



Research Article

President Trump's Tariff Threat and Its Implication for Global Trade and Development

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ABSTRACT

This study evaluates the aggressive tariff policies of President Donald Trump and its effects on the global trade and development. As a result of the ideological paradigm of economic nationalism, the Trump administration took a confrontational stance towards international trade, directed to such major economies as China, the European Union, and Mexico. This paper examines the reasons why these policies were implemented, the upheavals they brought about and the implications of these to the overall governance of the global economy. Based on the qualitative analysis, case studies, and secondary data sources of WTO, World Bank, and IMF, the research investigates how the threat of tariffs had impacts on global supply chains, changed trade partners, and challenged the multilateral trade system. The results indicate that although certain domestic industries benefited in short-term, the uncertainty and retaliation strategies led to the derailment of global progress particularly Global South. The paper finds that the unilateral tariff threats undermine trust in institutions of trade, increase economic instability and that changes are required to have a more inclusive global trade framework.



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Introduction

The Trump presidential term (2017-2021) signaled the beginning of a new era in the U.S. trade policy, as a prominent rejection of multilateralism in favor of unilateral, protectionist policies. The central part of the economic agenda of Trump was the employment of threats of tariffs as the instrument of strategic relations revising and as imposing the U.S. economic interests. They were commonly used to coerce governments into new bilateral agreements that would benefit the U.S. by threatening other countries, especially the key trade partners such as China, the European Union (EU) and even allies like Canada (Bown and Irwin, 2019). An example of such is the U.S.-China trade war where tariffs were imposed on more than 350 billion dollars of products and retaliatory tariffs were introduced disrupting global trade and supply chains (Fajgelbaum et al., 2020). Likewise, threats to EU regarding automobile imports and to Mexico regarding immigration policy showed that Trump can be very broad and unpredictable with his trade brinkmanship (Evenett, 2020).

Although the intentions behind the tariff threats by Trump were purportedly to rectify trade imbalances, and shield local industries, it caused a lot of uncertainty in the world economy. These threats were unpredictable, and this volatility in the international markets, interruption of the established relationships in terms of trade, and obstruction in the multilateral trade systems like the World Trade Organization (WTO). The fact that the tariffs were weaponized and brought about a foreign policy instrument also created a strain on the diplomatic

relationship and lowered the confidence of investors, and this complicated developmental opportunities of both the emerging and developed economies. The implications and sustainability of such unilateral trade policies in an economy that is highly interconnected, as these developments do, is now under question.

Research Objectives/Questions

This paper aims to discuss the complex effects of the threat of tariffs by President Trump on the world economy and trade, in relation to the following research questions:

- i. What were the economic and political reasons that made Trump threaten tariff?
- ii. What were the impacts of these threats on the world trade patterns and development pathways especially in the developing economies and those economies that rely on exporting activities?
- iii. How will the Trump-era trade policy affect global trade governance and multilateralism?

Significance of the Study

Through the examination of motives, processes, and outcomes of the tariff threats by Trump, this work is relevant to a larger comprehension of the re-emerging trends of trade nationalism and economic protectionism in the 21st century. It provides the insights into how unilateral trade operations can transform the international trade rules, multilateral institutions, and the factual development results in different geographic areas. The conclusions especially apply to policymakers, academia as

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well as practitioners in development who are interested in traversing the multi-dimensional nexus of trade, geopolitics, and global economic governance in the post-liberal age of increasing populism and economic nationalism.

Literature Review

There are various theoretical frameworks which can be used in analyzing the threats by President Trump to impose tariffs and their effects to international trade and development. Neomercantilism regards intervention by states and protectionism of trade as a valid policy to maintain national economic interests and power within the international system. Equally, Realism in International Political Economy highlights the importance of state-level competition and power asymmetries in determining international trade relations, implying that economic instruments to achieve international trade, including tariffs, are national strategic instruments. The Global South gave birth to the Dependency Theory, which criticizes the role of the world capitalist systems in perpetuating underdevelopment by ensuring the continuation of exploitative trade relationships, rendering developing economies very susceptible to protectionist shocks caused by the leading players such as the U.S.

The impact of tariff wars on world supply chains has been examined through empirical studies. As an example, Tariffs imposed by Trump and especially on Chinese products caused considerable restructuring of manufacturing networks, price increase, and trade diversion (Fajgelbaum et al., 2020). The U.S.-China trade tensions led to countermeasures that impacted the world markets, levels of trade and the mood of investors. Also, researchers have considered the impact of the Trump aggressive trade posture that has weakened or dismantled global trade institutions like the World Trade Organization (WTO) that consolidate the dispute resolution system and creates uncertainty regarding the rules-based trading order (Bown, 2020). These developments underscore how weak multilateralism is in response to unilateral policy shocks.

Regardless of the increasing body of literature on tariff war and disruptions in global trade, the literature currently available is quite preoccupied with short-term economic effects and bilateral relations between the U.S. and China. The implications of development in the wider scope are scarcely investigated, especially to the smaller economies that rely on exports in Africa, Latin America, and Southeast Asia. Moreover, not many studies are specific enough to combine the political-economic theory with empirical data to estimate long-term governance consequences of such trade nationalism. The proposed study will fill these gaps by balancing a theoretical analysis with global trade trends in an attempt to determine how threats of imposing tariffs under the Trump administration are disrupting development trends and the future of multilateral trade governance.

Methodology

This paper will use a qualitative research design in order to critically analyze the threat of tariffs by President Trump and its overall effects on the world trade and development. Since trade policy choices are political and strategic the unpacking of the motivations, responses and institutional implications of these tariff threats requires a qualitative approach. The study is based on a documentary analysis of official documents of trade policy, presidential proclamations, WTO reports, trade statistics, and policy briefs of such organizations as the Peterson Institute of International Economics, Brookings institute, and World Bank.

The study takes a case study approach as a way of answering the research questions, but primarily, the conflict between the U.S and China on the issue of trade is taken as a case study. It can be used to thoroughly examine how tariff threats were

operationalized, the reaction of China and other players in the world arena, and the effects that arose in the world markets. Other mini-cases of the European Union, Mexico, and developing economies (e.g., Vietnam, Nigeria) are provided to point at the larger effects beyond the fundamental bilateral conflict.

The thematic content analysis is used to analyze data and viewpoints which reveal major patterns and stories related to trade nationalism, economic retaliation, and institutional responses. This involves the coding of textual contents that contain recurring themes like "supply chain disruption," "tariff retaliation," "multilateral trade erosion" and developmental impact. Findings are interpreted using theoretical lenses like Neomercantilism and Dependency Theory to provide a logical interpretation.

To be credible, the research will conduct triangulation of data using various sources, such as academic literature (peer-reviewed publications), reports of think tanks, official statistics, and media reports. The constraints of the research are the use of secondary data, and it is also hard to capture the fast-changing trade dynamics after Trump, particularly in the Biden administration. Nevertheless, the research presents a vigorous foundation of consideration of the systemic impact of Trump-era protectionism on world trade governance and growth.

Tariff Strategy of President Trump

The trade policy of President Donald Trump was also a characteristic of his regime; however, he shifted the U.S. support of multilateral trade, switching to cold-blooded protectionism. The key tools of this plan were rhetoric and a practical application of tariffs as a means of punishment and bargaining. The Trump administration imposed or threatened tariffs in an extensive variety of industries, utilizing the idea of national security (Section 232), unfair trade practices (Section 301), and emergency powers to support actions. It is important to note that the application of tariffs was not the sole economic motive, but also the method of political pressure and maneuvering (Bown and Kolb, 2022).

The tariff threats have started at the very beginning of Trump presidency which led to some major trade confrontations, particularly with China. In 2018-2019, the United States imposed tariffs on more than 350 billion of Chinese imports, leading to Beijing to respond with tariffs on U.S. imports. These actions broke the logistics chains worldwide and triggered the shift in sourcing policies of companies, where the economies of Southeast Asia such as Vietnam became alternative manufacturing locations (Fajgelbaum et al., 2020). Outside of China, Trump threatened and in other instances-imposed tariffs on the European Union, Mexico, Canada, Japan and even South Korea, with the sectors targeted including steel, aluminum, and automobiles. These states had to renegotiate trade agreements, such as the replacement of NAFTA with the United States-Mexico-Canada Agreement (USMCA) (Evenett, 2020).

Tariffs were another element that was entrenched in the domestic politics of Trump. A major feature of his campaign story was the vow to restore American manufacturing, regain employment and cut American deficit in trade. Trump has been trying to tap into blue-collar votes in critical swing states including Pennsylvania, Ohio, and Michigan by keeping tariffs as a shield of American workers and industries. Some industries also enjoyed a small-time reprieve, but research indicates that consumers and the downstream industries incurred greater costs, and trade uncertainty caused negative impacts on investment (Amiti et al., 2019). However, the political usefulness of a nationalist economic program strengthened the electoral foundation of Trump and his foreign policy doctrine in general.

The approach of Trump was therefore multi-dimensional combining economics, geopolitics, and electoral issues. Although advocates said that it leveled the playing field in imbalanced trade relationships, critics cited that it destabilized the global trade norms and institutions especially the World Trade Organization (Bown, 2020). After all, the tariff policy was not only a form of economic policy but also a symbolic and tactic proclamation of the U.S. sovereignty during the period of the changing world order in terms of world powers influence.

Impacts on Global Trade

The introduction of tariff threats to the world by President Trump had many significant effects on international trade in both the short and the long term both in terms of immediate disturbances and structural changes. In the short run, the imposition of tariffs especially the one that was experienced between the U.S.-China trade war caused massive disruption of trade flows. The volume of bilateral trade between the two countries has drastically fallen, as U.S imports in China are down by more than 16 percent in 2019 alone, and American exports are also dropping against retaliatory tariffs (Fajgelbaum et al., 2020). The changes had ripple effects on the global trade, forcing business organizations to divert sourcing and markets.

The ambiguity of the threats of tariffs also contributed to the increased volatility of the market situation and the global stock markets reacted sharply to each increase or decrease of the tension between states in terms of trade. An example is that announcements about tariffs were often followed by a decrease in investor confidence and currency volatility, especially in export-driven emerging markets (Amiti et al., 2019). Also, tariffs on both the industrial inputs and final goods were introduced, causing restructuring in the supply chains. The relocation of the production to other countries like Vietnam, Mexico, and India to reduce the impact of the U.S. tariffs marked the beginning of a major change in global value chains (Antras, 2021).

Trump in the medium and long-term perspectives contributed to the overall change in trade alliances with his tariff approach. The fall in confidence with the U.S. reliability in trade resulted in more effort by EU, China and other actors to establish other blocs of trade. An example is China, which increased its pace in leading the Regional Comprehensive Economic Partnership (RCEP), and the EU enhanced agreements with Japan and Mercosur. This is an indicator of regionalization of trade, as states are becoming more inclined towards diversified and politically insulated relationships (Evenett, 2020).

Besides, the Trump era policies had the effect of causing an increase in retaliatory protectionism. The governments of the countries who were hit by the U.S. tariffs retaliated by enacting their tariffs not only on American products but also as a general policy of nationalistic trade. Such tit-for-tat battle destabilized international trade and created an atmosphere of insecurity, especially to the small economies which depended on open markets. Lastly, the impact experienced on the authority of the World Trade Organization has been one of the most lasting effects. Today, Trump is constantly violating WTO standards, including by not using dispute resolution procedures and preventing the appointment of the Appellate Body, which further paralyzed the institutions and undermined their faith in the multilateral trading system (Bown, 2020).

Global Development Implications

The Trump trade policy based on tariffs had imminent effects on not only the key economies but also on the developing countries some of which were to be impacted indirectly by the influence of the global market changes. Trade diversion or exclusion was one of the major effects. The U.S and China imposed

counter-tariffs on each other which forced the flow of trade to other third-party nations that were not affected by the tariff. Whereas other export-oriented economies (such as Vietnam and Bangladesh) initially benefited with growth in demand, others, especially in sub-Saharan Africa and some Latin America, were essentially left behind in major value chains because of low production capacity or not being integrated into new trade blocs (Evenett and Fritz, 2020). The outcome was uneven distribution of trade opportunities in the world and the increasing disparity between developing economies.

Besides, the threat of tariffs by Trump also led to the effect of price changes of commodities especially agricultural and extractive goods which constitute the economic foundation of many developing countries. An example is the reprisal tariffs imposed by China on U.S. soy and other agricultural products that caused overproduction and dumping and lowered the world prices, and destabilized the markets of smallholder farmers in Brazil, Nigeria and Argentina (FAO, 2020). Simultaneously, the investment environment in the Global South worsened as there was increased uncertainty regarding the trade regulations in the long term and the likelihood of growth in tariffs in the future. Foreign direct investment (FDI) was discouraged by this uncertainty especially in export-related sectors and infrastructure projects which are vital to development (UNCTAD, 2020).

Such weak points were aggravated in the Global South where prior structural fragilities enhanced the disruptions caused by the global trade tensions. The interference with global value chains (GVCs) in the case of the tariff regime by Trump constrained the involvement of a wide range of developing nations in manufacturing and services provision chains, particularly the ones related to either China or the U.S (Antras, 2021). When lead firms reshored or relocated due to an uncertain geopolitical situation, the smaller economies were left vulnerable to economic instability, and as the governments tried to cushion their economies by borrowing, they ended up with more debt liabilities. This was more apparent in those countries that were already facing financial limitations and they had limited options to make in terms of how to react to external shocks.

To alleviate these issues, the policy ideas focus on enhancing trade resiliency and independence in the Global South. To start with, nations ought to engage in regional trade by joining institutions including the African Continental Free Trade Area (AfCFTA) that have the potential to decrease overreliance on unstable external markets. Second, there should be a drive to diversify exports and ascend the value chain, in order to minimize exposure to changes in price of commodities. Third, it is essential to make strategic investment in infrastructure, digital trade, and industrial upgrading to ensure that the FDI is attracted and retained in the conditions of uncertainty in the world. Lastly, the multilateral institutions should be reinforced to make the global trade regulations predictable again and safeguard the interests of low- and middle-income nations in an even more fragmented trade environment (UNCTAD, 2020).

Major Findings Discussion

When combined with the concepts of neomercantilism, realism in international political economy and dependency theory, the result of this study offers a finer picture of the reason behind the President Trump tariff strategy and its effects on the world. In neo mercantilist terms, Trump is behaving in a state-centric manner in order to achieve national benefit by means of protectionism. The application of tariffs in the form of bargaining instruments is consistent with realist assumptions according to which states prefer to maintain autonomy and power in the anarchic international system. These assumptions are however complicated by the empirical evidence. Although the policy was

meant to rejuvenate the local industries and redefine trade balance, it created the global economic volatility and retaliatory actions that in many cases weakened the U.S. interests (Bown, 2020).

The tariff threats also had an unforeseen consequence as they restructured the patterns of trade to the advantage of third-party countries as opposed to the dominance of the U.S. Trade flows were also redirected to other Asian and Latin American economies instead of putting China into economic submission. Exports to U.S. and China in countries such as Vietnam, Mexico and Malaysia soared showing paradoxical increase in the integration of trade among non-U.S. partners (Antras, 2021). This evolution contradicts the neo mercantilist belief that the unilateral trade action can isolate and penal those who are economic enemy. Rather, it displays the flexibility of the world markets and the constraints of coercive trade policy in a complicated, interdependent economy.

Besides, the impacts of the tariff policies of Trump support some of the fears of the dependency theory. Global South being already structurally sidelined in the global trade was more exposed to the shocks like supply chain exclusion, price fluctuations on commodities, and investment volatility. Those results highlight the role of trade shocks triggered by core nations in the worsening of developmental inequalities, which support the current trends of reliance and economic downturns (Evenett and Fritz, 2020). Although some of the emerging economies enjoyed some short-term benefits, the net effects of this on the developing countries were a lower status in the global value chains and increased fiscal vulnerability.

There are greater consequences on the international trade regulation. The open disregard of multilateral bodies, such as the World Trade Organization (WTO), such as the stalling of its Appellate Body, demonstrated by Trump, has become a precedent in terms of eroding the norms of rules-based trade (Bown and Kolb, 2022). The Trump era has helped to break up the trade governance system, with regional blocs, bilateral agreements, and informal alliances bypassing WTO more often, making unilateralism and transnationalism the new normal in trade. This tendency jeopardizes the predictability and inclusiveness of the global trade, and the smaller economies are especially affected negatively by it since they use multilateral mechanisms to protect their interests.

Overall, although the tariff policy adopted by Trump was meant to bring American economy to the fore in terms of economic primacy, the actual effects experienced on the global stage are more complex and can be counterproductive in other instances. Failure to uphold trade norms, shift in trade movement, and expansion of inequalities at global levels highlight the necessity of rebalanced trade policies that could reconcile the national interests and collaborative control.

Conclusion

This paper has critically reviewed the approach of President Donald Trump on tariffs and its extensive effects on international commerce and development. In the study, the application of tariffs by the administration was more than an economic policy but an intricate geopolitical instrument, fueled by nationalistic language, politics, and realignment of the strategy. The part in the short-term viewpoint, Trump caused the disruption of the trade flows, instability of the supply chains, and increased the volatility of the markets. Within the medium to long term, they hastened diversion in trade, undermined international trade institutions, such as the World Trade Organization (WTO), as well as transformed alliances with regionalism and bilateralism. Developing countries were especially susceptible, with most of

them being discriminated against in terms of trade and becoming victims of unstable commodity prices and foreign direct investment, thus contributing to their structural development problems.

Summary

Combining neo mercantilist, realist, and dependency theory approaches with an empirical analysis, this paper will be added to the increasing literature on the synergistic relationship between the protectionist trade policy and world development. It builds on current arguments by focusing on the systemic and distributive implications of unilateral threat of tariffs and formulating the paradoxical consequences, including the enhancement of trade relationships between non-U.S. actors, that challenge conventional thinking about trade power and leverage.

The study however does not lack limitations. It is based mostly on secondary sources and the aggregate trade data which may not necessarily reflect any micro-level effects on firms and households, particularly in the Global South. The study also pays much attention to the Trump administration policies of 2017-2020, but does not give much attention to the post- Trump trade dynamics and how the global actors have since adapted to it. Lastly, supply chain changes and WTO reform have long-term effects and need more longitudinal information to analyze in totality.

Recommendations

Considering such restrictions and the dynamism of international trades, the present study suggests some of the directions that should be taken in future research:

- i. Undertake in-depth and country level studies to assess the reaction and experience of various developing economies to U.S. tariff threats.
- ii. Use microdata to examine the changing production, pricing and employment strategies of small and medium enterprises (SMEs) in developed and developing countries in the presence of tariff uncertainty.
- iii. Compare the trade policies under the Biden administration to those under Trump, particularly under the context of multilateralism, digital trade as well as supply chain resilience.
- iv. Find avenues of revitalization of multilateral trade institutions, such as dispute settlement reform, representation of developing countries, and enforcement.
- v. Look at the interaction of protectionist trade policies with new climate-related trade policies (e.g. carbon border taxes) and their developmental consequences.
- vi. Examine the effects of growing competition between the U.S., China and the EU in terms of choice of trade, financing development and policy sovereignty within the Global South.

To summarize, the Trump-era tariff threats brought about a wider recognition of the frailty of global trade standards and unilateral economic might limits. With the process of trade becoming increasingly intertwined with national security, climate and technological contest, it is now urgent and critical to grasp the developmental effects of the process.

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