The risk of recession has increased significantly, with inflation potentially reaching 4% by the end of 2025 and unemployment climbing to 5-6%.

Global growth forecast for 2025 projected to reach 2.8% from 3.3% because of tariffs.

(International Monetary Fund)

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4. Disproportionate Economic Cost for Small Economies:

Huge percentage of tariffs threaten to decrease or even erase trade of developing countries having weak economies. The recent 2025 tariffs impose by the United States has shattered small economies to an immense level. The 49% Cambodia's tariffs on apparel exports threatens to erase 10 Billion $ in annual trade, equivalent to 20% of its GDP.

Projected that global trade could shrink by 3-7%, with developing countries bearing 80% of the losses due to their integration into US-centric supply chains.

(International Trade Centre)

5. Macroeconomic and Labor Market Impacts:

The U.S tariffs raised import costs, slowing economic growth and disrupting supply chains. Some domestic industries gained jobs, while others faced layoffs, causing uneven labor impacts. Overall, investment and productivity fell, weakening the macroeconomy.

Estimated 16 Million job losses in

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China's export sector and Bangladesh's textile industry warns of 4-6 millions layoffs.

(Godman Sachs)

add a few more arguments in these parts..........

Conclusion:

Trump 2.0 administration immediately after coming to power started imposing tariffs on many countries, including it allies. The reasons behind those tariffs are to ensure American hegemony across the globe, balance trade deficit, and contain other powers, and make America great again. However, these tariffs hugely impacted different countries with disrupting their supply chains, GDP loss and other social indicators. Beside this the U.S also faced major impacts, which include trust loss of allies, shifting alliances and retaliatory tariffs. Despite widespread impacts of tariff war, it should be resolved as soon as possible to work in an open economy with no barriers, threats and restrictions.

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