

## International Countries' Responses to Donald Trump's Import Tariff Policy

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**Abstract.** *This study used a qualitative research method and the methods used in this study use various methods, starting from collecting data related to the object of research, data analysis, and the data obtained is analyzed and interpreted into written form. So in this study, the qualitative method will be the basis for explaining Donald Trump's policy in raising import tariffs. Donald Trump is the 45th president of the United States who won over his rival Hillary Clinton from the Democrats in the United States presidential election. The economic policy of the United States during the Trump era is Protectionism, President Trump has made tariffs the mainstay of his economic strategy. He restored America's trade balance, reducing the gap between how much the US buys from other countries and how much the US sells to other countries. Trump has announced a series of new tariffs that include base tariffs for all countries as well as additional tariffs of varying amounts for each country. the impact of US tariffs on international trade: geopolitical changes and business opportunities, the impact of US tariffs on the global economy, geopolitics and the formation of new alliances, geopolitics and the formation of new alliances.*

**Keywords:** *Donald Trump's; Import; International; Tariff Policy.*

### 1. Introduction

In the era of globalization, the era of the victory of the ideology of capitalism, war using military weapons has become one of the ancient instruments of world countries in fulfilling their national interests. The concept of war in the view of society has experienced an expansion of meaning, namely that war is no longer only understood in the form of conflict involving military weapons but also in other forms such as war using economic and even cultural instruments. This is described in the term "War by Other Means" or war using other instruments (besides the military) which implicitly states that if a country wants to go to war with another country, then use non-military instruments, namely economic instruments (Blackwill, R.D., & Harris, J.M., 2016). One form of war using economic instruments is a trade war. This war, which is identical to retaliation or retaliatory action in the field of trade, is generally practiced by large countries to protect their domestic industries from competition that favors foreign industries.

The United States, as is known by the world community, is a country with an advanced economy. This advanced economy supports the United States to become a superpower that has an important role in international politics. The United States economy is supported by the industrial sector, where in running the industry the United States needs natural resources, in the form of raw materials which are then processed into ready-to-use goods which will later become a source of income for the United States. In an effort to support its industry, the United States then cooperates with many other countries to provide the need for these resources(Trade Policy Agenda, 2017).

Donald Trump is the 45th president of the United States who successfully defeated his rival Hillary Clinton from the Democrats in the 2016 United States presidential election. In that election, Donald Trump won 279 electoral votes, while his rival Hillary Clinton only won 228 electoral votes(Ardhani, ES, 2019). Although his campaign was met with a lot of controversy, such as his statement about building a wall between the United States and Mexico aimed at restricting the entry of Mexican immigrants into the United States, as well as other controversial speeches during the campaign. Trump was able to win the presidential election in 2016, this was because the American people considered Trump, who had a background in economics and business, to be able to solve economic problems compared to his rival Hillary Clinton(Siregar. RJ, 2019).

During the campaign, Donald Trump outlined several domestic policies aimed at restoring America's economic strength in the eyes of the world. The efforts taken by Donald Trump to strengthen the United States economy at that time included creating up to 25 million new jobs, targeting 1 percent in GDP growth to add 1.2 million workers, policy reform by launching a pro-growth tax plan that would reduce taxes for the working class and middle class in the United States in various ways and cut corporate taxes to 15% from 35%, implementing breakthroughs in modern regulations by deregulating various regulations during the previous 2 leadership periods, and encouraging growth to an average of 3.5% per year with the potential to reach a growth rate of 4% (Pratiwi, NPD, & Mertha, M., 2017).

Trump's US economic policy is Protectionism. Protectionism is an effort by a country to protect domestic industries from international competition. Protectionism also includes the imposition of restrictions on goods and services. Protectionism aims to protect domestic industries and businesses from foreign competition and prevent outcomes that are generated solely from the interaction of market forces of supply and demand. Protectionism is based on government actions and policies that restrict international trade, this policy is intended to protect local businesses and jobs from foreign competition(Blummer, B., & Kenton, J. M., 2017).

After officially becoming president of the United States, Donald Trump issued a policy to increase import tariffs for products originating from China. The United States through this policy imposed an increase in import duties of 30% for solar

panels, 20% for washing machines, 25% for steel, and 10% for aluminum. Then China responded to the United States' policy by increasing tariffs on pork products and aluminum scrap by 25%, as well as imposing a 15% tariff on 120 United States commodities such as apples and almonds (Ardhani, ES, 2019). These policies then triggered a trade war between the United States and China. The trade war in question is an economic conflict that occurs when there is the imposition or increase of tariffs or other trade barriers in response to trade barriers set by the other party. In addition to responding to the US import tariff policy, China also reported the steel and aluminum import tariffs to the WTO in April 2018. China's actions were then responded to by the United States Department of Commerce by issuing a new policy, namely prohibiting Chinese telecommunications companies from buying components from the United States for seven years. Various meetings were held by the two countries, but did not produce a specific agreement on trade by both parties, until in mid-January 2020, the two countries agreed to a phase 1 trade peace, where one of the points of the agreement, China agreed to buy goods from the United States worth US\$ 200 billion, with an additional US\$ 32 billion for the purchase of agricultural products and seafood, US\$ 78 billion for factory goods, and US\$ 52 billion for billion for energy products (Ibrahim, HR, & Halkam, H., 2021).

## **2. Research Methods**

This study used a qualitative research method. Qualitative Research Method is the collection of data in a natural setting by interpreting a phenomenon that occurs, then analyzed. This research is descriptive, and the methods used in this study use various methods, starting from collecting data related to the object of research, data analysis, and the data obtained is analyzed and interpreted into written form. So in this study, qualitative methods will be the basis for explaining Donald Trump's policy of increasing import tariffs.

## **3. Results and Discussion**

### **3.1. Why Trump Is Imposing Tariffs**

President Trump has made tariffs a central plank of his economic strategy. He wants to restore America's trade balance, narrowing the gap between how much the U.S. buys from other countries and how much it sells to them. By 2024, the U.S. had a trade deficit of more than \$900 billion. On March 4, President Trump told Congress: "We've been ripped off for decades by almost every country on Earth, and we're not going to let that happen again." Trump said that in the long run, imposing tariffs on imported goods would boost U.S. manufacturing, protect jobs, raise tax revenues and spur economic growth. He said the tariffs would raise "significant" amounts of revenue for the government. Trump also said the tariffs would encourage foreign companies to manufacture products in the U.S. (www.kompas.id)

Trump has announced a new set of tariffs that include a base tariff for all countries as well as additional tariffs of varying amounts for each country.

When will this rate come into effect?

- April 3, 00:00 US Eastern Time (April 3, 13:00 WIB) 25% tariff on all foreign-made cars
- April 5, 12:01 (April 5, 13:01 WIB) base rate 10% for all countries
- April 9 12:01 (April 9, 13:01 WIB) higher reciprocal rates

What tariffs has the US announced?

Tariffs on auto parts will take effect in May or later, Trump said.

The US imports about eight million cars per year, worth US\$240 billion.

The US imposed a 25% tariff on goods from Canada and Mexico on March 4, with a 10% tariff on Canadian energy imports.

However, motor vehicles and motor vehicle parts manufactured under the U.S.-Mexico-Canada free trade agreement (USMCA) are exempt from these tariffs, until U.S. customs officials design a system to impose the duties.

### **3.2. Here's a List of Countries' Responses After Trump Announced Reciprocal Tariffs**

#### **China Retaliates With 34 Percent Tariffs On US**

The Tariff Commission of the Chinese Ministry of Finance Council said Trump's tariffs were inconsistent with international trade rules and were extremely detrimental to China. When combined with reciprocal tariffs, the total effective tariff on Chinese products entering the US now stands at 54 percent. China then retaliated by imposing a 34 percent import tariff on all goods from the United States. "A 34 percent tariff will be imposed on all imports from the United States based on the current tariff," the Chinese government said in a statement on April 4.

#### **EU 'Attacks' US Online Services**

The European Union is also ready to retaliate after Trump announced a 20 percent import tariff on the bloc. French government spokeswoman Sophie Primas said the EU is preparing a two-stage response to Trump's tariff war. The initial response will come into effect around mid-April on aluminum and steel. The EU's second phase will target all products and services with measures that could be ready by the end of April. "We will attack services. For example, online services that are currently not taxed, but could be taxed," she said, as quoted by Channel News Asia. EU chief von der Leyen also said the bloc would impose tariffs of up to 50 percent on US goods including whiskey, motorbikes and bourbon. However, von der Leyen said there was still time for negotiations while finalizing the response to the US metal tariffs, as quoted by the Wall Street Journal.

### Canada Strikes Back in Auto Sector

Prime Minister Mark Carney has said Canada will respond to Trump's tariffs by imposing a 25 percent tariff on vehicles imported from the U.S., but Carney said Canada's retaliation would not affect auto parts. "Because we know the benefits of our integrated production system," he said, Politico reported last week. Carney said Canada's previously announced retaliatory measures would remain in place. Canadian officials have previously said the 25 percent tariffs would be imposed on about \$42 billion worth of U.S. goods, including fruits and vegetables, appliances and liquor. Canada has also added items ranging from computers to sporting goods.

### Impact of US Tariffs on International Trade:

#### Geopolitical Changes and Business Opportunities

Less than a decade ago, international trade was dominated by a free-trade system aimed at opening up new markets for companies and workers. Today, however, geopolitical and economic security considerations have become the dominant factors shaping the contours of global trade. Changes in U.S. trade policy under President Donald Trump are expected to exacerbate this shift, raising the cost of imports from certain markets.

### Impact of US Tariffs on the Global Economy

During the US presidential campaign, Donald Trump proposed raising tariffs on imports from several countries. He proposed a 60% tariff on goods from China and a 25% tariff on goods from Mexico and Canada. The implications of this policy are enormous, with the potential cost of US imports reaching \$640 billion if tariffs were applied to the US's top 10 importing countries.

According to our model, these tariffs will have a significant impact on certain product categories. For example, the cost of importing consumer electronics from China is expected to increase by \$61 billion due to a 60% tariff on electronics. This will change global trade routes, especially between the US, Mexico, the EU and China.

### Geopolitics and the Formation of New Alliances

Amid political and economic uncertainty, countries are forming new alliances to avoid dependence on Western markets. For example, trade between the US and Mexico is expected to grow by \$315 billion by 2033, thanks to "nearshoring" and "friendshoring" policies. These policies aim to reduce dependence on imports from China.

Mexico, as part of the USMCA (US-Mexico-Canada Agreement), will continue to attract manufacturing investment. However, the country needs to improve its infrastructure and human resource capacity to support such growth. In addition,

tighter US protectionist policies could significantly change trade flows between the US, Mexico and Canada.

### **3.3. Developments in Trade with Global South Countries**

In the coming years, countries in the Global South (developing countries) are expected to experience a significant surge in trade. Trade with countries such as Brazil, India, and Africa is projected to grow at a CAGR of 5.9% through 2033. Major infrastructure programs such as China's Belt and Road Initiative are deepening trade ties with these countries.

Trade between Global South countries is expected to increase by \$673 billion over the next decade, which will support China's geopolitical agenda to reduce dependence on Western markets. This will open up huge opportunities for companies operating in dynamic emerging markets.

#### **Opportunities for ASEAN in Global Trade**

ASEAN has emerged as a major player in global trade, both with countries in the Global South and with major powers such as the US and China. ASEAN's combined trade is expected to grow by 3.7% per annum, thanks to the development of its manufacturing sector and the diversification of its supply chains.

#### **The Impact of the 2018 US-China Trade War**

The implementation of increased trade tariffs will initially create benefits for the country implementing the policy, creating increased production and opening up domestic employment opportunities that can increase income (Laimuė Urbšienė, 2020). However, the tariff increase policy can cause losses on several sides, coupled with protectionism triggering a counterattack that results in international market instability resulting in price increases, decreased output and losses to the supply chain due to trade shifts to avoid tariff increases. As a result, domestic welfare can be threatened. In the United States and China trade war, both countries have experienced similar losses due to retaliatory actions in implementing tariffs (Trump Trade War Economics, 2024).

The tariff hike imposed by the United States affected 18% of imports or 2.6% of the country's GDP and the retaliatory increase imposed by China affected 11% of imports or 3.6% of China's GDP. As a result, industries had to raise costs on about two-thirds of the products subject to tariff increases (Patrick Kennedy, 2023).

The tensions due to the trade war have not only had a negative impact on both countries but also affected other trading partner countries. Domestically, the increase in tariffs has reduced trade access from both countries but has not reduced the trade deficit. Moreover, when China retaliated with tariffs, US exports to China declined, thus weakening US export growth to China (Cerutti, Eugenio, Gita Gopinath, and Adil Mohommad, 2019). Consumers from both countries are the ones who suffer because the cost of imported goods is generally borne entirely



by consumers, while import prices from China have skyrocketed. This has led to a competitive price increase in the United States(UNCTAD, 2019).

The perspective of producers is quite diverse, the implementation of tariffs creates market competition which causes a shift in imports, for example the United States and Mexico experienced an increase in imports of \$850M even though goods were subject to increased tariffs, due to the weakening of import activity from China by \$850M, causing the value of United States imports to be unaffected and tending to have a similar value.

In January 2020, US imports from China dropped to \$32.95 billion after reaching \$38.27 billion in March 2018, indicating that the US is serious about its commitment to stop relying on imports from China. The COVID-19 pandemic has also shaken the global market, so that with the 26 trade wars, companies have turned to other countries to minimize losses(Zeng, Ka, 2023).

In addition to companies, trading partner countries of the United States and China were also affected by the trade war, countries such as Indonesia, Singapore, Malaysia, the Philippines, Thailand, Japan, Vietnam, India, South Korea and Hong Kong experienced a decline of 3.20% during the trade war, previously experiencing an increase of 4.29% in 2018. The trade war and the decline in global demand have slowed down the economic growth of trading partner countries of the United States and China(Mutiara, Marselina Djayasinga, and Neli Aida, 2021).

The United States has to face quite complicated conditions due to the trade war, faster Federal Funds rates and domestic inflation in the unspecified period. As a result, these pressures will worsen investment flows, industrial production and global trade decline amid protectionist actions. The global real GDP rate decreased by 0.1% in 2018, 0.8% in 2019 and 1.4% in 2020. The United States experienced the largest decline because its imports fell by 4.5% in 2020. American consumers are of course the ones who bear the brunt of the US tariff hikes on China. Companies that have been dependent on Chinese imports are having difficulty moving facilities to other trading partner countries, putting the US domestic economy in dire straits (Gertz, Geoffrey, 2020). Domestic turmoil in the United States also occurred due to the increase in tariffs which triggered a trade war with China, the Asian market experienced concerns which caused sharp selling on Wall Street. According to Morgan Stanley, the tariffs imposed by the United States had an impact of 0.6% on global trade and contributed to a 0.1% decline in global GDP. Donald Trump measures his performance by benchmarking stock prices, the decline in stock prices has certainly made his performance decline slightly, according to economists from the Federal Reserve Bank of New York and Columbia University reporting that US companies have experienced a decline in stocks of \$ 1.7 trillion due to the increase in import tariffs from China(Anderson, Stuart, 2020).

#### 4. Conclusion

The United States, as is known by the world community, is a country with an advanced economy. This advanced economy supports the United States to become a superpower that plays an important role in international politics. President Trump told the US Congress: "We've been cheated on for decades by almost every country on Earth, and we're not going to let that happen again." Trump said that in the long term, imposing tariffs on imported products would boost the US manufacturing industry, protect jobs, increase tax revenues, and spur economic growth. He said the tariffs would increase government revenues by a "significant" amount. Trump also said the tariffs would encourage foreign companies to manufacture products in the US. Thus, here is a list of countries' responses after Trump announced reciprocal tariffs: China retaliated with a 34 percent tariff on the US, the European Union 'attacked' US online services, Canada retaliated in the automotive sector. The impact of US tariffs on international trade: Geopolitical changes and business opportunities, The impact of US tariffs on the global economy, Geopolitics and the formation of new alliances, Geopolitics and the formation of new alliances.

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