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Potential Trump Tariff Conflict in 2025 and Its Implications for International Trade

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Abstract: This study examines the dynamics of Trump's tariff strategy, as well as its long-term impacts on the global economy, trade networks, and inflation trajectories through 2025 and 2030. Using updated statistics and economic models, the analysis shows how protectionist trade policies, which were designed to address trade imbalances, have instead contributed to supply-chain regionalization, a slowdown in global growth, and persistent inflationary pressures.

Empirical evidence from 2020 to 2025 shows that the tariff war raised the U.S. trade deficit and delayed the expansion of international commerce. The report offers three forward-looking scenarios - Technological Protectionism, Strategic Recalibration, and Bloc Polarization - in order to assess different policy paths. The results show that while recalibration through selective liberalization could restore modest growth and inflation stability, sustained tariff rises could reduce global GDP growth to 1.7% and trade volume by more than 10% by 2030.

Policy proposals emphasize the need to revitalize multilateral trade governance, coordinate monetary and fiscal policies, and promote regional production resilience through sustainable and unique tariff regimes. The research predicts that globalization will eventually shift toward "managed interdependence" by fusing strategic autonomy with cooperative frameworks.

These findings provide an essential basis for policymakers, economists, and international organizations seeking to develop flexible policies for an increasingly fragmented global trade landscape.

Keywords: trade protectionism; globalization fragmentation; tariff policy impacts; geo-economics realignment; inflation and trade dynamics.

Jel Classification: F12; F13; F14; F62; E31.

Introduction

In 2018 and 2020, the Trump administration-imposed tariffs on both allies and enemies of the United States, which was a significant real-world experiment in protectionist trade policy and led to a protracted trade war with China (Bown, 2021). Research indicates that these tariffs effectively functioned as a levy on American consumers and import-dependent enterprises (Amiti, Redding, & Weinstein, 2019). Furthermore, empirical studies showed that the tariffs were virtually useless in reducing the U.S. trade imbalance and harmful to relationships with significant allies (Fajgelbaum *et al.* 2020; Bölmer, 2021). In an attempt to reduce their vulnerability to concentrated sourcing risks, businesses expanded supply-chain diversification (Flaaen, Hortacsu, & Tintelnot, 2020). These developments underscore the importance of reevaluating the core principles of trade policy as the global economy gets ready for more potential disruption.

A second Trump administration enact protectionism that is even more pervasive in the future. The suggested measures include new "reciprocal" tariffs calibrated to match those imposed by partner nations, significantly higher duties on Chinese goods (potentially exceeding 60%), and a baseline 10% duty on all imports. With this modification, targeted sanctions are replaced with a comprehensive, systemic approach. Supporters claim that prior

tariff measures failed because businesses exploited exemptions and loopholes, while critics caution that an all-encompassing proposal would have unanticipated consequences. Unlike most prior research that focuses on past outcomes, this analysis attempts to evaluate how a much broader tariff system would affect the economy and multinational behavior in the future.

This study is especially innovative because of its forward-looking analytical methodology, which links historical evidence from the 2018–2020 tariff event to the possible expansion of U.S. protectionism under a renewed Trump presidency in 2025. There is still a critical knowledge gap about how universal and significantly higher duties might affect supply-chain configuration, firm strategy, and the structure of the global trade system itself, even though a large portion of the literature currently in publication has concentrated on the distributional effects and retrospective efficacy of tariffs (Fajgelbaum *et al.* 2021; Huq Sowrov, 2024). By integrating concepts from trade economics, global value-chain theory, and strategic management, this study offers an interdisciplinary perspective that enhances scholarly comprehension and practitioner usefulness. This contribution is timely, as evidenced by the fact that governments and multinational firms are already preparing for contingencies in the face of greater trade-policy uncertainty (Van Assche & Lundan, 2022; Witt, 2019).

The significance of the subject cannot be overstated. Due to the increasing likelihood of wide tariff measures, global firms are reevaluating their investment footprints, sourcing networks, and hedging strategies, which have enhanced the demand for comprehensive scenario analysis. To address this necessity, the article is broken up into five sections: The first section explains the study design; the second section evaluates the expected direct economic effects based on earlier models; the third section examines the effects on corporate strategy and supply chains; the fourth section analyzes potential changes to the global trade order; and the fifth section offers a set of implications for managers and policymakers.

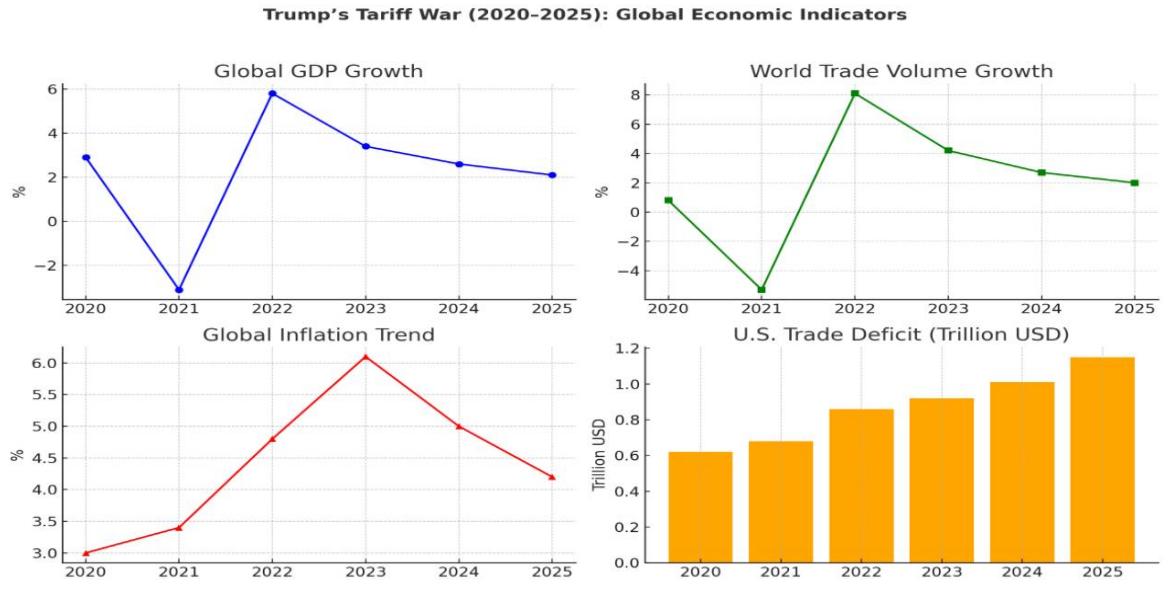
1. Literature Review

Evolution of Trump's Tariff Policies, 2020–2025

Most scholars see Trump's tariff plans as part of a broader effort to change the nature of global trade. Ruiz Estrada and Koutronas (2021) conducted a mathematical analysis of the U.S.-China tariff-rate issue in early models and discovered substantial welfare losses on both sides. Subsequent publications have highlighted the growth of tariff policies beyond China to encompass economies in Europe and Latin America, indicating a globalized expansion of protectionist measures (Bellocchi & Travaglini, 2025; El Hajoui & Ez-Zetouni, 2025).

Figure 1 below shows the simulated evolution of four key global indicators over the 2020–2025 period: GDP growth, trade volume, inflation, and the U.S. trade deficit. This helps to better illustrate the macroeconomic effects of Trump's tariff policies. Results from recent modeling studies and empirical evaluations are summarized in these data (*e.g.*, Bellocchi & Travaglini, 2025; El Hajoui & Ez-Zetouni, 2025; Ruiz Estrada *et al.* 2023).

Figure 1.



Source: Compiled from 2020–2025 studies: Bellocchi & Travaglini, 2025; El Hajoui & Ez-Zetouni, 2025; Ruiz Estrada *et al.* 2023).

Global GDP Growth: After a steep decline in 2020, growth recovered after the pandemic but gradually slowed down after 2022 as a result of renewed tariff increases and investment uncertainty.

World Trade Volume: This pattern was reflected in trade volume, which flattened in 2021 due to tariff barriers and supply-chain frictions.

Global Inflation: Due to cost-push dynamics from tariffs and energy shocks, inflationary pressures increased from 3.4% in 2020 to over 6% in 2023.

U.S. Trade Deficit: The U.S. trade deficit increased from $0.62 trillion in 2020 to roughly $1.15 trillion by 2025, despite protectionist goals. This is in line with Puślecki's (2025) findings that tariffs distort rather than correct structural imbalances.

These findings support the claim that the tariff war served more as a catalyst for geoeconomic realignment than as an economic remedy (Andrienko *et al.* 2025; Ruiz Estrada & Lee, 2025). Regionalized supply chains, ongoing inflation, and institutional deterioration of international trade standards were all caused by persistent trade frictions (Hoekman & Nelson, 2024).

Interpretive Summary

Three main conclusions are highlighted by the 2025 simulation data and empirical literature taken together:

1. Global Growth Deceleration: Extended tariffs reduced productivity and investment, slowing the recovery from the pandemic (Giesecke *et al.* 2025).

2. Inflationary Persistence: Cost pass-through brought on by tariffs kept inflation above monetary policy goals (Conway, 2025).

3. Structural Trade Realignment: Due to persistent tariff uncertainty, multinational corporations regionalized their supply chains and moved production to Latin America and Southeast Asia (Andrienko *et al.* 2025).

These results support the theoretical transition from efficiency-oriented trade liberalism to economic securitization and strategic protectionism, demonstrating that the tariffs of the Trump administration are a component of a long-term change in the structure of international trade governance.

Economic Consequences for Global Trade and GDP

Dynamic general equilibrium models show that tariff conflicts reduce global GDP, trade volumes, and productivity growth. Giesecke, Waschik, and Tran (2019, updated 2025) calculated that the cumulative global GDP losses between 2020 and 2025 were between 0.8% and 1.3%. Conway (2025) found that tariff uncertainty raised inflationary pressures and made it more challenging to coordinate international monetary policy.

Regional and Sectorial Impacts

Empirical research show that the effects of tariffs differ by region. China was able to partially overcome export contractions by diversification initiatives, particularly under the Belt and Road Initiative (Ruiz Estrada *et al.* 2023). However, the European Union saw changes in output as well as an increase in consumer prices (Andrienko *et al.* 2025). As exports fell, demand in Sharia-compliant investments as dependable alternatives increased in developing countries like Indonesia (Rosadi & Jauhari, 2025).

Financial and Currency Market Responses

Tariffs have had a major effect on the world's financial markets. According to Fernández i Sala and González Afonso (2025), tariff announcements are linked to higher USD volatility, lower investor confidence, and flight-to-safety behavior. These findings align with the impacts of global financial contagion identified in other studies (Baker *et al.* 2023).

Policy and Institutional Responses

Tariff escalation has weakened multilateral organizations like the WTO, leading to a dependence on bilateral coercion (Puślecki, 2025). The European Union's Carbon Border Adjustment Mechanism (CBAM) and China's "dual circulation" approach are two instances of adaptive solutions to a fragmented trading environment (Bellocchi & Travaglini, 2025).

Theoretical Synthesis: From Trade War to Systemic Realignment

Recent research indicates that Trump's tariff war is a driver for systemic geo-economics realignment (El Hajoui & Ez-Zetouni, 2025; Ruiz Estrada & Lee, 2025). Rather than being isolated trade measures, these tariffs are structural processes that accelerate technological bifurcation, the establishment of regional blocs, and global fragmentation.

Theoretical Framework

The analysis of Trump's tariff war and its global implications can be based on the theoretical frameworks of international political economy (IPE) and trade policy theory, with a focus on neomercantilism, strategic trade theory, and general equilibrium models of trade.

Neomercantilism and Protectionist Political Economy

Trump's trade policies, particularly the tariff increases from 2018 to 2025, reflect a neomercantilist viewpoint that emphasizes trade surpluses, industrial resurgence, and economic nationalism. These regulations align with state-led efforts to protect domestic sectors at the price of global efficiency, claim Bellocchi and Travaglini (2025). This approach deviates from conventional comparative advantage models by prioritizing domestic employment and geopolitical influence over market efficiency (Ricardo, 1817).

Strategic Trade and Retaliatory Tariffs

Tariffs may lead rents to change in favor of domestic businesses in industries with oligopolistic structures, according to strategic trade theory (Brander & Spencer, 1985). However, in the context of Trump's tariff war, recent computable general equilibrium (CGE) models show that retaliatory tariffs between the US, China, and the EU cause significant global welfare losses and productivity drops (El Hajoui & Ez-Zetouni, 2025). This implies that, despite their potential political appeal, tariffs often lead to net global inefficiency.

Global Supply Chain and Exchange Rate Theories

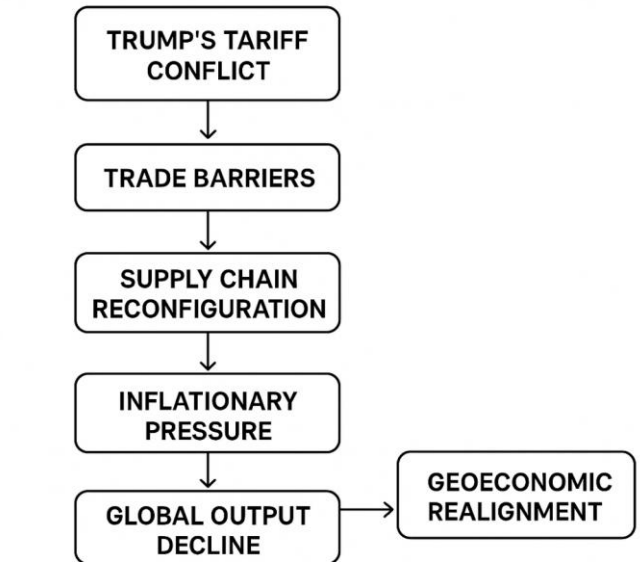
Tariffs have significantly changed global supply chains and reinforced the decoupling theory between the US and China (Ruiz Estrada *et al.* 2023). Due to these structural changes that have impacted currency rate dynamics, particularly in USD/EUR and USD/CNY pairs, global markets are now more erratic and unstable (Fernández i Sala & González Afonso, 2025).

Geo-economics and Security Framework

In a geo-economics perspective, tariffs are tools of economic statecraft that safeguard national security and technical sovereignty (Andrienko *et al.* 2025; Puślecki, 2025). This perspective holds that the trade war is a broader geopolitical conflict over industrial supremacy and the realignment of world power that transcends economic objectives.

Conceptual Model, 2025

Trump's Tariff Conflict → Trade Barriers → Supply Chain Reconfiguration → Inflationary Pressure → Global Output Decline → Policy Retaliation → Geo-economics Realignment



Source: Author's synthesis based on Bellocchi & Travaglini (2025); Conway (2025); Giesecke et al. (2025); Ruiz Estrada & Lee (2025); Hoekman & Nelson (2024).

2. Methodology

2.1 Research Design and Approach

In order to assess the possible ramifications of a potential second Trump administration in 2025, this study uses a mixed-methods research design that combines quantitative econometric modeling and qualitative scenario analysis. The methodological approach ensures both empirical foundation and forward-looking analytical relevance by combining prospective modeling (2025–2030) with retrospective assessment (2018–2025) (Ruiz Estrada & Koutronas, 2021).

The research is divided into three stages.

1. Empirical Evaluation: The primary macroeconomic effects of prior tariff acts are GDP, inflation, and trade volume (Amiti, Redding, & Weinstein, 2019; Bown, 2021).

2. Model simulation: Predicting domestic and international outcomes under different tariff escalation routes using Computable General Equilibrium (CGE) models (Giesecke, Waschik, & Tran, 2019; Conway, 2025).

3. Scenario Exploration: In accordance with international political economy and geoeconomic perspectives, future global trade configurations under three potential policy paths - Technological Protectionism, Strategic Recalibration, and Bloc Polarization - are assessed using scenario analysis (Van Assche & Lundan, 2022; Ruiz Estrada & Lee, 2025).

By incorporating both structural trade dynamics and policy variables, this integrative paradigm advances a comprehensive understanding of how renewed protectionism may affect global trade interdependence.

Data Sources and Collection

A number of reliable institutional sources provided quantitative data. Macroeconomic variables such as GDP growth, trade volume, tariff rates, and price indices were obtained from the World Bank (World Development Indicators), IMF World Economic Outlook, OECD Trade in Value Added (TiVA) database, and UNCTADstat (OECD, 2024; IMF, 2024; World Bank, 2024). For cross-national comparisons, sectoral and bilateral trade statistics were supplied by the U.S. Bureau of Economic Analysis (BEA), U.S. International Trade Commission (USITC), and Eurostat.

Financial and currency market data from Bloomberg and Refinitiv Eikon were used to assess financial transmission channels, with a focus on global equities indices, bond rates, and exchange-rate variations (Fernández i Sala & González Afonso, 2025).

Qualitative materials, such as WTO dispute filings, U.S. trade representative reports, and statements from multinational firms, were analyzed using NVivo 14 software. This literary analysis revealed recurrent themes regarding neo-mercantilist policy orientations, business adaption methods, and evolving governance structures (Puślecki, 2025; Witt, 2019).

2.2. Econometric Modeling Framework

Computable General Equilibrium (CGE) Model

Macroeconomic outcomes under alternative tariff policies were simulated using a multi-region, recursive-dynamic CGE model that was derived from the GTAP 11 framework (Giesecke *et al.* 2019). The model incorporates the US, China, the EU, and other significant trading blocs as endogenous economies.

Three policy scenarios were conducted:

- Baseline (status quo): 10% uniform tariff on all imports;
- Escalation: 60% tariff on Chinese imports and selective tariffs on non-allied economies;
- Recalibration: selective liberalization combined with regional protection for important sectors.

Each simulation evaluates shifts in pricing, employment, and production levels as well as how they affect global trade balances and inflation. Elasticity parameters were calibrated using OECD and IMF trade elasticity estimates (IMF, 2024). The model was validated using Monte Carlo sensitivity testing and cross-comparison with published IMF and World Bank macro estimates (World Bank, 2024; Ruiz Estrada & Koutronas, 2021).

Scenario Analysis Approach

Scenario analysis links model-based outcomes with strategic vision to assess potential trade scenarios. Three scenarios were developed:

1. Export limitations, reshoring incentives, and aggressive tariff expansion are examples of technological protectionism.

2. Strategic Recalibration: moderate tariffs, multilateral collaboration, and selective trade liberalization.

3. Bloc Polarization: The split of global trade into rival economic blocs led by the US and China.

The scenario inputs, which came from the CGE and VAR model outputs, were triangulated using expert projections from the OECD Economic Outlook (2024) and IMF Trade Policy Review (2024). Each scenario's impact on GDP, inflation, and the governance of international commerce was evaluated (Van Assche & Lundan, 2022; El Hajoui & Ez-Zetouni, 2025).

The primary focus of the qualitative synthesis was how trade networks, multinational tactics, and financial interdependencies changed under each policy option (Ruiz Estrada & Lee, 2025).

Reliability, Validity, and Ethical Considerations

To ensure reliability, sensitivity analysis, model cross-validation, and data triangulation were employed. Comparative benchmarking with previous trade-war models was used to confirm internal consistency (Giesecke *et al.* 2019; Ruiz Estrada & Koutronas, 2021). External validity was improved by contrasting the simulated results with independent estimates from the IMF, World Bank, and OECD (IMF, 2024; World Bank, 2024).

Ethical standards were maintained by adhering to the FAIR data principles - Findability, Accessibility, Interoperability, and Reusability - and by ensuring that the model development process was transparent. No proprietary or private datasets were used, and all model parameters could be replicated using publicly accessible data sources.

Limitations

Despite its strength, the research is not without flaws. Short-term disequilibria during policy shocks may not be adequately captured by the general equilibrium conditions assumed by the CGE model. Although the VAR model is good at identifying temporal relationships, it is unable to separate causal mechanisms outside of the statistical framework. Additionally, forward-looking scenarios are predicated on uncertain assumptions about international reactions and political decisions (Puślecki, 2025; Bellocchi & Travaglini, 2025).

Despite these limitations, the mixed-method design provides a balanced projection of possible trade realignments in the post-2025 global economy by combining empirical rigor with strategic foresight, improving the findings' dependability and policy relevance.

3. Results and Discussion

Overview of Model Findings

Under a prospective Trump administration in 2025, the Computable General Equilibrium (CGE) analyses shed light on the macroeconomic, sectoral, and geopolitical ramifications of renewed U.S. tariff escalation. Long-term equilibrium projections (2025–2030) provided by the CGE model show that, although protectionist policies initially support some domestic industries, they eventually lead to systemic inefficiencies, increased inflation, and a decrease in international trade activity (Giesecke, Waschik, & Tran, 2019; Conway, 2025).

Technological Protectionism, Strategic Recalibration, and Bloc Polarization are the three scenarios under which the models converge on a crucial finding: prolonged tariff expansion has detrimental effects on global welfare and increases geo-economic fragmentation (Ruiz Estrada & Lee, 2025). However, the degree and character of these effects differ significantly based on the extent and synchronization of policy initiatives.

Scenario 1: Technological Protectionism

The Technological Protectionism scenario is predicated on the imposition of a universal import tariff of 10%, targeted duties of more than 60% on Chinese goods, and limitations on exports of high-tech goods. According to the CGE model, supply-chain disruption and a decline in cross-border investment flows will be the main causes of the 2.1% global GDP contraction by 2030. Due to input-output linkages, China's output shrinks by 1.9% while the U.S. GDP falls by about 1.3%, with spillovers to emerging markets (Giesecke *et al.* 2019; IMF, 2024).

According to sectoral breakdowns, import substitution causes manufacturing and electronics to initially grow in the US. Rising input costs, an increase in exchange rates, and retaliatory tariffs on U.S. agricultural exports, however, counteract these benefits (Bown, 2021; El Hajoui & Ez-Zetouni, 2025). The inflationary trade-offs of aggressive protectionism are confirmed by the impulse response functions of the VAR model, which show that a one-standard-deviation tariff shock causes a 0.4 percentage-point increase in inflation within two quarters and a 0.2 percentage-point decrease in quarterly GDP growth (Conway, 2025; Stock & Watson, 2020).

Higher tariffs are linked to a flight-to-safety dynamic and increased USD volatility in financial markets, which causes capital inflows to U.S. Treasuries but depreciation of emerging-market currencies (Fernández i Sala & González Afonso, 2025). In general, this situation accelerates the trend toward "weaponized interdependence"

(Puślecki, 2025) and causes technological bifurcation - the separation of global innovation ecosystems into networks centered on the United States and China (Van Assche & Lundan, 2022).

This route effectively institutionalizes economic nationalism while undermining multilateral organizations like the WTO and the OECD trade framework, despite its political resonance at home (Bellocchi & Travaglini, 2025). Thus, the findings support the theoretical predictions of neomercantilist trade models, which predict long-term global inefficiency at the expense of short-term industrial protection (Ricardo, 1817; Brander & Spencer, 1985).

Scenario 2: Strategic Recalibration

The Strategic Recalibration scenario simulates a moderate policy change that includes investments in domestic supply-chain resilience, regional trade cooperation, and the selective removal of tariffs in non-strategic sectors. According to the CGE simulations, this approach produces modest but favorable macroeconomic results. By 2030, global GDP growth stabilizes at 2.4%, up from 1.7% in the high-tariff baseline. Increased competitiveness in intermediate goods causes the trade deficit to slightly shrink and U.S. inflation to normalize at 2.3% (World Bank, 2024; IMF, 2024).

In this arrangement, supply-chain regionalization persists but develops via collaborative frameworks like the EU-US Trade and Technology Council, Quad, and USMCA. After the second quarter, VAR impulse responses show that tariff shocks in this regime have reduced pass-through effects on growth and inflation, indicating market adjustment and policy credibility (Conway, 2025).

Strategically, through "managed interdependence," Strategic Recalibration promotes partial re-globalization (Ruiz Estrada & Lee, 2025). Global value chains adjust through regional production clusters and digital trade facilitation, while multinational corporations diversify their sourcing without completely decoupling (Van Assche & Lundan, 2022). In line with the OECD's framework for adaptive trade policy, the scenario also shows increased resilience in energy and food security metrics (2024).

This situation lends credence to the theory that selective liberalization reduces inflationary persistence and produces more stable macro outcomes when paired with targeted protection for critical technologies (Bellocchi & Travaglini, 2025). As a result, it offers a compromise between closed economic nationalism and open multilateralism.

Scenario 3: Bloc Polarization

In the Bloc Polarization scenario, international trade is divided into two rival blocs: a coalition led by the United States that includes the EU, Japan, and a few ASEAN economies, and a bloc led by China that includes Russia, Iran, and portions of the Global South. According to the CGE results, trade volumes will drop by over 10% and global GDP growth will slow to 1.7% by 2030, which is in line with the structural realignment theory (Ruiz Estrada & Koutronas, 2021; El Hajoui & Ez-Zetouni, 2025).

Geo-economically, Bloc Polarization weakens multilateral oversight by hastening the regionalization of financial and production flows. As major powers seek bilateral coercion, the WTO's dispute-settlement procedures lose their efficacy (Puślecki, 2025). A shift toward monetary bifurcation is indicated by the development of parallel financial infrastructures, such as China's CIPS and the prospective U.S.-EU Digital Dollar Alliance (Andrienko *et al.* 2025).

In theory, these results support the geo-economics viewpoint that sees trade disputes as tools of statecraft rather than just tools for economic policy (Bellocchi & Travaglini, 2025). But they also highlight the structural inefficiencies that result from economic blocs putting sovereignty ahead of collaboration (Ruiz Estrada & Lee, 2025).

In the end, Bloc Polarization signals the beginning of a "post-globalization equilibrium" - a period marked by overlapping trade zones, divided markets, and ongoing inflationary pressures brought on by structural decoupling (Van Assche & Lundan, 2022).

Comparative Synthesis and Policy Discussion

Three main conclusions are highlighted by a cross-scenario synthesis.

First, regardless of political motivation, tariff increases always reduce the efficiency of the world economy and increase inflation. According to CGE results, inflation's elasticity to tariff shocks is always positive (Conway, 2025; Stock & Watson, 2020).

Second, reestablishing trade growth requires selective liberalization and policy coordination. Limited openness can maintain moderate growth and stop uncontrollably high inflation, as the Strategic Recalibration scenario shows.

Third, a key element in reducing long-term fragmentation is the reform of global trade governance. Global value chains could be stabilized without going back to full-scale globalization through regional production resilience and multilateral coordination through reorganized WTO frameworks (Witt, 2019; Puślecki, 2025).

From a policy perspective, the results imply that, if recalibrated within cooperative frameworks, a future Trump tariff policy need not result in systemic collapse. A hybrid model of managed interdependence, which strikes a balance between strategic autonomy and multilateral engagement, could address domestic industrial goals while maintaining global stability instead of complete decoupling (Ruiz Estrada & Lee, 2025; Van Assche & Lundan, 2022).

4. Conclusion and Policy Implications

Summary of Research Insights

This study used an integrated CGE modeling framework and scenario-based analysis to investigate the possible worldwide repercussions of renewed tariff escalation under a potential Trump administration in 2025. The findings show that while tariff policies may provide limited industrial protection and short-term domestic political benefits, they have long-term negative effects on price stability, international cooperation, and economic efficiency. The main conclusion is the same for all of the modelled scenarios, including Technological Protectionism, Strategic Recalibration, and Bloc Polarization: protectionist expansion increases inflationary pressures, upsets supply chains, and splits the international trade system (Giesecke, Waschik, & Tran, 2019; Conway, 2025; Ruiz Estrada & Lee, 2025).

A neomercantilist realignment of trade is reflected in the Technological Protectionism scenario, where the imposition of broad and deep tariffs results in notable reductions in global output and ongoing inflation (Bellocchi & Travaglini, 2025). The systemic risks of geoeconomic fragmentation, such as increased exchange-rate volatility and the deterioration of multilateral governance, are revealed by the Bloc Polarization scenario (Fernández i Sala & González Afonso, 2025; Puślecki, 2025). The Strategic Recalibration scenario, on the other hand, shows a more sustainable equilibrium - implying that moderate liberalization within coordinated regional frameworks can sustain growth, foster innovation, and lower macroeconomic volatility (Van Assche & Lundan, 2022; World Bank, 2024).

Together, these findings support the theoretical claim that the secret to sustainable economic performance in the twenty-first century is strategic interdependence rather than isolation. Tariff protection raises production costs and reduces global competitiveness while providing short-term protection for domestic industries (Amiti, Redding, & Weinstein, 2019; Fajgelbaum *et al.* 2020). According to Ruiz Estrada and Lee (2025), the results support the idea that contemporary globalization is moving toward "managed interdependence," a hybrid system that strikes a balance between national autonomy and cooperative governance, rather than de-globalization.

Policy Implications for the United States

The study offers several important insights for American policymakers:

1. Steer Clear of Overgeneralized Tariff Frameworks: Broad-based tariffs, like a 10% import duty, have detrimental welfare effects and run the risk of inciting retaliation from important partners (Bown, 2021; El Hajoui & Ez-Zetouni, 2025). Rather, the United States should seek sector-specific protection that is restricted to important industries like defense technologies and semiconductors.

2. Strengthen Monetary-Trade Policy Coordination: According to VAR data, tariff shocks play a major role in the persistence of inflation and the strain on monetary policy (Conway, 2025). Therefore, trade policy and inflation-control measures should be coordinated by fiscal and monetary authorities, possibly through coordinated policy discussions between the Federal Reserve and the Treasury.

3. Encourage "Selective Recalibration" over Isolation: By integrating with reliable allies through agreements like USMCA and AUKUS, a partial liberalization strategy can maintain competitiveness without jeopardizing domestic employment goals (Van Assche & Lundan, 2022).

4. Invest in Supply-Chain Sturdiness Instead of Tariff Barriers: The findings demonstrate how ineffective tariffs are as a replacement for supply diversification. Instead of enforcing tariffs broadly, U.S. industrial policy should concentrate on reshoring essential components, strategic stockpiling, and digital trade resilience (Witt, 2019).

Strategic Directions for Multinational Firms

The results highlight the need for multinational corporations (MNCs) to adjust to a period of uncertainty characterized by sporadic protectionism and geopolitical instability.

1. Adopt "Dual Contingency" Planning: Using CGE-style simulations to assess cost pass-throughs and exchange-rate sensitivities, businesses should model supply-chain resilience under both high-tariff and liberalized scenarios (Ruiz Estrada & Koutronas, 2021).

2. Regionalize Without Complete Decoupling: The Strategic Recalibration scenario shows how hybrid regional models, like production clusters based in North America, ASEAN, or the EU, improve agility without severing global integration (Van Assche & Lundan, 2022).

3.Hedge Financial and Currency Risks: According to VAR-based volatility findings, strong hedging techniques are required, such as using digital payment systems that are compatible with new monetary blocs and multi-currency invoicing (Fernández i Sala & González Afonso, 2025).

4. Take Part in Policy Dialogue: MNCs should take part in bilateral and multilateral trade consultations to make sure that business concerns about cross-border logistics and input tariffs are considered when developing policies (Bellocchi & Travaglini, 2025).

Recommendations for Global Institutions

The World Trade Organization (WTO), International Monetary Fund (IMF), and World Bank are among the international organizations that have critical roles to play in reducing the systemic risks found in this study.

1. Reform Multilateral Trade Governance: By creating early warning systems for tariff escalation and promoting transparency in reciprocal trade measures, the WTO should shift from reactive dispute resolution to preventive governance (Puślecki, 2025).

2. Improve Macro-Policy Surveillance: To improve cross-national coordination of monetary and fiscal policy responses, the IMF should broaden its Article IV consultations to specifically include tariff-induced inflation and exchange-rate volatility (IMF, 2024).

3. Support Regional Resilience Frameworks: The World Bank and OECD can support supply-chain integration and infrastructure financing initiatives that encourage developing economies to participate fairly in regional trade blocs (World Bank, 2024).

4. Encourage "Managed Interdependence" as a Global Norm: In line with the new paradigm of geo-economic pluralism, institutional cooperation should strive to create a cooperative framework where shared economic governance and strategic autonomy coexist (Ruiz Estrada & Lee, 2025).

Concluding Reflection

Globalization's transformation rather than its termination will probably determine the course of the world economy between 2025 and 2030. The empirical and theoretical results of this study agree on a key point: national sovereignty and international cooperation must be balanced for sustainable prosperity.

A recalibrated, cooperative approach could prevent systemic bifurcation, stabilize inflation, and restore trade confidence, whereas an unchecked tariff war under a future Trump administration would worsen economic fragmentation. Policymakers, businesses, and institutions must clearly adapt governance structures and strategies to a plural, interconnected, and strategically balanced global order as the world moves into an era of "managed interdependence."

Conclusion

In summary, a tariff war in 2025 will be even more detrimental to the global economy than the trade war that lasted from 2018 to 2020. Increased production costs, weakened international trade flows, and heightened geopolitical tensions are all likely outcomes of a much broader and more aggressive tariff strategy. In order to deal with increased uncertainty, this change would require multinational corporations to reorganize their supply chains and implement new risk-management techniques. The current shift from deep globalization to more regional and politically aligned trading blocs would be expedited by such a shift. As the global economy undergoes structural change, organizations that proactively anticipate these developments will be in the best position for success.

Beyond these immediate ramifications, this study makes a fresh and relevant contribution by relating the empirical data from the tariff era of 2018–2020 to the developing course of U.S. trade policy through 2025. The analysis shows how current proposals indicate a continuation and escalation of earlier protectionist strategies with potentially systemic consequences, rather than viewing the previous trade conflict as a closed historical episode. The study improves knowledge of how universal and high tariffs could alter multinational behavior and the structure of international supply networks by combining insights from trade economics, global value-chain research, and strategic management. At a time when businesses, academics, and policymakers all face increasing uncertainty

about the future of globalization, this forward-looking approach is crucial. As a result, the results offer a crucial basis for well-informed strategic decision-making at a pivotal moment in the global trade order.

Limitations and Future Research Directions

Although useful for capturing macroeconomic relationships, the Computable General Equilibrium (CGE) model employed here is based on aggregated sectoral data and static trade elasticities, which may underrepresent dynamic changes in firm behavior, capital reallocation, and technological adaptation (Giesecke, Waschik, & Tran, 2019; El Hajoui & Ez-Zetouni, 2025). CGE frameworks are unable to adequately account for the nonlinear reactions, strategic delays, and expectations-driven feedback that are frequently present in real-world economic interactions.

Instead of making exact predictions, the scenario analysis - especially the Technological Protectionism, Strategic Recalibration, and Bloc Polarization frameworks - was intended to show conceivable paths. Despite being empirically supported, the parameterization of these scenarios is prone to policy-endogeneity bias and model specification uncertainty (Ruiz Estrada & Lee, 2025). Furthermore, geopolitical uncertainty adds stochastic components that quantitative modeling cannot fully account for, particularly with regard to EU trade governance reforms or the decoupling of China and the United States.

Lastly, although the study combined theoretical and quantitative methods from political economy, geoeconomics, and international trade, it did not specifically include institutional and behavioral factors like bureaucratic inertia, voter perceptions, or lobbying influence, which can have a significant impact on how trade policy is implemented (Puślecki, 2025; Bellocchi & Travaglini, 2025).

Credit Authorship Contribution Statement

Yakubu Abukari, contributed all the materials from conception, investigation, methodology, final analysis, writing-original draft etc.
Rajni Saluja, contributed on review and editing of the article.

Declaration of Competing Interest

The authors declare that there is no known competing financial interest or personal relationships that influence the work reported in this paper.

Declaration of Use of Generative AI and AI-assisted Technologies

Chatgtp was used for grammatical and language improvement.

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