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The Impact of New US Tariffs in 2025: Towards a Global Economic Collapse?

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Abstract

The year 2025 signifies a pivotal juncture in the evolution of US trade policy, marked by the implementation of substantial tariffs not only on China, but also on established trading partners such as Canada, Mexico and the European Union. This opinion piece undertakes an assessment of the prospective economic and geopolitical ramifications of the introduction of these protectionist measures. The analysis posits that the implementation of these tariffs could lead to an escalation in the fragmentation of global trade, resulting in the intensification of inflationary pressures and the potential triggering of a global recession. The article explores the implications for US economic stability, potential retaliatory actions by affected countries and the reconfiguration of global trade alliances. In addition, it discusses alternative strategies that could mitigate the negative results, including promoting multilateral trade agreements, investing in technological advances and diversifying export markets. In conclusion, it highlights the risks of escalating trade wars and emphasises the need for international cooperation to avoid long-term economic instability.

Keywords: *Trade tariffs; Economic protectionism; Trade war; Impacts of trade policy; Fragmentation of international trade; Slowdown in economic growth*

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Introduction

The year 2025 signifies a pivotal shift in the paradigm of US trade policy, characterised by the implementation of tariffs of an unprecedented severity and breadth, as delineated in President Donald Trump's electoral pledges. These tariffs are intended to be imposed not solely on China but also on strategic allies, including the European Union, Canada, and Mexico (partners in the North American Free Trade Agreement (NAFTA)). This intensified and aggressive approach reflects an exacerbated protectionism that could lead to a new global recession, amplifying geopolitical tensions against a backdrop of armed conflicts and economic instability.

In contradistinction to the tariffs previously imposed during the Trump administration, which have already engendered deleterious effects, the new 2025 tariffs are more extensive and consequential. This maneuver could prove to be calamitous for global trade, the stability of financial markets and economic growth in the United States and the rest of the world. The purpose of this opinion piece is to evaluate the potential ramifications of these tariffs, both for the United States and on a global scale.

The New Focus on Tariffs and the Expansion of the Trade War

In contrast to the initial phase of the US-China tariff war, the new trade policies encompass not only China but also established partners such as the European Union, Mexico, Canada, Japan and South Korea. Bouët et al. (2025) emphasise that this approach has the potential to culminate in the most profound fragmentation of global trade since the Second World War.

Noteworthy are the tariffs imposed on Chinese imports, including semiconductors, electric vehicles and steel, which are subject to a 30% duty; those on European products, such as automobiles, industrial equipment and processed foods, which are subject to a 20% duty; and those on Mexican and Canadian imports, directly affecting the agricultural and automotive sectors, which are subject to a 25% duty. The impact on Japan and South Korea is also of note, with tariffs being imposed on technology and electronics (York, 2025).

These political decisions have already begun to provoke retaliation from the countries affected by the US tariffs. The European Union and China have announced retaliatory measures, imposing new tariffs on American products, causing a spiral with negative impacts on the global economy.

The Implications for the US Economy

The impact of tariffs on the US economy has been a subject of considerable debate. The United States government has asserted that tariffs are necessary to protect American jobs and industries. However, the evidence suggests that these measures may not be as beneficial as claimed. In fact, studies have shown that tariffs do not significantly boost the national economy in the long term. Instead, they have the potential to increase domestic prices, reduce the competitiveness of companies, and generate instability in the markets.

The US government asserts that tariffs are imperative for safeguarding American jobs and industries; however, the situation is more nuanced. According to Kim (2024), these measures do not enhance the national economy in the long term, but rather increase domestic prices, diminish the competitiveness of companies, and generate instability in the markets.

Tariffs have been shown to increase the cost of consumer goods and raw materials, which in turn results in higher costs for companies that rely on imported inputs, and these increased costs are subsequently passed on to consumers.

Historical precedent indicates that tariffs imposed on China have precipitated price escalations in the United States. Mendoza (2025) cautions that a similar phenomenon is poised to unfold on an amplified scale, contributing to entrenched inflation, owing to the heightened incidence and diverse partners of US measures.

The escalating costs of raw materials, compounded by the challenges of exporting due to international retaliation, are likely to result in significant losses for numerous American companies in international markets. Ai et al. (2025) emphasise the potential for reliance on foreign semiconductors to impede the growth of the US electronics industry. This predicament is further exacerbated by the fact that small and medium-sized enterprises, devoid of the resources possessed by multinational corporations, find themselves particularly vulnerable in the face of such challenges.

This has led to a projection by experts of a negative impact on US growth, with a more pessimistic revision of the forecast for 2025 already having taken place and estimates of a 1% to 1.5% reduction in GDP due to the trade war. Saliya (2025) underscores that the downturn in global trade could trigger a prolonged worldwide recession.

The Global Effect of Tariffs: Trade Fragmentation and the New Economic Order

The adoption of protectionist policies by the United States could result in significant structural changes within the global economy. In response, China, the European Union, and emerging countries are exploring alternatives to reduce their reliance on the US, thereby accelerating the formation of alternative trading blocs.

In the early years of the Trump administration, the United States adopted a protectionist stance on international trade, prompting countries such as China, Russia, and Brazil to fortify their relations within the BRICS framework. Harmanci (2025) has observed that the BRICS nations have expanded their trade transactions in local currencies, thereby reducing the dominance of the US dollar. A similar trend is currently observable in the European Union, which is engaged in deliberations regarding the formulation of new trade policies that are more aligned with those of Asia.

However, emerging economies such as Mexico, Brazil and India are among the most vulnerable to the imposition of tariffs on their exports to the US. Such measures could potentially decelerate their growth rates, whilst the identification and acquisition of alternative markets may become arduous and protracted processes. Kohnert's report (2025) posits that sub-Saharan Africa will also be adversely affected, given the export of raw materials to the US by many of these countries, which will now be subject to additional barriers.

The repercussions of the trade war are already being experienced by global markets, as evidenced by the flight of capital from emerging markets and the heightened volatility in stock markets due to political and economic uncertainties. According to Li (2025), an escalation in risk aversion could precipitate a decline in investments and the reallocation of assets to alternative currencies or reserves of value, such as gold and the yuan.

Alternatives to Mitigate Negative Effects

Considering the aforementioned circumstances, the exploration of alternative approaches to extreme tariff policies is imperative. A

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potential solution that merits consideration is the initiation of new multilateral trade agreements between the United States and other nations, as opposed to the implementation of unilateral tariffs. This approach would serve to ensure a harmonious balance between economic protection measures and the facilitation of market access.

The re-industrialisation of the United States and increased investment in technology are also recommended.

This could be achieved by the US government through investment in modernising domestic industry, encouraging innovation and reducing dependence on strategic imports, as opposed to increasing tariffs.

Finally, it is recommended that American companies explore the option of diversifying their export markets, with a view to reducing their reliance on trade with China by seeking out new markets in regions such as Latin America and Southeast Asia.

Conclusion

The recently imposed tariffs by the United States represent a significant challenge for the global economy, comparable to few challenges witnessed in recent decades. The escalation of protectionism has the potential to destabilise financial markets, increase inflation, and decelerate economic growth, thereby fragmenting global value chains.

In contrast to the tariffs implemented during the Trump administration, which have already exerted adverse effects, these novel measures are expected to be more extensive and pervasive, potentially impacting allied nations and strategic trading partners. The ramifications of this could potentially usher in an era of prolonged global economic turbulence, a scenario in which the United States may find itself relinquishing its preeminent standing in the global trade arena.

History demonstrates that trade wars rarely produce winners, and it is essential for the US and its trading partners to find ways to negotiate and cooperate, rather than continuing to deepen an economic conflict that could have unpredictable consequences.

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