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Trump has launched the largest and the most dangerous trade war of the century. Critically evaluate its possible implications on US, China and global political economy.

(1) INTRODUCTION:

The resurgence of US-China trade war with the renewed imposition of tariffs under US President Donald Trump marks a significant escalation in global economic tensions. Building upon his earlier protectionist agenda Trump's renewed tariffs and sanctions of on Chinese goods, technology and strategic sectors have reignited fears of a prolonged economic confrontation. Unlike previous trade disputes, this war is deeply rooted not only in economic concerns but also in strategic rivalry, decoupling and geopolitical competition. The implications are far-reaching, affecting domestic economies, global supply chains, technological ecosystem and international governance structures.

(2) Escalation of Trade War Between US and China:

US President Donald Trump's tariffs are increasingly clogging up the wheels of the world economy which for decades was greased by predictable and relatively free trade.

↳ US imposed duties of 145% on imports from China

↳ China imposed retaliatory tariff of 125% on US goods

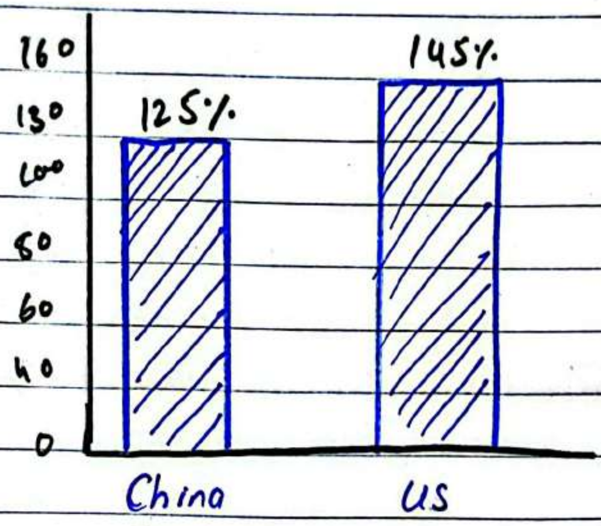

Fig 1: Imposition of tariffs on Imports

③ IMPLICATIONS OF TRADE WAR ON THE UNITED STATES:

The renewal of trade war under Donald Trump would impact the US as follows

(3.1) Increased Cost of Production for Domestic Industry:

The trade war designed to protect American industries and jobs may backfire. US businesses reliant on

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Chinese imports are facing higher cost of production, leading to inflationary pressure. According to American Action Forum, the previous wave of tariffs in 2018-19 led to over $57 billion in increased cost for US firms. A similar pattern is emerging again in 2025.

(3.2) Rise In Inflation and Increased Consumer Burden:

Higher tariff means higher cost for imported goods leading to higher prices which directly impacts domestic consumers. The trade war risks worsening domestic discontent.

(3.3) Supply Chain Restructuring and Strategic Decoupling:

The US is actively reshoring supply chains for critical goods, such as semi conductors and rare earth minerals, highlighted by the CHIPS and Science Act. However, this shift is expensive and disruptive. Bloomberg Economist estimated that full US-China decoupling could cost US economy up to 1.5% of GDP annually in the medium term.

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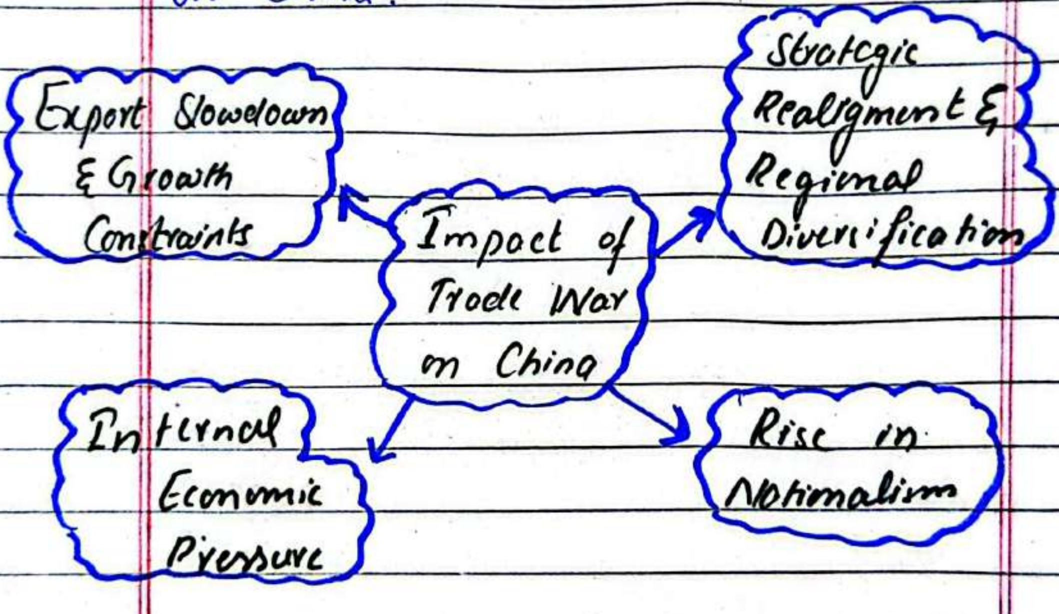
(3.4) Political Calculus Behind Trump's Aggressive Approach:

Trumps aggressive stance appeals to his political base but may alienate allies and undermine global cooperation.

(4) IMPLICATIONS OF TRADE WAR ON CHINA:

The imposition of tariffs by the US, accelerating the trade war which has the following impacts on China:



(4.1) Export Slowdown and Growth Constrains:

The US is a major destination for Chinese exports. Tariff and sanctions reduce Chinese revenue, increase production cost and constrain GDP growth. According to IMF forecast, Chinese GDP growth could drop below 4.5%

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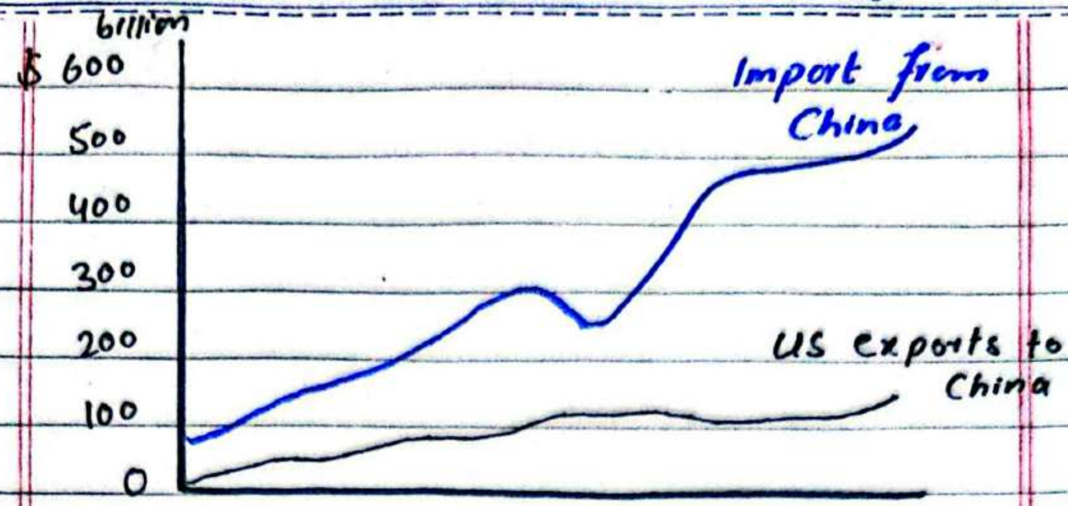


Fig 2: Widening Trade Gap
(Soure: US International Trade Commission)

(4.2) Strategic Realignment and Regional Diversification:

China is deepening ties with BRICS+, BRI, ASEAN and the Global South. It is promoting cross-border digital currency and trade in yuan to bypass the dollar and reduce vulnerabilities.

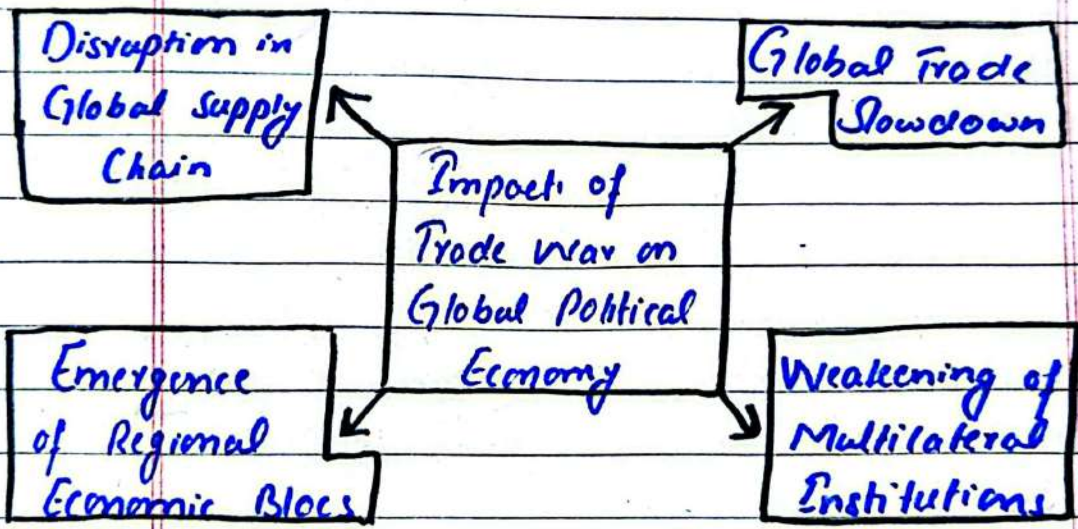
(4.3) Internal Economic Pressure:

The trade war exacerbates exitsing structural challenges in China, such as real estate crisis, youth unemployment and deepening demographic dividened which could potentially undermine its long term economic stability.

(4.4) Rise in Nationalism and Consolidation of CCP:

Trade war rhetoric fuels anti-US sentiments, CCP is using the crisis to reinforce centralized control and push for technological self-sufficiency under "Dual Circulation" model.

(5) IMPLICATIONS OF TRADE WAR FOR THE GLOBAL POLITICAL ECONOMY:



(5.1) Disruption of Global Supply Chain:

Many countries depend on integrated US-China Supply Chains, especially in electronics, automotives and pharmaceuticals. Nations like Vietnam and India may benefit ~~to~~ from relocation but face instability and higher cost.

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(5.2) Global Trade Slowdown:

The WTO warned that trade tensions could reduce global GDP by 0.8-1.5% annually. Emerging economies reliant on exports face reduced demand and investor uncertainty. The Economist called the new trade war,

> Cold War 2.0 - this time with commerce, not missile

(5.3) Emergence of Regional Economic Blocs:

The trade war is accelerating fragmentation of global trade into regional blocs. IMF Director, Kristalina Georgieva warns of a,

> dangerous drift towards economic fragmentation that could cost the world economy $7 trillion annually

(5.4) Weakening of Multilateral Institutions:

The WTO, World Bank and IMF are increasingly bypassed. Trade disputes are resolved bilaterally or through power-based coercion, eroding

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the rule-based order.

> The trade war marks the collapse of the rule based trading system that underpinned global growth for decades
>
> \- The Economist

⑥ **CRITICAL ANALYSIS:**

Trump's trade war with China would have far-reaching repercussions not only for US economy but on the liberal world order. The previous imposition of tariff did not reduce the trade deficit but largely backfired. Experts like Joseph Stiglitz called it a tax on American consumers, as prices rose and key sectors like farming and manufacturing were hit hard.

The trade war would further trigger global economic uncertainty, hurt US competitiveness and push US and China towards long-term economic separation. As many economist noted,

> It was a 20th century solution to a 21st century problem - costly, outdated and globally disruptive

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(7) CONCLUSION:

The resurgence of 2025 US-China trade war reflects more than just economic friction - it is a manifestation of deeper ideological, technological and geopolitical competition. While it may yield short-term strategic leverage for the US, it also risks long-term economic self-harm. For China it accelerates internal reform and realignment, but at a high cost. For the global economy, it represents a dangerous turn towards fragmentation and uncertainity. The challenge for the world lies in balancing strategic interest with cooperative frameworks to ensure global economic stability.