

SPECIAL EDITION I CIDS X ARTHANITI

CIDS

CONVERSATIONS IN DEVELOPMENT STUDIES

PROTECTION, POWER AND STATE

A Political Economy of Trumpism



CONVERSATIONS IN DEVELOPMENT STUDIES (CIDS)

Special Edition

Protection, Power and State: A political Economy of Trumpism

About CIDS

CIDS (Conversations in Development Studies) is a peer-reviewed, quarterly research journal publication produced by the research team of the Centre for New Economics Studies, Jindal School of Liberal Arts and Humanities, O.P. Jindal Global University. This student-led editorial journal features solicited research commentaries (between 2500-3000 words) from scholars currently working on the cross-sectional aspects of development studies. Each published CIDS Issue comprehensively analyses a specific theme identified within development scholarship.

The editorial team's vision is to let CIDS organically evolve as a space for cultivating creative ideas for research scholars (within and outside the University) to broaden the development discourse through conceptual engagement and methodological experimentation on contemporary issues. Any research commentary submission features: a) a brief review of the literature on a research problem, b) the argument made by the author with details on the method used, c) documenting the findings and relevance of in the larger scope of the literature, and (in some instances) d) present a brief policy action plan for agencies of the state (to address the issue highlighted in the commentary). There are no pre-identified limitations or restrictions to methodological frameworks used by solicited scholars (i.e., those writing the commentary). However, the research method incorporated in any accepted submission must be explained along with its relevance in context to the study undertaken.

CONTENTS

About the Issue	1
Editorial Note	5

CONVERSATIONS

In Conversation with Dr. Amit Ranjan	6
In Conversation with Dr. Saon Ray	14
In Conversation with Ms. Tanya Dawar	19

ARTHANITI ARTICLES

Building Nations Behind Tariff Walls: Successes, Failures, and the Political Economy of Industrial Policy — <i>Mithila & Ishan</i>	28
Trump’s Economic Policies — <i>Dristanta & Rhea</i>	33
A History of Ideas on International Trade — <i>Shalini Praveen & Saahil Ali</i>	37
Understanding Tariffs in the Context of Trump’s Trade Policy — <i>Adityaa & Shaurya</i>	43

CIDS RESPONSE

Tariffs as Power — <i>Poorvanshi & Tanishka</i>	50
--	----

DOCUMENTATION

Trumpian Tariffs: A Timeline	54
------------------------------------	----

About the Issue

Tariffs imposed by U.S. President Donald Trump have raised significant questions about changing patterns of international trade and the global order. This issue examines both the micro- and macro-level implications of these tariff policies.

I. Reshaping the Kaleidoscope of Tariffs

In terms of economic governance, global alliances, politics, and authority, tariff policy has reshaped the world in a multidimensional manner. The securitisation of trade reflects a broader retreat from the post–Cold War liberal international order, which was marked by open markets and multilateralism. While long-standing economic norms were disrupted, the paradox lies in the fact that most states chose negotiation over confrontation. This, in turn, indicates continued global acceptance of the existing frameworks and rules.

II. Tariffs and Their Effect on the Balance of Power and International Order

One of the major questions arising in the context of tariff policy concerns relations with allies. To address this, it is essential to understand the core logic of tariff implementation. Tariffs were enforced not purely as acts of hostility or under the “America First” slogan, but rather as instruments of leverage. They aimed to address trade imbalances and, more importantly, to enhance the country’s debt recovery process.

What is striking is that the balance of power and the international order did not collapse; instead, alliances were redefined. Countries such as Canada and Japan entered negotiations, while India explored alternative trade ties with China and Russia. However, none of these countries abandoned their relations with the United States, allowing the U.S. to retain its central position in the global order.

III. Resurgence of Protectionism in the Global Trading System

The resurgence of protectionism stems from domestic political pressures and the erosion of trust in the rule-based multilateral system. In India, for example, initiatives such as the Make in India programme, Production-Linked Incentive (PLI) schemes, WTO-compatible measures, and the diversification of trade partnerships through free trade agreements all reflect

protectionist tendencies. Elements of selective cooperation and structural barriers play a key role in shaping this approach.

IV. Difference between Buyer-Driven and Producer-Driven Global Value Chains

In the context of India's reassessment of its export sector, Dr. Ray noted that buyer-driven sectors are those in which countries act as price takers, whereas producer-driven sectors are those in which firms exercise greater control. Consequently, vulnerability and exposure to risk arising from tariff policies depend on factors such as market concentration, backward import dependence, and substitutability.

V. India's Strategy

To counter the effects of tariffs, particularly in industries such as textiles, a diversification strategy is crucial. Sustained investment in research and development, technology, skill development, and value-added production is essential. Furthermore, the country must emphasise relief measures such as GST rationalisation and export support. Mapping exercises and sector-specific analyses are key to mitigating potential adverse effects.

VI. Climate Governance

The global climate regime remains fragmented and inconsistent, shaped by geopolitics and industrial competition. While India has significantly strengthened its position through clean energy initiatives and zero-carbon emission goals, the United States has reduced its collective momentum. As a result, India now holds greater bargaining power in this domain and, as the voice of the Global South, commands enhanced political and strategic influence.

Contributors

This issue brings together perspectives from three experts who examine Trump-era tariffs through distinct yet overlapping analytical lenses.

Dr. Amit Ranjan's research interests include water disputes, South Asian politics (India, Pakistan and Bangladesh), India's regional policy and India's internal security. His papers, review essays and book reviews have been widely published in journals, including Asian Affairs, India Quarterly, South Asia Research, and Journal of Asian Security and International Affairs. He has also contributed commentaries, opinion editorials and reviews in newspapers and websites.

Tanya Dawar is a Research Scholar with the South Asia Team at the Asia Pacific Foundation of Canada. She holds a Master of Public Policy and Global Affairs from the University of British Columbia, a master's in economics from the Indian Institute of Foreign Trade, and a B.Sc. in Mathematics (Honours) from the University of Delhi. Tanya's research interests include international trade, environmental issues, and global politics.

Dr. Saon Ray is Visiting Professor, Indian Council for Research on International Economic Relations (ICRIER), New Delhi. An economist specialising in industry and international trade issues, her areas of interest include global value chains, technological upgrading of Indian industries, free trade agreements and trade creation effects, technology transfer, foreign direct investment, efficiency and productivity of firms, energy and climate change related issues. Her Ph.D. in Economics from the Jawaharlal Nehru University examined the role of intellectual property rights in transferring technology to developing countries.

The views expressed by the interviewees are personal and do not reflect the views of the organizations they are affiliated with or of the Centre for New Economics Studies, O.P. Jindal Global University.

***.

Editorial Note

Donald Trump's tariff regime represents more than a reversal of free-trade orthodoxy; it signals a deeper transformation in how economic policy is conceived, legitimised, and deployed in contemporary global politics. Under the Trump administration, tariffs ceased to function merely as corrective instruments aimed at addressing trade imbalances or protecting domestic industries. Instead, they became explicit tools of political leverage, ideological assertion, and geopolitical restructuring. Economic policy was no longer downstream of strategy; it became strategy itself.

It is against this backdrop that *Conversations in Development Studies* presents this special edition in collaboration with *Arthaniti*. This issue brings together a series of commentaries, analytical essays, and research-driven reflections that interrogate economic policymaking not as a neutral, technocratic exercise, but as a deeply political process shaped by ideology, institutional constraints, and distributive conflict

Featuring work by *Arthaniti*'s writers alongside contributions from the CIDS editorial team, this edition adopts a plural and interdisciplinary lens. Contributors examine how tariff regimes interact with domestic welfare bargains, fiscal priorities, and political legitimacy, while also tracing their implications for developing economies, global value chains, and South-North power asymmetries. Together, these pieces reflect a shared concern with how economic policies are increasingly deployed to manage political risk, reframe accountability, and redraw the boundaries of economic inclusion and exclusion.

This collaboration seeks to move beyond surface-level debates on trade policy and instead foreground the structural questions that tariffs bring into sharp relief: Who bears the cost of economic nationalism? How do protectionist policies reshape state-market relations? And what do they reveal about the evolving relationship between democracy, capitalism, and global governance? By assembling diverse perspectives across institutions and disciplines, this special edition aims to contribute to a more grounded, critical, and historically informed understanding of economic policy as a site of power and contestation in the contemporary world.

In Conversation With Dr. Ranjan

Trade wars and tariffs have emerged as some of the most visible instruments of power in contemporary global politics. As the language of national security, economic sovereignty and strategic autonomy increasingly shapes policy choices, long-standing assumptions about alliances, multilateralism and the rules-based order have come under strain. The Trump administration's use of tariffs against both rivals and allies alike foregrounds deeper questions about the erosion of institutionalised cooperation, the rise of transactional diplomacy, and the shifting location of authority in global economic governance. Understanding these developments requires moving beyond narrow trade analysis to examine how economic coercion intersects with power politics, alliance management and the stability of the international order.

In light of this, we spoke with Dr. Amit Ranjan, Research Fellow at the Institute of South Asian Studies, National University of Singapore. Drawing on his learning in International Relations, mainly South Asian politics, this conversation explores how tariff politics under the American President Donald Trump reconfigured alliance relations, challenged liberal economic norms, and revealed the tensions between power-based bargaining and institutional restraint in today's international order.

Question: The growing use of national-security justifications for tariff actions signals a broader securitisation of global commerce. How is this process reshaping power relations within the international order, and what does it reveal about the shifting location of authority in global economic governance?

Dr. Ranjan: National security and nationalism are often invoked together in contemporary global politics. When states frame their actions through the language of nationalism and national security, it often affects their economic and diplomatic relations with other countries. We see many examples of this across the world. However, it is important to note that nationalism and national security are not new phenomena. What is distinctive about the present moment is the context in which this resurgence is taking place. After the Cold War and the consolidation of a liberal international order, states increasingly embraced liberalisation, privatisation, open markets, and

the idea of diminishing borders. The dominant discourse promoted globalisation, free movement of people, and rolling back of state from.

Today, however, this trajectory appears to be reversing. Some of the states that were once strong advocates and promoters of liberalisation have begun to adopt precautionary and protectionist measures. This form of protectionism is different from earlier versions, but it nonetheless harms the interests of countries, particularly developing states that are economically dependent on larger economies. Decisions taken by major powers often have adverse spillover effects on smaller and less powerful states. The Trump led administration's imposition of tariffs and other trade measures illustrates this shift. Yet, this does not necessarily indicate a fundamental change in authority within the international order. Most of the affected countries have sought negotiation rather than confrontation. They are attempting to secure concessions and positive outcomes through dialogue, whether it is China, Canada, or other major actors. These states still want to remain part of the existing global economic framework.

This suggests that while states may experience constraints or shocks in the name of national interest or national security, the location of authority has not fundamentally shifted. Authority continues to reside where power and knowledge production are concentrated. Historically, after the Second World War, this authority was largely shaped by the United States and its allies, and despite contemporary disruptions, this structure largely remains intact. The broader power structure endures, and the location of authority in global economic governance has not undergone a radical transformation.

Question: As power-based bargaining replaces rules-based dispute settlement at the global level, to what extent can groupings and regionalism provide states, especially those without significant political leverage, a more stable framework for rule-making, collective bargaining and strategic autonomy?

Dr. Ranjan: If we look at institutions such as BRICS and other regional groupings, they are undoubtedly important. However, their effectiveness depends on the internal coherence of their members. Within BRICS, two major powers, India and China, are often presented as anchors of the grouping. While BRICS has potential, the relationship between India and China remains

largely tactical rather than strategic, as the two countries share a long list of unresolved political, economic, and security issues. Unless these disputes are meaningfully addressed, it is difficult to expect sustained cooperation or deep policy coordination between them.

Second, China's strategic support for Pakistan remains a major concern for India, and this complicates the prospects for collective action within regional frameworks.

Third, India's tactical engagement with China does not imply a departure from its partnership with the United States. In South Asia, Southeast Asia, and the wider Indo-Pacific region, India and the United States have increasingly aligned in response to China's growing assertiveness. India's engagement with China should therefore be understood as a tactical strategy rather than a shift in its position. Trade talks and diplomatic engagement between India and the United States continue, underscoring the importance both countries attach to their relationship.

This raises a broader question about the actual impact of BRICS. For years, BRICS has been discussed as a platform capable of challenging the dominance of the dollar and reshaping global economic governance. However, its internal divisions limit its ability to function as a cohesive alternative to existing institutions.

The liberal international order was largely shaped by the United States and its partners, yet many of today's challenges to it, including Trump-era tariffs and protectionism, originate from within these very states. Sustaining this order is therefore the responsibility of dominant powers and multilateral institutions.

Even in cases of major power rivalry, such as the United States–China confrontation, dialogue and negotiation continue to iron out differences. Despite tensions and policy shifts from Washington, neither side has abandoned engagement entirely. This suggests that while power-based bargaining has intensified, most states continue to operate within the existing international framework, using regionalism and diplomacy as complementary tools rather than looking for alternatives to the existing global order.

Question: In an international order traditionally structured around the vocabulary of balance of power and alliance systems, how should we understand the imposition of tariffs by the Trump administration on countries previously regarded as U.S. allies? What does this shift reveal about the functioning of alliance politics, and what implications does it hold for the balance of power and the stability of the international system?

Dr. Ranjan: This shift can not be understood in purely military or war-like terms. U.S. President Trump framed his actions primarily through the language of national security and nationalism, consistently invoking American interest through the slogan “America First”. In this sense, tariffs were not presented as acts of hostility but as instruments of leverage. Although the core logic was transactional rather than territorial, this approach disrupted a trade order that many countries had operated within for decades.

The impact was widespread. The U.S. administration has imposed a 50 per cent tariff on India. Even the close allies such as Canada and Japan were not spared. This indicates that alliance status does not guarantee exemption from economic nationalism.

What is striking, however, is how these allies responded. Countries such as Canada and Japan did not abandon their alliances with the United States or sever strategic ties. Instead, they negotiated. Japan, in particular, engaged actively with the United States administration and managed to secure concessions through sustained dialogue. Other countries adopted similar strategies, seeking to manage the relationship rather than confront it directly.

India’s response, by contrast, appeared more reactive. Following tariff increases, India explored resetting ties with China, a move that some interpreted as strategic signalling. This suggests that the consequences of Trump’s tariff policies depended significantly on how states chose to respond.

The broader implication is that alliance politics under Trump did not collapse, but they were redefined. Alliances continued to exist, but they operated alongside intense bargaining and transactional negotiation. The balance of power was not fundamentally overturned, as the United States retained its central position. Most countries continued to seek accommodation with Washington rather than challenge its authority. China, despite being a major economic power and a central node in global supply chains, does not possess the same network of formal alliances,

close friends or overseas military presence as the U.S. Thus, the U.S. enjoys enduring structural advantages.

Question: With unilateral measures, national-security exceptions and extra-institutional tools becoming more common, how can the international community rebuild clearer normative boundaries around acceptable state behaviour, and what role can India play in restoring confidence in multilateral economic institutions?

Dr. Ranjan: Since norms cannot function without enforcement and commitment from those who possess material and political power, the primary responsibility to execute norms lies with powerful countries.

In the case of Palestine, some of the states have recognised Palestine, and diplomatic meetings have taken place, including engagements with the United States. Yet, Israel continues to act according to its own strategic calculations. This is because it is a regional power with very close ties with the USA, and no actor with sufficient influence is willing to directly stop it. Similar trends can be traced in the case of Russia-Ukraine. While many countries have openly condemned Russia, imposed sanctions and articulated clear normative positions, the outcome on the ground has not fundamentally changed. This shows that powerful regional actors often act as they choose, while those who could meaningfully restrain them are politically unwilling to do so because of their interest.

This raises a central issue. Weak states cannot be expected to uphold global order on their own. If major powers collectively decided to act decisively, through coordinated political, economic or institutional pressure, they could do so. The absence of such action reflects a lack of political will rather than a lack of capability. The same logic applies to the management of regional order. States that claim to uphold norms must themselves follow them. One cannot demand adherence from others while violating or selectively interpreting them. Normative authority depends on consistency.

In this context, India presents an instructive case. While India frequently speaks in favour of norms, peace and stability, its ability to convert normative commitments into sustained influence remains uncertain and often questioned. As a rising power, India's responses have at times appeared

reactive rather than strategic, as seen in its shifting engagement following Trump-era tariffs. More broadly, national interest continues to dominate state behaviour, weakening shared rules, norms and restraints, as reflected in ongoing conflicts from Israel-Palestine to Russia-Ukraine and rising tensions around the Taiwan strait. Restoring clearer normative boundaries will therefore require leadership from major powers and stronger commitment from multilateral institutions. India's role lies in aligning its rhetoric on norms with consistent, principled action and decision.

Question: How should India recalibrate its foreign policy priorities in light of China's expanding economic and strategic presence in South Asia, and what pathways exist for balancing competition with constructive engagement while safeguarding India's regional influence?

Dr. Ranjan: India's approach to South Asia requires serious recalibration. If we look closely at the region, India is a natural leader and has a big presence. South Asia should, in principle, be a space of deep cooperation for India, given geography, history, culture and people-to-people ties. However, India has been facing multiple challenges in the region.

In the case of Afghanistan, India's engagement with the Taliban, although justified as being strategically necessary, raises difficult normative and practical concerns related to democracy, women's rights, morality and civil liberties, values that India proudly claims to uphold. Not only does it risk diluting core principles, but it also poses questions about the long-term safety of Indian investments and citizens in Afghanistan, particularly given the situation in the region. Tactical engagement may offer some advantages, but it is unlikely to yield sustainable outcomes.

A similar lack of strategic clarity is visible in India's Bangladesh policy. India invested heavily in its relationship with the Sheikh Hasina government, but when political change occurred, India seemed unprepared, lacking diplomatic flexibility and engagement across political actors. India may engage with the new government after the February 2026 elections in Bangladesh. However, the anti-India constituency in Bangladesh is increasing because of perceptions about it.

India's challenges in South Asia are not limited to state-level diplomacy. Public discourse and reactions, particularly on social media, also shape perceptions. This affects trust and questions India's behaviour towards smaller neighbours. Nepal provides another example, where political

developments are often followed by strong reactions from Indians. Such responses are rarely well-received by Kathmandu. Regional leadership requires sensitivity, restraint and respect for others' sovereignty.

The Pakistan question remains the most enduring challenge. Since 1947, cycles of confrontation have failed to resolve disputes between India and Pakistan. Military escalation and rhetorical posturing have not delivered solutions. A problem-solving approach requires sustained, structured engagement, even if progress is slow and uneven. China's economic and strategic presence adds another layer of complexity as smaller South Asian states are unlikely to completely disengage from China. Rather than framing regional politics as a zero-sum competition, India should focus on offering credible alternatives through economic cooperation, development partnerships and diplomacy.

Question: In the aftermath of Operation Sindoor, President Trump's claim of mediating between India and Pakistan shaped global perceptions, with some interpreting it as a failure of Indian diplomatic signalling. Read alongside his use of tariffs against long-standing allies, does this episode point to deeper challenges for India in navigating a transactional, personality-driven international order, or was it an isolated incident amplified by political posturing?

Dr. Ranjan: Pakistan is a strategically significant state, with nuclear capabilities, a professional military, a critical geographical location, a good-size market, and friends. Therefore, any policy on Pakistan requires sober, informed analysis rather than impulsive responses for domestic political benefits.

This was evident in the period following Operation Sindoor. Questions arose regarding the objectives of escalation, the signaling involved and the outcomes achieved. Military mobilisation followed by a rapid ceasefire raised legitimate concerns about strategic clarity. Like in the past, this confrontation was also stopped by the U.S. The U.S. President Donald Trump's claim of mediating between India and Pakistan gained traction internationally.

In such an order, while leaders use trade, tariffs, mediation claims and unilateral gestures to project influence, India faces the challenge of maintaining strategic autonomy. The Operation Sindoos episode therefore, reflects more than an isolated moment of political posturing.

Ultimately, engaging with Pakistan and China demands careful calibration. India must think differently, act consistently and project clarity if it is to effectively operate in a global order increasingly shaped by power, perception, capability and leadership.

In Conversation With Dr Saon Ray

Rising tariff escalation, particularly from the United States, has significant implications for India's export structure, global value chain integration, and long-term industrial upgrading. Tariff-induced uncertainty disrupts demand, employment, and investment decisions, while revealing India's dependence on a limited set of export markets. This conversation explores the effects of shocks on labour-intensive sectors versus capital-intensive sectors, as well as buyer-driven versus producer-driven value chains, highlighting the need for sector-specific risk assessment. It concludes by outlining policy pathways, including diversification, trade agreements, R&D investment, services exports, and value chain-based policy design, to build a more resilient and future ready export architecture for India.

In light of this, we spoke with Professor Dr Saon Ray, Visiting Professor at the Indian Council for Research on International Economic Relations (ICRIER), New Delhi. Professor Ray specialises in industry and international trade issues. Her areas of interest include global value chains, free trade agreements and trade creation effects, foreign direct investment, firm efficiency and productivity, along with energy and climate change-related issues. She has published extensively on these themes in books and peer-reviewed journals.

Question: In the context of rising tariff escalation imposed by the United States, how should India reassess the composition of its export basket, particularly in labour-intensive sectors such as textiles and gems and jewellery? What structural limitations in these sectors are most exposed to tariffs?

Dr. Ray: A tariff essentially works like a tax. If a product costs ₹100 to produce and a 10 per cent tariff is imposed, the landed cost of that product becomes ₹110, assuming transport and logistics costs remain unchanged. What tariffs therefore do is raise the landed price of imports, which in turn reduces demand in the importing country. This becomes particularly significant in the case of labour-intensive goods such as textiles, apparel, and gems and jewellery, where price sensitivity is high.

In the case of the United States, India exports roughly USD 12 billion worth of gems and jewellery, and the impact of tariffs can range between 20 and 35 per cent. For textiles and apparel, where exports are close to USD 10 billion, the tariff impact can be higher, often between 35 and 55 per cent, depending on the product. These sectors are also major employers in India. When U.S. buyers cut back on orders due to higher landed prices, the effects are immediately transmitted to India in the form of employment disruptions. Estimates suggest that as many as 45 million jobs in the textiles and apparel sector could be affected, while gems and jewellery may also see significant layoffs.

Diversification is often suggested as the solution, but it is not easy. Apparel markets differ sharply across countries in terms of fashion preferences, sizes, and consumer tastes. Orders designed for the U.S. market cannot be easily redirected to Europe, ASEAN, or other destinations without redesigning production, which raises costs and takes time. In the case of gems and jewellery, these are high-value consumption goods, so alternative markets are limited to countries with high purchasing power, such as those in the Gulf and Europe. Since nearly 18–20 per cent of India's total exports go to the U.S., diversification cannot fully offset losses in the short run. As a result, firms are likely to experience losses initially, and mitigation strategies such as upgrading products, investing in innovation, and leveraging production-linked incentive schemes become important in the medium to long term, alongside short-term government relief measures.

Question: Given the complexity and limitations of diversification policy, how do tariff shocks differentially affect labor-intensive and capital-intensive sector?

Dr. Ray: The impact differs largely because of the way India is integrated into global value chains. In labour-intensive sectors such as textiles and apparel, India is connected mainly through forward linkages. For example, India exports yarn and fabric that are then used to manufacture garments in countries like Bangladesh. This means that any disruption in the cotton or fabric supply chain, or a slowdown in global apparel demand, directly affects Indian producers. Apparel demand is also highly price sensitive; consumers can postpone clothing purchases for a season without much difficulty.

Capital-intensive sectors, such as electronics and automobile components, are integrated differently. Here, India participates largely in assembly processes, supplying low-complexity parts to original equipment manufacturers. Demand in these sectors has not declined to the same extent. Electronics, for instance, are essential not only for consumer goods such as mobile phones and laptops but also as inputs into automobiles. Similarly, demand for vehicles has remained relatively stable. Pharmaceuticals present another case, where India imports intermediates such as active pharmaceutical ingredients, mainly from China. Tariffs imposed upstream on Chinese inputs, for example, can indirectly affect Indian production. These examples show that each sector experiences tariff shocks differently depending on demand elasticity and position within the value chain.

Question: How do tariff and input shocks propagate differently across buyer-driven and producer-driven global value chains, and how should policymakers incorporate these differences into sector-specific vulnerability assessments?

Dr. Ray: Global value chains can broadly be divided into buyer-driven and producer-driven chains. Buyer-driven chains are typical in sectors such as apparel and footwear, where large multinational buyers control sourcing decisions. Suppliers in countries like India and Bangladesh operate largely as price takers. In these chains, input shocks are transmitted across the entire value chain. For example, fabric accounts for around 40–50 per cent of the cost of a garment, so any increase in fabric prices or tariffs immediately raises garment prices.

Producer-driven chains, such as automobiles and electronics, operate differently. An automobile may contain anywhere between 8,000 and 12,000 components sourced from multiple countries. While individual components may be small, disruptions can be severe. The global semiconductor chip shortage is a good example despite chips being only one input, shortages halted automobile production worldwide. Policymakers therefore need to assess risks by examining backward dependency on imports, a firm's position in the value chain, market concentration, and the extent of export dependence on specific markets. Firms exporting a large share, say 50 per cent of their output to a single destination are far more vulnerable than diversified exporters. Developing sector-specific vulnerability scores can help anticipate and manage such risks.

Question: Which empirical indicators such as revealed comparative advantage, export elasticity, or supply chain substitution capacity should guide India's strategy for reducing overdependence on tariff-exposed markets?

Dr. Ray: Indicators such as revealed comparative advantage can be useful starting points, but they should not be treated as predictive tools. Past competitiveness does not guarantee future resilience. For example, Indian apparel exporters were competitive in the U.S. market, but tariffs have rendered many of them uncompetitive almost overnight. Margins in apparel are often as low as 1–2 per cent, thus, even modest cost increases can eliminate profitability.

Firms must also contend with non-tariff barriers. These include regulatory standards, documentation requirements, and consumer preferences. Japan's rice market is a useful illustration. Japan imports very little rice because of strong preferences for specific varieties, effectively limiting market access even without formal trade barriers. Beyond regulations, trade relies heavily on networks and trust. Exporters need reliable partners, language capabilities, and institutional familiarity. These factors make diversification a gradual and resource-intensive process rather than a simple redirection of exports.

Question: How do politically motivated unilateral tariffs affect India's long-term industrial upgrading, particularly efforts to move up the value chain through technology, skills, and scale? What policy sequencing is needed to protect industrial development from trade policy volatility?

Dr. Ray: Politically administered tariffs introduce uncertainty, directly affecting industrial upgrading. Moving up the value chain from assembly to manufacturing and eventually to R&D-intensive activities typically takes five to seven years. Protectionist measures extend this timeline and risk locking firms into low-value activities. Countries with weak bargaining power may find themselves stuck in assembly roles rather than progressing toward higher value-added production.

In the short term, governments can offer relief through measures such as GST rationalisation, which lowers input costs and provides some breathing space, particularly in sectors with thin

margins. In the medium to long term, however, sustained investment in R&D, skill development, and international technology partnerships is essential for meaningful upgrading.

Question: How can India refine its trade policy planning, sectoral vulnerability mapping, and metrics related to supply chains, scenario modelling, and diversification to construct a more resilient export framework? What institutional reforms would best support such trade preparedness?

Dr. Ray: Trade policy must clearly distinguish between short-term responses and long-term structural objectives. Expanding market access through free trade agreements such as those with the UK and the proposed agreement with the EU is one route to diversification. Existing agreements should also be reviewed to address gaps in market access and persistent non-tariff barriers.

Service exports offer another important avenue. Services already account for around 47 per cent of India's exports, with IT and IT-enabled services dominating. There is considerable scope to improve competitiveness in other service sectors as well. Correcting inverted duty structures where tariffs on intermediate goods are higher than those on final goods is also critical to reducing production costs. Above all, trade policy must adopt a value-chain approach, assessing vulnerabilities across the entire production network, including backward dependencies, employment intensity, and tariff exposure at the six-digit HS level. Institutional reforms to improve logistics, infrastructure, and ease of doing business are essential for building long-term trade resilience.

In Conversation with Ms. Tanya Dawar

Economic nationalism has re-emerged as a defining feature of contemporary global political economy, reshaping trade policy, supply chains, and domestic political alignments. In an era marked by tariff escalation, strategic decoupling, and the growing securitisation of economic policy, protectionist measures are no longer framed merely as tools of economic adjustment. They have become instruments of political mobilisation, legitimacy building, and geopolitical signalling. The renewed appeal of tariffs and industrial protection, despite their well-documented economic inefficiencies, raises deeper questions about structural inequalities produced by globalisation, the erosion of trust in multilateral institutions, and the growing gap between aggregate economic growth and lived economic experience.

To unpack these dynamics, we spoke with Ms. Tanya Dawar, Research Scholar with the South Asia Team at the Asia Pacific Foundation of Canada. Her work sits at the intersection of international trade, political economy, and global governance, with a particular focus on how shifting trade regimes affect emerging economies and middle powers.

Question: In an era often described as “Trade War 2.0,” marked by renewed tariff escalation and the politicisation of supply chains, what does the enduring appeal of protectionist measures, despite their economic inefficiencies, reveal about deeper structural tensions in the international trading system, especially concerning domestic legitimacy and the erosion of rules-based multilateralism?

Tanya Dawar: Dynamics around international trade have changed. A world described as Trade War 2.0 is one where tariffs, industrial policy, and politicised supply chains have returned to the centre of global economic strategy. Surprisingly, protectionism continues to appeal even though it is economically inefficient. The real question lies in the deeper structural tensions within the trading system.

Protectionism, first, is not new. Economic textbooks remind us that since the 1930s, countries have adopted beggar-thy-neighbour policies to boost their own economy, jobs, and growth by shifting

economic burdens onto others, often through trade barriers such as tariffs, quotas, or currency devaluation. After World War Two, institutions such as the GATT(General Agreement on Tariffs and Trade), and later the WTO(World Trade Organization), were established to build a rules-based system encouraging tariff reduction and global cooperation. U.S. stewardship incentivised countries to come together and liberalise trade. For a few decades, this system worked reasonably well. What we are witnessing today, however, is a partial return to earlier protectionist instincts, revealing important structural tensions.

One such tension is domestic legitimacy pressure. Protectionism appeals because it speaks to voters who feel left out by globalisation, those who have lost manufacturing jobs or fear unfair competition from abroad. In the U.S., for example, there is anxiety around competition from Chinese or Indian imports. Tariffs become a visible way for governments to signal that they are taking back control and protecting national industries. Even when economically inefficient, protectionism can be politically effective. When Donald Trump came to power, the “Make America Great Again” narrative resonated strongly with communities hardest hit by import competition. The MAGA message tied national renewal to trade protection and helped rebuild political support among those who felt globalisation had failed them. Governments use protectionist measures in response to social frustration, to restore a sense of agency, and strengthen domestic legitimacy.

The second structural tension is the weakening of multilateral rules. The post-war trading system relied heavily on U.S. leadership and a shared commitment to open markets. Today, that consensus has fractured. The WTO’s dispute settlement system is paralysed, and major powers increasingly prioritise national security over free trade. China’s rise has further challenged the economic and political balance on which the system was built, while many countries in the Global South view existing rules as outdated or unfair. As trust in multilateralism erodes, states turn to unilateral tools such as tariffs, export controls, and industrial subsidies because they no longer believe the system can guarantee fairness or security.

These structural tensions underpin the enduring appeal of Trade War 2.0. In many ways, we are coming full circle. We began with protectionism in the 1930s, built a cooperative trading system

after World War Two, and are now drifting back towards a fragmented and politicised trade environment. This shift is a symptom of deeper structural tensions at both domestic and global levels.

Question: How does India's largely non-confrontational response to escalating tariff regimes reflect its broader strategic calculus, especially its efforts to balance economic vulnerabilities, supply-chain ambitions, and commitments to multilateralism within an increasingly fragmented trade order?

Tanya Dawar: India's response to the current phase of tariff escalation reflects a strategic choice rather than a lack of capacity or resolve. It pursues a calibrated path of selective confrontation that balances economic vulnerabilities, supply chain ambitions, and commitment to a rules-based trading system within an increasingly fragmented global trade order. During 2018–19, the United States imposed tariffs on Indian steel and aluminium and removed India from the Generalised System of Preferences (GSP), affecting roughly US\$5.6 billion dollars of exports. India responded by announcing retaliatory measures and imposing duties in June 2019 on around 28 US products, including politically sensitive items such as almonds and apples. This episode established India's willingness to incur costs to defend its trade interests.

The current shift toward restraint reflects a broader strategic calculus. The United States is India's largest export market, accounting for about 18 percent of total exports in FY2024. Escalatory retaliation risks disrupting market access, intensifying currency pressures, and deepening macroeconomic vulnerabilities in an already uncertain global environment. Simultaneously, through initiatives such as Make in India and Production Linked Incentive(PLI) schemes, India is positioning itself as a reliable manufacturing and supply chain hub amid global diversification away from China. Managing trade frictions without escalation supports foreign investment inflows and reinforces India's credibility as a stable economic partner, enabling conflict mitigation alongside long-term industrial capacity building.

India continues to place value on a rules-based trading system, despite the weakening of the World Trade Organization. India emphasises consultations, negotiated settlements, and WTO-compatible

measures over unilateral escalation. Trade diversification forms another pillar of this strategy. Since around 2020, India has sought to reduce its dependence on China and has pursued trade agreements with partners such as the United Arab Emirates and Australia, while advancing negotiations with the United Kingdom, the European Union, New Zealand, and Canada. Engagement with the United States continues despite recurring frictions. These efforts aim to broaden export markets and reduce vulnerability to shocks from any single partner.

Overall, India's approach reflects calibration. India must preserve relations with the United States, a key partner in technology, defence, and balancing China, while avoiding perceptions of passivity or dependence. The result is a middle path that remains firm in principle and non-confrontational in practice. In sum, India's stance represents deliberate strategic positioning.

Question: As China seeks to occupy the leadership space opened by U.S. unilateralism in global trade governance, how might this reshape India-China relations, captured in the evolving 'dragon-elephant dance' idea? What are the implications for regional stability, economic competition, and selective cooperation in Asia?

Tanya Dawar: Discussions of the U.S. increasingly intersect with China because hegemonic rivalry structures contemporary global politics. As the United States retreats from some leadership roles, China has sought to fill the space, with significant implications for India–China relations. This relationship is often framed through the “dragon–elephant dance,” a metaphor suggesting coexistence between two rising powers. Recent developments, however, reveal that this symbolism obscures deeper and unresolved tensions. These tensions were illustrated by a recent incident in which an Indian citizen from Arunachal Pradesh was reportedly denied entry into China because Beijing does not recognise the nationality of residents from what it continues to describe as South Tibet. The episode underscored China’s challenge to India’s sovereignty and demonstrated the fragility of diplomatic goodwill.

Furthermore, India–China relations are central to regional stability especially as South Asia undergoes political transitions in countries such as Bangladesh, Nepal, and Sri Lanka. However, the unresolved consequences of the 2020 border clash, ongoing boundary disputes, and recurrent

sovereignty-related incidents continue to constrain the relationship. India has consistently maintained that peace and predictability along the border are prerequisites for stability, without which cooperation remains structurally limited.

At the multilateral level, India engages through forums such as BRICS and the Shanghai Cooperation Organisation(SCO) as well as Quadrilateral Security Dialogue(QUAD)to address regional and global stability. With intensifying economic competition, China also seeks to shape regional economic governance through agreements such as the Regional Comprehensive Economic Partnership (RCEP), signing new FTAs, upgrading its ASEAN trade agreement, and pursuing accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership(CPTPP). These efforts position China at the centre of Asian value chains. India has adopted an alternative strategy through bilateral and plurilateral agreements with Australia, the United Arab Emirates, the United Kingdom, and the European Free Trade Association, while reviving talks with Canada and continuing negotiations with the United States.

India's economic dependence on China remains significant with a burgeoning trade deficit of US\$100 billion dollars, and heavy reliance on Chinese intermediate goods, including pharmaceutical inputs and electronic components. Selective cooperation persists as the two often align on Global South narratives, advocate reform of the World Trade Organization, oppose unilateral sanctions, and support development-oriented changes in global governance. In forums such as BRICS, the G20, and the WTO, both countries frequently converge in challenging Western dominance.

In sum, China's attempt to fill the leadership vacuum created by US retrenchment does not produce a harmonious partnership with India. Instead, it results in calibrated, issue-based cooperation shaped by strategic caution. India–China relations are likely to continue oscillating between rivalry and selective alignment, driven by border tensions, economic competition, and the evolving multipolar order in Asia.

Question: How do divergences in national trade strategies and geopolitical priorities among BRICS members affect the bloc's capacity to respond collectively to U.S. tariff pressures, and what does this suggest about the broader limits of coordinated action within emerging regional groupings?

Tanya Dawar: BRICS emerged as a political and economic coalition of major emerging economies seeking greater voice within a Western-dominated global order. Founded by Brazil, Russia, India, and China in 2009 and joined by South Africa in 2010, it aimed to reform global financial governance, expand representation in institutions such as the International Monetary Fund and the World Bank, and act as a counterweight to the G7. Recent expansion to include Saudi Arabia, Egypt, the United Arab Emirates, Ethiopia, Indonesia, and Iran has transformed BRICS into an eleven-member bloc. While this reflects growing geopolitical appeal, it has also increased internal diversity across economic structures, trade exposure, and political alignments, complicating collective economic action.

These constraints were evident at the recent BRICS summit in Brazil, held shortly before the initially scheduled July 9 deadline for the U.S. President Trump's proposed reciprocal tariffs. The joint declaration criticised protectionism and raised concerns over trade-restrictive measures without naming the U.S. However, rhetorical unity did not translate into coordinated action as members pursued bilateral engagement with Washington. Brazil, facing a 50 percent tariff, initially signalled outreach to India and China but ultimately approached the World Trade Organization and negotiated independently. India, Indonesia, and China likewise faced different tariff rates and adopted distinct strategies, underscoring the primacy of national interests.

The lack of coordination reflects structural asymmetries within BRICS. Members differ widely in production structures, development levels, domestic political constraints, and exposure to the U.S. market. Iran's trade profile, for instance, differs substantially from that of India or Egypt, complicating unified retaliation. Institutionally, BRICS is neither a customs union nor a free trade area, nor does it function as a formal political alliance. It lacks binding rules, enforcement mechanisms, and centralised decision-making authority. Consensus-based

commitments allow individual members to block initiatives, limiting operational capacity even where political will exists.

Together, these dynamics highlight the broader constraints facing BRICS. Heterogeneity weakens collective bargaining power, and while shared dissatisfaction with the global economic order enables symbolic unity, divergent economic models and strategic priorities prevent operational coherence. The bloc's flexible and informal architecture reduces its effectiveness during periods of acute economic stress. More broadly, the BRICS experience demonstrates that multipolarity does not automatically produce coordinated action. Without deeper institutionalisation and economic integration, the grouping is likely to struggle in responding collectively to trade wars, sanctions, or currency instability.

Question: Given intensifying geopolitical rivalries and uneven national commitments, what trajectory can we expect for global climate governance, and how might these dynamics influence India's bargaining power and priorities within multilateral climate negotiations?

Tanya Dawar: Global climate governance is entering a fragmented phase. Although many countries initially advanced climate commitments, growing geopolitical rivalry and uneven political will now hint at a multi-speed system in which climate ambition is shaped as much by industrial strategy and geopolitics as by environmental urgency. U.S. policy inconsistency — marked by its withdrawal from the Paris Agreement during President Donald Trump's first term, which took effect in November 2020, and a second planned exit in January 2026—exposes the political fragility of global climate governance and weakens collective pressure on other countries, particularly emerging economies, to strengthen implementation.

At the same time, corporate climate action has continued despite political volatility. Multinational firms increasingly adopt climate due diligence, ESG frameworks, and supply chain risk management as climate risk is treated as financial risk, encompassing extreme weather disruption, stranded assets, insurance instability, and investor scrutiny. Even if Washington takes a step back, the global economy cannot afford to ignore climate realities. Markets are pushing climate governance forward, even as political action remains uneven across jurisdictions.

Parallel to this trend is intensifying green industrial policy competition. The United States, the European Union, China, and India are deploying subsidies, industrial strategies, and critical mineral partnerships to dominate clean technologies such as solar energy, batteries, green hydrogen, and electric mobility. Climate governance has thus expanded beyond emissions targets to include control over green supply chains, manufacturing capacity, and strategic minerals, increasingly intertwined with trade, technological competitiveness, and national security.

India illustrates this shift by expanding green transition capacity through one of the fastest-growing renewable energy markets, a developing electric vehicle ecosystem, and early leadership in green hydrogen. Production-linked incentive schemes support investment in solar manufacturing, battery storage, and hydrogen hubs. India has also introduced a national emissions trading system and a voluntary carbon market, signalling readiness to align domestic action with global carbon markets and provide predictability for corporate engagement. India is therefore no longer positioned solely as a developing country seeking concessions.

Against this backdrop, India's bargaining power in climate and trade negotiations has increased. During its G20 presidency from 2022 to 2023, it placed climate action and sustainable development at the centre of deliberations, promoted the Lifestyle for Environment (LiFE) initiative, and amplified Global South concerns around equity, climate justice, common but differentiated responsibilities, and climate finance. India is also integrating sustainability into trade policy. The trade agreement with the European Free Trade Association (EFTA) included a dedicated chapter on trade and sustainable development, while negotiations with the United Kingdom similarly incorporated environmental, labour, and gender provisions.

By building low-carbon industries while articulating Global South priorities through diplomacy, trade agreements, and technology partnerships, India is increasingly shaping emerging norms of climate cooperation and strengthening its strategic bargaining position.

Building Nations Behind Tariff Walls: Successes, Failures, and the Political Economy of Industrial Policy

-by Mithila and Ishan

One of the most consequential economic instruments in early American history was tariff policy. From the late eighteenth century into the mid-nineteenth century, tariffs served dual purposes: protecting infant industries while also providing government revenue in a fiscal environment where no income tax existed and the federal government relied heavily on customs duties. Beyond these goals, tariffs shaped the young nation's foreign exchange dynamics through their effects on specie flows, trade balances, and financial autonomy. Yet the trajectory of early American tariffs is not a story of linear success but one of oscillation between periods of effectiveness and moments when the policy failed or even destabilised the Union.

Tariffs and Their Effects on Foreign Exchange

In the absence of fiat money and developed capital markets, the primary foreign exchange concern of early U.S. policymakers was the conservation of gold and silver reserves. Imports had to be paid for in European currencies or specie, and heavy reliance on imports threatened to deplete the country's limited stock of hard currency. High tariffs, beginning with the Tariff of 1789, effectively reduced American dependence on British manufactured goods, thereby lowering demand for foreign currency. This helped stabilise the dollar's relative value while improving domestic credit availability. In this sense, tariffs protected the nation's financial position and reduced external vulnerability.

However, the relationship between tariffs and foreign exchange was not uniformly positive. When tariff rates became excessively high - most notably under the Tariff of 1828, known as the "Tariff of Abominations" - retaliatory pressures from trading partners and domestic economic distortions intensified. Southern cotton exporters feared British retaliation and higher import costs, generating uncertainty in trade flows and, consequently, in foreign exchange availability. This episode illustrates how tariff policy could fail: excessive protectionism threatened the very stability tariffs were intended to secure.

Fiscal Dimensions of Early Tariff Policy

Tariffs formed the backbone of federal finance during the first century of American history, routinely generating 80–90 percent of federal revenue. They played a central role in servicing Revolutionary War debts, financing infrastructure, and maintaining the military. The Tariff of 1789, championed by Alexander Hamilton, was a fiscal success, funding the new federal government without provoking the political resistance associated with direct taxation.

Tariffs again proved fiscally beneficial following the War of 1812. The Tariff of 1816, while partly protectionist, generated substantial revenue during a period of fiscal strain and helped finance internal improvements. Stable tariff income allowed the federal government to maintain solvency without resorting to volatile borrowing.

Yet the limitations of tariff-based fiscal policy became apparent in later decades. Extremely high rates in the late 1820s and early 1830s triggered the Nullification Crisis, during which South Carolina threatened secession over what it perceived as discriminatory taxation. This crisis revealed that tariffs could become fiscally counterproductive by undermining the political cohesion necessary for effective taxation. A revenue system dependent almost entirely on customs duties proved unsustainable in a nation with increasingly divergent regional economic

interests. This failure foreshadowed the eventual adoption of broader tax instruments, including the federal income tax in 1913.

Successes and Failures of Early U.S. Tariffs

Major Successes

Tariffs provided the primary funding source for the federal government and financed nation-building well into the nineteenth century. They protected infant industries particularly after 1816 facilitating the growth of American textiles and iron by reducing dependence on British imports. By curbing imports, tariffs also reduced demand for foreign currency, preserved gold reserves, and improved balance-of-payments stability. More broadly, early tariffs reduced U.S. exposure to British credit cycles and exchange-rate fluctuations, enhancing economic independence.

Major Failures

Excessive protectionism, especially under the Tariff of 1828, provoked national crisis and intensified sectional tensions. High tariffs increased the risk of foreign retaliation, particularly harming export-dependent sectors such as Southern cotton. Tariffs also imposed a regressive fiscal burden by raising the prices of imported goods, disproportionately affecting Southern agricultural consumers relative to Northern industrial producers. Politically, tariffs entrenched regional divisions rather than creating a unified fiscal base, culminating in the Nullification Crisis and contributing to longer-term tensions that eventually led to the Civil War.

Early U.S. tariff policy thus reveals a complex interaction between economic necessity and political constraint. As tools for revenue generation, foreign exchange stability, and industrial development, tariffs were highly effective during the nation's formative years. By conserving specie, stabilising the dollar, and establishing fiscal credibility in an era with limited alternatives, they supported early industrialisation. However, when extended beyond moderate levels, tariffs destabilised trade, threatened foreign exchange inflows, and provoked political crises. The early American experience demonstrates that tariffs were most effective when balanced carefully between protection and revenue, without imposing excessive regional burdens. Their legacy lies in their dual role as both engines of national development and cautionary examples of the political and economic limits of protectionism.

Brazil and China

Industrial policy has long been a contested instrument of national development. Throughout the twentieth century, emerging economies confronted a fundamental dilemma: how to industrialise without being overwhelmed by more advanced economies. Many adopted Import Substitution Industrialisation (ISI), a strategy that employed tariffs, quotas, and trade barriers to nurture domestic industries by restricting foreign competition. ISI promised self-sufficiency, employment, and technological sovereignty. However, its outcomes varied sharply across countries. While Brazil, alongside nations such as India, initially embraced ISI and experienced periods of rapid growth often described as economic miracles, long-term inefficiencies and structural weaknesses ultimately emerged. In contrast, East Asian economies such as Japan and South Korea pursued more selective, disciplined, and strategically accountable forms of protectionism that proved far more effective.

India's Import Substitution Industrialisation: The Nehruvian Model (1947–1991)

India adopted ISI immediately after independence in 1947 under Prime Minister Jawaharlal Nehru, constructing an extensive institutional framework to support it. The Industries Development and Regulation Act of 1951 and the Industrial Policy Resolution of 1956 established the “Licence Raj,” a system requiring government approval for nearly all business activities, including entry, capacity expansion, and product diversification. At its peak, up to 80 government agencies were involved in industrial approvals, with approximately 35 percent of licence applications rejected during 1959–60.

Unlike Brazil’s tariff-centric approach, India prioritised capital goods and basic industries, drawing on economist Prasanta Chandra Mahalanobis’s model of self-reliant growth. From the Second Five-Year Plan (1956–61) onward, policy focused on heavy industries such as steel, chemicals, and machinery. Import substitution accounted for 23 percent of industrial output growth between 1950–51 and 1965–66, with capital goods contributing roughly half. However, the strategy suffered from critical weaknesses: protected industries became inefficient, with effective protection rates exceeding 197 percent in some sectors; the Licence Raj fostered corruption and administrative paralysis; and economic growth stagnated at the so-called “Hindu rate” of approximately 3.5 percent annually from the 1950s through the 1980s. By the 1970s, easy gains from import substitution had been exhausted, and several sectors experienced negative import substitution, as imports continued to rise despite protection.

Like Brazil, India was compelled to liberalise following a balance-of-payments crisis in 1991 under IMF pressure. The Liberalisation, Privatisation, and Globalisation (LPG) reforms dismantled much of the Licence Raj, removed industrial licensing for most sectors, raised foreign direct investment caps from 40 to 51 percent, and devalued the rupee by approximately 18 percent.

Brazil's Import Substitution Industrialisation and Institutional Context

Brazil’s experience with ISI illustrates how protectionist policies reshaped industrial structure. By the 1950s, manufacturing had surpassed agriculture in its contribution to GDP, yet exports remained dominated by primary commodities. During the 1950s to 1970s, Brazil experienced rapid industrial growth, with GDP growth frequently exceeding 10 percent annually. This period saw the expansion of capital-intensive industries such as automobiles, machinery, and electrical equipment, while labour-intensive sectors like textiles declined. Manufacturing’s share of GDP reached approximately 30 percent by the early 1970s and remained stable throughout the decade.

However, a critical vulnerability emerged: export performance lagged behind industrial expansion. Import-substituting industries constrained the balance of payments and lacked incentives for competitiveness. By 1977, manufacturing accounted for roughly 50 percent of exports, but resource-based manufactures still comprised 31 percent of total exports. Protection created industries capable of supplying domestic markets but ill-equipped to compete internationally. Sheltered from global competition, firms faced limited incentives to innovate, leading to declining productivity and technological stagnation.

The 1980s Crisis: ISI and External Shocks

Debate persists over whether Brazil's 1980s slowdown resulted primarily from ISI failures or external macroeconomic shocks. Evidence suggests an interaction of both. Global financial conditions shifted dramatically after the 1979 Volcker Shock, when U.S. Federal Reserve Chairman Paul Volcker raised interest rates to combat inflation. The federal funds rate increased from approximately 11 percent in 1979 to nearly 20 percent by 1981, with prime rates reaching 21.5 percent in 1982. For Brazil, whose external debt was largely contracted at floating interest rates, debt servicing costs rose sharply.

Simultaneously, commodity prices collapsed during the early 1980s, reducing export revenues precisely as Brazil faced a second oil shock following the Iranian Revolution and the Iran–Iraq War. Rising oil import costs combined with falling export earnings deteriorated the terms of trade, exacerbating current account deficits. Similar crises affected Argentina, Mexico, Venezuela, Ecuador, and Panama, indicating that external shocks were region-wide rather than country-specific.

However, ISI-induced structural weaknesses magnified Brazil's vulnerability. Countries with diversified and competitive export bases could adjust through export expansion, but Brazil's protected industries lacked such capacity. When international creditors withdrew financing in 1982, Brazil faced a sudden stop in capital inflows alongside rising debt obligations and collapsing exports.

The Brazil Cost

By the 1980s, the structural flaws of ISI became unmistakable. Decades of protection insulated Brazilian industries from competition, fostering inefficiency and high production costs. This systemic inefficiency became known as the “Custo Brasil” or Brazil Cost, a persistent burden arising from bureaucracy, infrastructure bottlenecks, and uncompetitive domestic suppliers. Research by Monastiriotis and Carlos (2016) highlights how ISI entrenched regional inequalities, concentrating industrial development in São Paulo and Rio de Janeiro while leaving other regions dependent and underdeveloped. World Bank studies from the 1990s found Brazil's effective protection rates among the highest globally, contributing to poor productivity growth relative to East Asian economies such as South Korea and Taiwan. When Brazil liberalised in the 1990s under the Washington Consensus, many previously protected industries collapsed under competitive pressure.

China's Strategic State-Capitalist Protectionism

China's approach to protectionism was more sophisticated than Brazil's broad ISI or even Japan and South Korea's disciplined industrial strategies. Following market reforms in 1978, China adopted a dual-track strategy that combined market liberalisation with extensive state intervention. Drawing lessons from Japan's MITI system and South Korea's heavy and chemical industry drive, China selectively reduced tariffs especially following WTO accession in 2001 while retaining powerful non-tariff barriers such as forced technology transfer, subsidies, and preferential treatment for state-owned enterprises.

China's goal was not protection for its own sake but the deliberate creation of globally competitive national champions. Protected domestic markets served as incubators for firms in sectors such as telecommunications and electronics. A 2017 report by the U.S.–China Economic and Security Review Commission documented how China's industrial policies systematically advantaged domestic firms and facilitated rapid technological upgrading. Unlike Brazil's indiscriminate protection or Japan and South Korea's export discipline, China relied on state-

owned enterprises and state banks to provide sustained support regardless of export performance.

Historical and Contemporary Trajectories

Brazil's ISI experience serves as a cautionary tale. Despite early successes during the "Brazilian Miracle," protection fostered inefficiency and left a legacy of structural rigidity. Although average tariffs have fallen to approximately 13.4 percent, Brazil remains relatively closed, with trade accounting for only 32 percent of GDP. Its export basket remains dominated by low-complexity commodities, and its share of global exports declined from 1.5 percent in the late 1980s to 0.8 percent by the late 1990s. China, by contrast, combined strategic protection with global integration. Its share of global manufacturing output rose from 2 percent in 1990 to over 28 percent today. Yet this success has provoked geopolitical backlash, including trade wars and efforts toward strategic decoupling. China's experience demonstrates that while disciplined protectionism can accelerate development, it also generates new economic and political challenges that may constrain future growth.

References:

Chaurey, R. (2018, March 11). *Industrial policy in India*. Ideas for India. <https://www.ideasforindia.in>

International Monetary Fund. (1984). *Some aspects of the 1982–83 Brazilian payments crisis*. IMF Staff Papers.

International Monetary Fund. (1985). *The Latin American debt crisis in historical perspective*. IMF Occasional Paper No. 37.

Monastiriotis, V., & Carlos, A. (2016). Regional inequality and industrial development in Brazil. *Journal of Development Studies*, 52(12), 1800–1818.

National Institute of Public Finance and Policy. (n.d.). *Import substitution strategy of economic development*. New Delhi: NIPFP.

Rampal, N. (2023). Nehru's economic policies in India. *International Journal of Novel Research and Development*, 8(2), 112–118.

United States–China Economic and Security Review Commission. (2017). *Annual report to Congress*. Washington, DC: US Government Printing Office.

World Bank. (1993). *The East Asian miracle: Economic growth and public policy*. New York, NY: Oxford University Press.

World Bank. (1994). *Brazil: Industrial competitiveness and trade reform*. World Bank Country Study.

World Bank. (1997). *Global economic prospects and the developing countries*. Washington, DC: World Bank.

Trump's Economic Policies

-by Dristanta and Rhea

Trump's trade and tariff policies form a major component of his second-term economic vision; however, he has also proposed significant changes in areas such as taxation, regulation, energy, and immigration. Upon assuming office for his second term, his stated objective was to boost American economic growth and reinforce the "America First" framework. The following sections examine the major components of this agenda and analyse their economic implications.

Tax Cuts and Jobs Act

Trump's earlier tax reforms were introduced through the Tax Cuts and Jobs Act of 2017, which reduced the corporate tax rate from 35% to 21% and provided temporary tax relief to individuals. Building on this framework, his second-term tax agenda was advanced through the One Big Beautiful Bill Act (2025). The legislation primarily focused on extending the 2017 tax cuts and preventing scheduled increases in individual and corporate tax rates. It also raised standard deductions, particularly benefiting senior citizens and taxpayers in high-tax states.

From a fiscal perspective, the Act raised the federal debt ceiling and included reductions in Medicaid spending to partially offset revenue losses. According to estimates by the Congressional Budget Office (CBO), the extension of tax cuts is expected to support short-term economic growth by increasing disposable income and encouraging private investment (CBO, 2018). However, CBO projections also indicate a substantial rise in the federal deficit over the long term, as revenue losses are not fully compensated by spending cuts. Critics argue that, similar to the 2017 reforms, the benefits of the Act are likely to be unevenly distributed, with higher-income households and large corporations gaining disproportionately more than middle- and lower-income groups.

Deregulation: Cutting the Red Tape

Deregulation formed a central pillar of Trump's economic strategy, aimed at reducing compliance costs and increasing business activity. One of the most prominent initiatives was the "10-to-1" regulatory policy, under which federal agencies were required to eliminate ten existing regulations for every new regulation introduced. This approach was intended to significantly limit the expansion of federal rules affecting businesses.

In the financial sector, Trump supported measures to weaken regulatory oversight, including efforts to restrict funding for the Consumer Financial Protection Bureau (CFPB) by limiting the Federal Reserve's ability to finance it independently. Economically, this was expected to reduce regulatory burdens on banks and financial institutions, potentially increasing lending and profitability, while also raising concerns regarding consumer protection and financial stability.

Environmental deregulation was another key focus. The administration proposed substantial cuts to the Environmental Protection Agency (EPA) budget and rolled back climate-related provisions introduced under the Inflation Reduction Act (IRA). These measures reduced regulatory constraints on energy and manufacturing firms, particularly in fossil fuel industries, lowering operational costs and encouraging short-term investment. Additionally, Trump expressed support for deregulating the cryptocurrency sector, arguing that reduced oversight would promote innovation and strengthen the United States' position in emerging digital financial markets. While deregulation contributed to increased business confidence in the short run, economists caution that weakened regulatory frameworks may generate long-term risks, including environmental externalities and financial volatility.

Immigration and the Labour Market

Immigration policy constituted a central component of Trump's economic agenda, with significant implications for labour markets and productivity. Measures such as the Laken–Riley Act and stricter controls on asylum seekers were intended to reduce undocumented immigration and limit labour supply in low-wage sectors. From an economic perspective, these restrictions aimed to protect domestic workers by reducing job competition, potentially raising wages for certain groups.

At the same time, large-scale deportation efforts and proposals to end birthright citizenship raised concerns about labour shortages in industries heavily reliant on immigrant labour, including agriculture, construction, and hospitality. Reduced workforce availability in these sectors can increase production costs and disrupt supply chains. In high-skill industries, proposed changes to the H-1B visa program made it more difficult for firms to hire foreign professionals, particularly in technology and research-intensive sectors. Economists argue that such restrictions may slow innovation and reduce long-term productivity growth. Overall, Trump's immigration policies reflected a clear trade-off between protecting domestic employment in the short run and maintaining a flexible labour force necessary for sustained economic growth.

Energy Independence and Industry Revival

Energy policy played a significant role in Trump's economic agenda, with a strong emphasis on expanding domestic oil and gas production. The administration eased drilling restrictions on federal lands and offshore areas, simplified permitting requirements, and accelerated approval processes for energy infrastructure projects such as pipelines. Economically, these measures were intended to increase energy supply, reduce production costs, and keep domestic energy prices low for both industries and consumers.

Simultaneously, the administration reduced policy support for renewable energy adoption by scaling back subsidies and incentives for solar and wind power. While this approach strengthened traditional energy sectors and contributed to higher employment in oil and gas industries, critics argued that it weakened investment in the rapidly growing green energy market. Economists note that prioritising fossil fuel expansion may generate short-term gains

in output and exports but could limit long-term growth opportunities as global energy demand shifts towards cleaner and more sustainable sources.

Department of Government Efficiency (DOGE)

The Department of Government Efficiency (DOGE) was proposed as an initiative aimed at reducing federal government spending and improving administrative efficiency. Its core objective was to streamline government operations by identifying redundant programs, cutting bureaucratic costs, and limiting the expansion of federal agencies. From an economic standpoint, DOGE reflected an attempt to address fiscal inefficiencies without raising taxes.

Established through an executive order in January 2025, DOGE sought to restructure federal governance by streamlining processes, increasing transparency, and digitising bureaucratic systems. The initiative replaced the United States Digital Service (USDS) and relied heavily on workforce reductions and private-sector involvement, including the participation of high-profile business figures such as Elon Musk.

While proponents claimed that DOGE would generate substantial fiscal savings by eliminating inefficiencies, findings from the U.S. Senate Permanent Subcommittee on Investigations challenged this narrative. The committee reported that DOGE itself contributed to an estimated \$21.7 billion in waste due to poorly coordinated restructuring, duplication of responsibilities, increased contracting costs, and service delivery delays U.S. (Senate Permanent Subcommittee on Investigations, 2025). These inefficiencies offset a significant portion of the projected savings.

From a labour market perspective, DOGE-led downsizing resulted in substantial public-sector job losses. Although the broader economic vision emphasised a transition toward a more capital-driven economy in which private investment would eventually create employment, the adjustment period imposed significant costs. Displaced workers faced unemployment and income insecurity, particularly given the reliance of large segments of the population on wage-based income. At a macroeconomic level, labour market data from the Bureau of Labor Statistics indicated an increase in job openings following these reforms, suggesting rising investment and business formation (BLS, 2025). However, at a welfare level, funding cuts to essential sectors such as healthcare and education raised concerns regarding social equity. Additionally, DOGE's limited transparency and access to sensitive federal data weakened investor confidence. In late 2025, the initiative was formally shut down before completing its mandate, marking a departure from Trump's original vision of long-term administrative reform.

Conclusion

Trump's economic agenda, when examined beyond tariffs, reflects a broader strategy aimed at reshaping the U.S. economy through tax reforms, deregulation, labour market interventions, energy expansion, and administrative restructuring. Policies such as the extension of tax cuts under the One Big Beautiful Bill Act and aggressive deregulation were

designed to stimulate investment, raise business confidence, and promote short-term growth. Simultaneously, immigration restrictions and the Department of Government Efficiency reflected an emphasis on efficiency, fiscal restraint, and domestic competitiveness.

From an economic perspective, these policies produced mixed outcomes. While they encouraged private-sector activity, reduced energy costs, and supported profitability in certain industries, they also contributed to rising fiscal deficits, employment disruptions, and concerns about long-term productivity and sustainability. The uneven distribution of benefits, alongside higher public debt and transitional unemployment costs, highlights the trade-offs embedded in Trump's economic approach.

Overall, Trump's economic policies prioritised immediate growth and national competitiveness, often at the expense of long-term fiscal stability and institutional resilience. Assessing his economic legacy requires balancing the short-term gains achieved through tax cuts and deregulation against the structural challenges these policies created for public finances, labour markets, and future economic growth.

References

Bureau of Labor Statistics. (2025). Job Openings and Labor Turnover Survey (JOLTS). U.S. Department of Labor. <https://www.bls.gov/jlt/>

Congressional Budget Office. (2018). The budget and economic outlook: 2018 to 2028. <https://www.cbo.gov/publication/53651>

Congressional Budget Office. (2025). Budgetary effects of extending the 2017 tax cuts. <https://www.cbo.gov/>

Federal Reserve Board. (2019). Supervision and regulation report. <https://www.federalreserve.gov/publications/supervision-and-regulation-report.htm>

International Energy Agency. (2024). World energy outlook 2024. <https://www.iea.org/reports/world-energy-outlook-2024>

U.S. Citizenship and Immigration Services. (2024). H-1B visa program overview. U.S. Department of Homeland Security. <https://www.uscis.gov/working-in-the-united-states/h-1b-specialty-occupations>

U.S. Department of the Treasury. (2018). The tax cuts and jobs act: A summary of economic effects. <https://home.treasury.gov/>

U.S. Environmental Protection Agency. (2024). Budget in brief. <https://www.epa.gov/planandbudget/budget>

U.S. Senate Permanent Subcommittee on Investigations. (2025). Oversight report on the Department of Government Efficiency (DOGE). U.S. Senate. <https://www.hsgac.senate.gov/>

A History of Ideas on International Trade

-by Shalini Praveen and Saahil Ali

In the eyes of the mercantilists, merchants were deemed to be quintessential figures to helping the economic system function. The philosophies of the mercantilists saw great prominence starting from the middle 15th to late 18th centuries as several European powers and monarchies funded expeditions into the new world in search of riches and tradable goods, discovering new trade routes in an effort to take advantage of new forms of wealth derived from spices and Earth's precious metals. In the eyes of the mercantilists, gold stood as the primary source of value. One of the primary resources extracted were coins minted from gold and silver. It can be discerned by these historical events that colonialism and resorts to brutalist expansion played a major role in the mercantile influence. The frequent use of military force, which often led to increased violence and persecution of natives as territorial expansion grew, is what has led several economic historians to consider mercantilism to be an aggressive economic policy to obtain as much gold and silver as possible. Naturally, with government-sanctioned efforts for territorial expansion and gold assemblage, mercantilism was heavily influenced by government intervention. The state played a major role in ensuring the legal protections and economic backing of merchants, whilst providing them with military support. In addition, the primary trade policy objective lay in the need for a trade surplus. The state would act as an interventionist agent to minimize imports and maximize exports.

Ever since the presidential terms of Donald Trump had begun, we have seen eerie similarities to the mercantilist philosophy. However, we cannot consider Trump's policies to be a carbon copy of the mercantilist structure, but rather a form of 'neo-mercantilism'. Motivations for the implementation of such policies could be stemming from the need for global dominance and using mechanisms that help achieve those political goals. We can see such tension take place with China, as Trump's former economic advisor, Robert Lighthizer had even claimed that China was America's "adversary" and it was up to the United States to maintain their global supremacy against the growing Chinese economy. These policy initiatives are not entirely economic, as one could argue the application of such mechanisms is often used as a political tool to coerce the domestic policy of foreign states. The most famous mechanisms, tariffs and various trade barriers, have played a vital role in the Trump-American ideology. This has progressed further due to reluctance towards multilateralism as Trump's macroeconomic decisions largely unilateral. Trump argues in favour of an export surplus, for he values an abundance in exports rather than reliance on various imports. His policies of implementing trade barriers, harsher trade restrictions and greater tariffs attempts to de-incentivise foreign purchases and increase reliance on domestic industry and entrust the American economy to domestic producers.

These policies have been met with criticism. According to Joseph Stiglitz, Trump's policies not only damage the American economy but disassemble the global trade balance and can also severely damage multilateral relations. Adam Smith himself pushed for a course that criticized mercantile tendencies as he claimed that the free flow of goods must not be halted under this system. He also argued the mercantilists perception of value was problematic, for infrastructure such as schools, hospitals and government institutions hold major pertinence over an economy's valuation. The economic theories of Ancient Greece also hold an interesting clash against mercantilism, as renowned scholars such as Plato viewed true value stemming from a peace of mind rather than the ownership of material possessions. Despite these criticisms, arguments about state sovereignty and the need to protect domestic producers from the threat of foreign corporate powers still provide some weight for the need of a mercantilist policy.

Smith and Ricardo- Free Trade and Absolute & Comparative Advantage

The Smithian theory of absolute advantage follows a simpler format than that of its Ricardian, comparative advantage counterpart. According to absolute advantage theory, countries must specialize in the production of certain commodities based on the sheer quantity they are able to produce with the same number of resources at their disposal. A major criticism of this theory stands in its oversimplified view of international trade, for it assumes only two countries and two commodities participating in this model. This theory also fails to assess the implications of trade barriers and restrictions, which makes the absolute advantage theory a largely inaccurate model in the current climate of global trade. Mercantilists viewed trade as a global competition. Their view of trade believed that in order for one country to gain, one had to lose. It was Smith's disagreement to that principle which prompted a counter by suggesting absolute advantage, for principles such as the "invisible hand" and natural law would act as a neutralizing agent to the global trade order.

Ricardo's views on trade can be summed up with, arguably, two of his most significant contributions to the realm of classical economics. He is often recognized for his work on comparative advantage theory and his advocacy for free trade. The best example of Ricardo's stance on trade can be viewed from his debates and arguments that criticized the Corn Laws of the early to mid-1800s. The Corn Laws were Great Britain's attempt at protecting domestic corn producers by implementing a series of tariffs and other trade barriers against corn and crop imports from neighbouring states. Ricardo, however, strongly opposed the Corn Laws. The belief stemmed from seeing an increasing population as a greater strain on fertile lands. The greater strain would result in the resort to production in less fertile lands, causing food shortages and profits to lower in accordance with his theory of differential rent. Ricardo's philosophy worked on the fact that if there were greater food imports made, the ever-increasing food demand of the growing population could be met without the necessity of straining the fertility of soil, ensuring sufficiency. Furthermore, Ricardo presented the argument that,

specifically in the context of the Corn Laws, to have a country specifically produce corn with the sole purpose of selling to Great Britain ensured greater political standing and better multilateral relations. As for comparative advantage, Ricardo observed a major gap in Smith's theory of absolute advantage. Countries may have advantages in producing a variety of commodities whilst others lag behind, creating no proper room for specialization. The comparative advantage theory attempts to mitigate this challenge by focusing on specialization based on which country had a lower opportunity cost in producing a commodity for a country. This basic principle in conjunction with his idea of free trade presented major implications. According to Ricardo, if a state were to enjoy the goods they specialize in and exporting them to earn revenue while simultaneously importing goods from other states to satisfy the growing demand for goods they do not specialize in, they would be better off, rather than condoning the use of trade barriers and restrictions.

With the evolution of these economic philosophies outlined, which philosophy can be used to best describe the American trade strategy? The mercantilists believed in the accumulation of value via an export surplus, often calling for heavy government intervention. The views of Ricardo and Smith focus on a more liberal approach, believing in the concept of free trade and confidence in the economy's ability to balance itself through Smith's theory of the invisible hand. As many scholars and economists have pointed out, the Trump administration has entered into a new age of 'neo-mercantilism'. Their utilization of tariffs and other trade barriers indicate a general acceptance of increased government intervention with the purposes of wealth acquisition and ensuring global and political dominance. This is in contradiction with the free trade approach adopted by Smith and Ricardo, where they often view the development of institutions and the promotion of free trade as means to ensure economic prosperity and excellence.

The Heckscher-Ohlin Model & New Trade Theory

The Heckscher-Ohlin model (H-O model) was developed by Eli Heckscher and Bertil Ohlin. It built upon Ricardo's theory of comparative advantage by bringing into play factor endowments, which act as a key determinant of trade patterns. Its framework is based on 2 countries, 2 goods, and 2 factors of endowment (land and capital) while also making assumptions of identical technologies, constant returns to scale, and perfect competition across countries. The theorem states that "With two goods and two factors, each country will export the good that uses intensively the factor of production it has in abundance, and will import the other good."

Factor endowment is the driver of trade; we see this happen post-World War II, when the US emerged with much of its industrial infrastructure intact, while other key players like the United Kingdom or Japan lay in ruins. The US had accumulated capital as well as advanced technological capabilities. Therefore, under the H-O model, the US should export capital-

intensive goods that required high technology while importing labour intensive goods from lesser developed countries. Despite what the model said, there proved to be a contradiction with the Leontief Paradox. In 1953, Wassily Leontief measured the amounts of labour and capital used in all industries needed to produce \$1 million of U.S. exports and to produce \$1 million of imports into the U.S, using data from 1947. The data revealed that, contrary to the model, the capital to labour ratio for US imports was higher than for exports. This paradox could have existed due to multiple assumptions in play of similar technologies between the US and foreign countries, the year the data was collected (as most countries had just made it out after a World War), differences in skilled and unskilled labour, etc. Therefore, the paradox cannot invalidate the H-O model but does make note of existing limitations when factors like technology, human capital, additional resources, etc, are ignored.

One must acknowledge that the US actively shaped the basis for postwar trade with the key roles it played in the formation of the General Agreement on Tariffs and Trade (GATT, 1947), which built a framework for tariff reduction and global trade dispute settlement, and the Bretton Woods Institution (IMF and World Bank), which helped to encourage trade growth. Reducing trade barriers helped the US access broader markets in an advantageous situation by being the dominant player. Although in the present, the US focuses its trade policy solely on the basis of domestic politics, strategic concerns, and technological competition (for example, with China). The GATT assumed relatively symmetrical liberalisation, while the US now focuses on bilateral trade agreements with the presence of excessive tariffs and threats of sanctions.

However, as the Leontief paradox demonstrated, trade theory needed to evolve to incorporate more flexibility for real-world applications. By the late 20th century, trade patterns defied classical models as trade now occurred between countries with similar factor endowments and income levels, for example, the automobile trade between the US and the European Union. Intra-industry trade went against comparative advantage along with the increased presence of market concentration, scale economies, and imperfect competition. The New Trade Theory (NTT) came into play in the late 1970s-80s to explain these phenomena, largely pioneered by Paul Krugman. The NTT is based on a framework of increasing returns to scale, imperfect competition, and product differentiation. The NTT makes an assumption that as production expands, firms can lower their average costs, creating economies of scale. Additional defining features of the theory are network effects and first mover advantage. It says that the first mover to establish a company gets the advantage of being dominant and monopolistic in trade, thereby giving richer nations an inherent advantage and long-term dominance. While network effects enhance the value of a good as more consumers adopt them. Once path dependence has been established, a country's competitive edge in a sector tends to persist due to innovation, a skilled labour pool, as well as historical and strategic advantages.

The NTT offered an explanation as to how two similar economies might trade goods based on specialization, variety, and innovation and yield gains even in the absence of a comparative advantage in factor endowments. We see the shift from factor based to innovation-based trade in the US with the rise of multinational corporations (MNC's) like Microsoft, Apple, IBM etc that have expanded globally. The US focused on R&D and innovation rather than just capital intensity. It actively promoted globalization with the NAFTA agreement, which integrated the

US, Canada, and Mexico into a preferential trade area, thereby reducing trade barriers. The GATT was replaced by the World Trade Organisation (WTO), putting forward stronger rules on services, indicating the growing importance of non-goods trade. US multinational corporations started outsourcing and offshoring their operations, with the labour-intensive production being moved to Mexico, China, Southeast Asia, etc, while the US retained R&D, management, and high-tech manufacturing.

Conclusion

What is paradoxical is the fact that, though the United States was one of the leading voices behind globalisation, it is now its leading critic. The NAFTA agreement now called the USMCA is scheduled for review in 2026 with the possibility for the trilateral framework to be turned bilateral, increasing trade uncertainty and weakening North American production integration. In the 21st century where production has become deeply fragmented with global value chains making trade flows more multilayered, President Donald Trump has sent a strong message to MNC's to stop outsourcing labour. The Trump administration has brought in new tariffs on goods at levels not seen in the US since the Great Depression and has departed from the WTO's most favoured nation principle which requires there to be equal treatment between trading partners. With continuously evolving trade agreements and policies it is yet to be seen whether the United States can maintain its influence while pursuing strategic control, technological dominance, and domestic political objectives.

References

1. Ansari, S. (2024, December 18). *Theory of absolute advantage*. Economics Online. <https://www.economicsonline.co.uk/definitions/theory-of-absolute-advantage.html>
2. Coleman, D. C. (1980). Mercantilism revisited. In *The Historical Journal* (Vols. 23–23, Issue 4, pp. 773–791). Cambridge University Press. <https://www.jstor.org/stable/pdf/2638725.pdf>
3. Chijioke, O. C., Aloysius, A., & Obi, D. O. (2021). MERCANTILISM IN PERSPECTIVE: a HISTORIC REVIEW. *Global Economy Journal*, 21(01). <https://doi.org/10.1142/s2194565921500019>
4. Chakradhar, P. J. (2025, August 20). Trump tariffs mark revival of 18th century mercantilism | Policy Circle. *Policy Circle*. <https://www.policycircle.org/opinion/trump-tariffs-india-us-trade-2>
5. Jadhav, C., & Jadhav, C. (2025, August 3). *Trump, tariffs & Trade wars* | Madras Courier. Madras Courier. <https://madrascourier.com/opinion/trump-tariffs-trade-wars>
6. Wheeler, T. (2025, October 8). Donald Trump's digital mercantilism. *Brookings*. <https://www.brookings.edu/articles/donald-trumps-digital-mercantilism>
7. Barro, R. J. (2019, September 6). Trump's mercantilist mess. *Project Syndicate*. <https://www.project-syndicate.org/commentary/trump-trade-policy-mercantilism-by-robert-j-barro-2019->

[09?a_la=english&a_d=5d70d08850b9ea26303b867a&a_m=&a_a=click&a_s=&a_p=/archive&a_li=trump-trade-policy-mercantilism-by-robert-j-barro-2019-09&a_pa=&a_ps=](https://www.lowyinstitute.org/the-interpreter/riotous-return-mercantilists)

8. *The riotous return of the mercantilists.* (n.d.). Lowy Institute. <https://www.lowyinstitute.org/the-interpreter/riotous-return-mercantilists>

9. S, A. (2018, March 15). *The Leontief Paradox to Heckscher-Ohlin Theory | Economics.* Economics Discussion. <https://www.economicsdiscussion.net/the-heckscher-ohlin-theory/the-leontief-paradox-to-heckscher-ohlin-theory-economics/30829>

10. Feenstra, R. C., & Taylor, A. M. (2014). *International economics* (3rd ed.). Chapters 4 & 6 Worth Publishers.

11. *Guides: International Trade Law Research Guide: From GATT to the WTO: An Overview.* (n.d.). <https://guides.ll.georgetown.edu/c.php?g=363556&p=4108235>

12. *Intra-industry Trade between Similar Economies | OS Microeconomics 2e.* (n.d.). https://courses.lumenlearning.com/suny-fmcc-microeconomics/chapter/intra-industry-trade-between-similar-economies/#Table_33_15

13. Garg, A. (2025, July 27). No more tech hiring in India, Donald Trump tells Google, Microsoft and others to focus on Americans. *India Today.* <https://www.indiatoday.in/technology/news/story/no-more-tech-hiring-in-india-donald-trump-tells-google-apple-and-others-to-focus-on-americans-2760486-2025-07-24>

14. *article.* (2025, October 21). Mexico Business. <https://mexicobusiness.news/automotive/news/mexico-auto-sector-flags-supply-chain-risks-ahead-usmca-talks>

15. *Trump and his trade War: Between economic failures and political calculations - IRIS.* (2025, July 18). IRIS. <https://www.iris-france.org/en/trump-and-his-trade-war-between-economic-failures-and-political-calculations/>

16. 60 Minutes. (2025, February 3). *Trump's former trade chief on how tariffs affect the economy, why he says the U.S. needs them* [Video]. YouTube. <https://www.youtube.com/watch?v=KwUG2bOHqFA>

17. Galbraith, J. K. (1987). *A history of economics: The past as the present.* Penguin Books.

18. Paul, H. (2018). David Ricardo. In L. Yueh (Ed.), *Great economists: Classical economics and its legacies* (pp. 25–48). Pelican Books.

Understanding Tariffs in the Context of Trump's Trade Policy

-by Adityaa and Shaurya

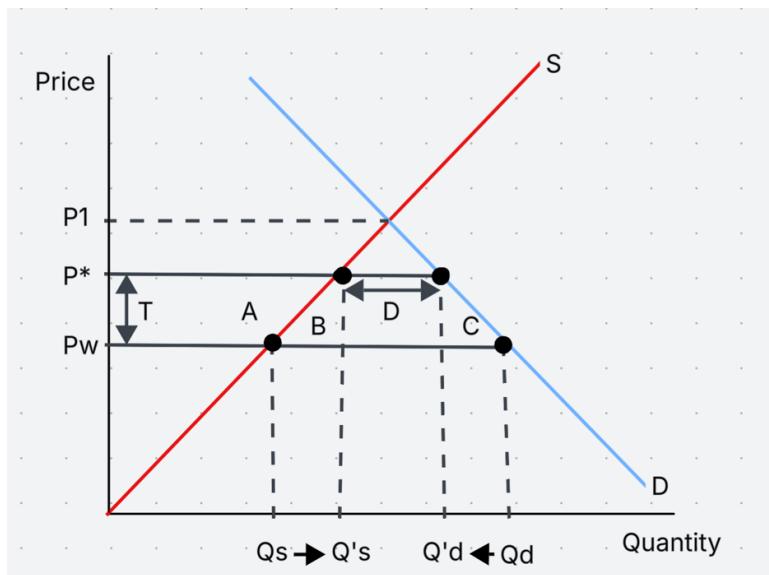
Tariffs became one of the main tools of U.S. trade policy during Donald Trump's presidency. His government defended tariffs to protect American industries, reduce the trade deficit, and respond to what it described as unfair trade practices by countries like China. Therefore, this constituted a significant policy shift from the United States' traditional stance on free trade and in a protectionist direction. Trump argued that high tariff rates would cause an increase in local production, reviving manufacturing jobs and making the economy less dependent on foreign products. However, while the political logic behind such tariffs was relatively simple, their real economic implications were much more complex.

Tariffs are among the most common tools in international trade policy. A tariff can be understood as a kind of tax, mainly imposed on imported commodities or those crossing borders through other mechanisms, which increases the domestic price of the affected commodity. The chief purpose of tariffs is to protect the domestic industries by making foreign products relatively more expensive, thereby encouraging consumption of domestically produced goods. Governments use tariffs to achieve goals related to saving employment, aiding strategic sectors, and changing trade relationships. At the same time, this affects consumer prices, aggregate welfare, and global value chains. A precise understanding of how tariffs work is critical to evaluating their real impact on an economy.

How Tariffs Affect Demand and Supply

We can examine the economic effects of a tariff using a standard demand–supply framework. In a regime of free trade, the domestic price of a good is equal to the world price (P_w). At this price, domestic producers supply only a part of total market demand, with the remainder met through imports.

If a tariff is imposed, the price of the imported good increases from P_w to P_w plus the tariff. This higher price causes three main effects. First, consumption decreases because consumers face a higher price and demand a smaller quantity. Second, production increases because domestic producers find it more profitable to increase the supply of their products at the higher price. Third, imports decrease since the difference between domestic demand and domestic supply is reduced. However, while domestic producers gain from higher prices and greater output, the consumers suffer from the increased cost and reduced choice. There is an addition to government revenue through the tariff, but the economy suffers a net welfare loss from the inefficiencies created in both production and consumption. The balance between protection to domestic industries and costs to the consumer is really at the heart of the dispute on Trump's tariff policy.



In the diagram, P_w represents the world market price of the product, while P^* equals P_w plus the tariff. P_1 shows the price level at which imports would be eliminated, meaning there is no gap between domestic demand and domestic supply. After the tariff is imposed, home demand falls from Q_d to Q'_d , domestic supply rises from Q_s to Q'_s , and imports shrink as the difference between demand and supply narrows.

From a welfare perspective, the tariff results in a redistribution of economic surplus. Consumers lose because they now pay higher prices and consume less, leading to a fall in consumer surplus equal to areas A, B, C, and Producers gain because they can sell more at higher prices, increasing producer surplus by area A. The government gains tariff revenue equal to area D, which is calculated as the tariff multiplied by the quantity of imports. Areas B and C represent the deadweight loss to society. These losses arise because production is expanded beyond efficient levels (B) and consumption is reduced below efficient levels (C). As a result, although some groups gain from tariffs, the overall economy experiences a net welfare loss.

Arguments For Tariffs

The proponents of tariffs claim such policies can protect young domestic industries from intense foreign competition and give them an opportunity to develop enough to be able to withstand global competition. Historically, developing nations have utilized tariffs to build their manufacturing industry in the beginning stages of industrialization. Tariffs are also invoked on national-security grounds on industries such as defence equipment, energy, and food production, where the nation could be dependent on foreign suppliers and become vulnerable during conflict or global crisis. Tariffs on steel and aluminium were imposed during the Trump administration on national security grounds invoking Section 232 of U.S. trade law. A further major argument is protection of domestic employment: higher input cost for imports can raise the relative price of domestically produced goods and build demand for incentive to produce locally, hence supporting the local jobs. Presidents and policymakers commonly argued that tariffs would bring back the manufacturing jobs in the United States, with specific

emphasis on the steel and automotive sectors. Another argument often proffered is that tariffs act as tools in trade negotiations: through the heightening of trade barriers, countries aim to force concessions from trade partners. The U.S China trade conflict represents an example of tariffs acting to force changes in trade, technology transfer, and market access practices.

Arguments Against Tariffs Critics argue, however, that tariffs also carry significant costs for the general economy. The most obvious consequence is consumer price inflation, as companies pass increased import costs on to consumers. Academic studies from the Trump tariff period show higher spending for many consumer products, including appliances and electronics. Tariffs are also held to lower economic productivity by shielding less competitive domestic firms that otherwise would face pressure to innovate or go out of business, keeping their employees and capital away from more productive activities. A second important risk involves retaliations in which targeted countries respond with their own tariffs. One such example is China's retaliatory tariffs on American farm exports, among them soybeans, which hurt American farmers and led to compensating subsidies. Finally, extended protection with tariffs encourages dependency and political pressures, as protected industries rely on government largesse rather than innovation, thereby making removal of tariffs politically fraught even after a rationale based on economic need has disappeared.

How has Trump gone about it?

In President Trump's first term, the administration's tariffs were framed as a revival of America's manufacturing strength, and its main proposition, "bringing jobs and fairness back to American industries." In fact, Trump declared, "Tariffs will generate jobs like we've never seen before," a line that became a refrain at rallies and policy unveilings. In fact, Trump was deeply inspired by "McKinley-style" protectionism, which he often referenced. His initial actions including a 25% tariff on imported steel and a 10% tariff on aluminium, directly impacted roughly \$48 billion in Chinese trade. However, the outcome of this "America First" gambit was mixed at best. As Nobel laureate Joseph Stiglitz of Columbia University noted, "Virtually all economists think that the impact of the tariffs will be very bad for America and for the world. They will almost surely be inflationary," directly rebuking claims of a manufacturing revival (Stiglitz, TCF, 2025). Mark Zandi, chief economist at Moody's Analytics, was even more blunt: "It costs American jobs," describing Trump's broad tariff impositions as a "lose-lose" scenario for both consumers and producers (CNBC, 2025).

Looking at the data, scepticism was well-founded. Manufacturing employment dropped from about 12.4 million in 2017 to 12.2 million by January 2021, a fact that contradicted claims of large-scale job creation. Meanwhile, the trade war with China fuelled retaliatory tariffs and disruptions in major agricultural exports, stoking volatility and uncertainty across global markets.

Trump's current term has only ramped up this interventionist approach. His administration unveiled a universal tariff baseline of 10% on all imports effective April 5, 2025, with higher country-specific reciprocal duties layered atop such as 34% on China, 20% on the EU, 27% on India, 24% on Japan, 26% on South Korea, and 46% on Vietnam calculated via the simplified formula $(\text{exports} - \text{imports}) / \text{imports}$ to offset bilateral trade deficits. These escalated further with 25% tariffs on steel and aluminium from all sources (March 12), automobiles and parts (March 27, targeting Mexico), and most foreign vehicles plus heavy-duty trucks ("What are

tariffs, 2025"). Retaliatory measures intensified against specific threats: a 10% tariff on China doubled to 20% (March 3) then spiked with an additional 50% (April 8, totalling 104%), later adjusted down to 10% fentanyl-related and extended 10% retaliatory rates post-Busan summit (October 30); India faced an initial 25% (August 1) escalated to 50% for Russian oil imports ("Trump imposes 50% tariff"); even low-value packages ("What are tariffs"). Pauses occurred like 30 days on Mexico/Canada (February) amid negotiations, but threats persist for 100% on foreign chips and 200% on certain EU alcohol ("Trump's sweeping new tariffs"). While the U.S. has faced major problems due to China's rare earth control, Joseph Stiglitz warns that just like China other countries may retaliate which could trigger global inflation and stunt economic growth. Showcasing that U.S. consumers are the ones who would be most susceptible to the shock and that in the long run, revenue gained from tariffs would be offset with rising unemployment claims.

Trump's Tariff formula explained:

President Trump's tariff calculation method in his current term centres on "reciprocal tariffs" that aim to balance the U.S. trade deficit by hitting imports from surplus countries, using a formula straight out of White House memos: basically, take the bilateral goods trade deficit with a country, divide it by that country's total exports to the U.S., halve the result, and slap on at least a 10% floor if it comes out lower (or if there's a surplus). For China, with a \$295 billion deficit against \$440 billion in imports, that's $295/440 = 67\%$, halved to about 34%; the EU's \$235.6 billion deficit on \$605.8 billion in exports works out to roughly 20% the same way. Official docs call this a proxy for all the messy barriers abroad since mapping every tariff line and regulation is "complex, if not impossible," but it boils down to punishing deficits directly.

Trump's tariff calculation formula:

The White House formula for calculating its tariffs

$$\Delta\tau_i = \frac{x_i - m_i}{\epsilon * \varphi * m_i}$$

Delta tau i: This represents the change in the tariff rate imposed by the US on imports from country 'i'

Total value of exports

(Epsilon): The elasticity of imports with respect to import prices*

φ (Phi): The pass-through from tariffs to import prices.**

Total value of imports from country i

*It's a measure of how responsive the quantity of imports is to a change in import prices.

**It measures how much of the tariff is reflected in the final price of the imported goods.

The 10% baseline kicked in April 5, 2025, on everything, then higher rates hit April 9 for big-deficit partners; it ignores services trade or why deficits exist, like Americans buying cheap semiconductors from Taiwan (32% tariff) because they need them (*Fortune*). Trump pitches it as levelling the field to save jobs, but it's blind to nuances like natural resources or supply chains countries specialize in.

The debate rages because this skips real trade barriers, it's not truly "reciprocal" but deficit-driven, hammering places like Lesotho (initially 50%, later cut to 15%) despite tiny markets, where U.S. exporters face high local duties but volume's negligible. Economists rip it for baking in a super-low import elasticity of 0.25 (how much imports drop per tariff point), when data pegs it near 0.945 or 1.0; Kevin Corinth and Stan Veuger of the American Enterprise Institute say this inflates rates wildly "Their error lies in basing the elasticity on the price response to tariffs rather than on the prices themselves" dropping most to the 10-14% range if fixed. Critics like Dominic Pappalardo at Morningstar call it a "blind application" ignoring why we import what we do, sparking retaliation and recession risks as U.S. rates hit 22% from 2.5%.

While, in general tariffs aren't formula based like Trump's method; WTO sticks to ad valorem rates on transaction value

This setup has countries crying foul EU calls it a "massive miscalculation" hitting cheeses harder than ours get there while Trump's crew insists it proxies unfairness to protect industry amid global pushback. It underscores the tightrope between U.S. policy muscle and WTO norms, with economists warning of supply chain chaos over any real balance.

How have countries responded?

EU Response

Trump imposed a 20% tariff on EU goods amid a massive \$235.6B trade deficit. This tariff targeted major exports like cars, cheeses, and wine starting April 2025. The EU hit back with €95 billion in proposed countermeasures on U.S. bourbon, motorcycles, and tech, filing a formal WTO complaint. By July, the EU inked a "massive trade deal" slashing mutual tariff to 5% on industrial goods, with von der Leyen calling it "a framework for fair balance" after tense talks with Washington.

Japan's Response

Japan faced ~25% duties on autos and electronics from its surplus, prompting PM Ishiba to call it "regrettable" and launch WTO challenges with exporter subsidies. Retaliation eyed U.S. beef and aircraft quotas, but by August, a bilateral pact emerged: Japan cut auto tariffs to 0% for U.S. trucks and promised massive investment in U.S. in exchange for exemptions on its EVs and semiconductors, stabilizing supply chains.

India's Response

India got 28% on pharma, textiles, and gems, drawing "mirror tariffs" threats on \$30B U.S. almonds, apples, and medical devices from Commerce Minister Goyal, who vowed "no surrender" via WTO. Tensions eased in September with a mini-deal: India dropped duties on U.S. Harley-Davidsons and ethanol to zero, while Trump eased pharma rates to 10%, boosting bilateral trade 15%.

China Response

China endured 34% on \$440B imports like electronics and toys, retaliating with 25% on U.S. soybeans, Boeing planes, and pork in a quick tit-for-tat. After months of negotiations and heated tension, an October framework was adopted that gradually phased tariffs down to 15% with mutual agreements on agriculture and manufacturing, noting an emphasis on "principled concessions protect core interests" amid soybean farmer relief.

Conclusion :

To conclude, while Trump frames his tariffs to generate government revenue and protect American jobs and farmers, the real impact of these tariffs is more on American's than on countries that are facing significant portion of tariff load and in the long run may lead significant inflationary pressures and a deeper risk of recession, due to potential trade retaliations from countries like China which control rare earth manufacturing.

References:

BBC News. "How Trump's Tariff Formula Works." *BBC News*, 2025, www.bbc.com/news/business-58123456. Accessed 5 Dec. 2025.

CNBC. "Economists Criticize Trump's Tariff Impact." *CNBC*, 2025, www.cnbc.com/2025/07/12/trump-tariffs-lose-lose-scenario.html. Accessed 5 Dec. 2025.

Econofact. "US Manufacturing Employment Statistics, 2017-2021." *Econofact*, 2025, www.econofact.org/us-manufacturing-employment. Accessed 5 Dec. 2025.

Economist Times. "EU Slams US Tariffs as Miscalculation." *Economist Times*, 2025, www.economisttimes.com/eu-response-us-tariffs. Accessed 5 Dec. 2025.

Economic Times. "Cut Russian Oil or Continue Facing Massive Tariffs." *Economic Times*, 2025, www.economictimes.com/news/international/us-india-russian-oil-tariffs. Accessed 5 Dec. 2025.

Stiglitz, Joseph. Interview by *The Century Foundation*. "The Economic Impact of Tariffs." *The Century Foundation*, 2025, www.tcf.org/economics/interviews/stiglitz-tariffs. Accessed 5 Dec. 2025.

Reuters. "Impact of US Tariffs on Developing Nations." *Reuters*, 2025, www.reuters.com/article/us-trade-tariffs-impact. Accessed 5 Dec. 2025.

White House. "Trump's Tariff Policies and Job Creation." *White House Archives*, 2025, www.whitehouse.gov/trump-tariffs. Accessed 5 Dec. 2025.

Al Jazeera. "What Retaliatory Action Is the EU Planning over Trump's Tariffs." *Al Jazeera*, 16 July 2025, www.aljazeera.com/economy/2025/7/16/what-retaliatory-action-is-the-eu-planning-over-trumps-tariffs.

CNBC. "Economists Take Issue with Trump's Tariff Formula, Arguing Rate Is Inflated." *CNBC*, 5 Apr. 2025, www.cnbc.com/2025/04/05/economists-take-issue-with-trumps-tariff-formula-arguing-rate-is-inflated.html.

Economic Times. "India Vows Mirror Tariffs on US amid Trump Levies." 2025.

Fortune. "Trump's Tariff Numbers Appear to Have Been Calculated ..." *Fortune*, 3 Apr. 2025, fortune.com/2025/04/03/trump-tariff-formula-calculation-trade-deficit/.

Reuters. "EU Sets Out Possible 95-Billion-Euro Response to US Tariffs." *Reuters*, 8 May 2025, www.reuters.com/business/autos-transportation/eu-sets-out-95-bln-euro-countermeasures-us-tariffs-2025-05-08/.

Stiglitz, Joseph. Comments on tariffs, TCF, 2025.

White House. "Fact Sheet: The United States and European Union Reach Massive Trade Deal." *White House*, 27 July 2025, www.whitehouse.gov/fact-sheets/2025/07/fact-sheet-the-united-states-and-european-union-reach-massive-trade-deal/.

Reuters. "EU Sets Out Possible 95-Billion-Euro Response to US Tariffs." *Reuters*, 8 May 2025.

White House. "Fact Sheet: The United States and European Union Reach Massive Trade Deal." *White House*, 27 July 2025.

Tariffs as Power

-by Poorvanshi and Tanishka

Introduction

Donald Trump's tariff policy has emerged as one of the defining features of contemporary global trade politics, marking a sharp departure from the post-war commitment to liberalisation and multilateralism. Far from being limited to correcting trade imbalances, tariffs under the Trump administration have been deployed as instruments of ideology, power, and world-order restructuring. This article brings together two complementary perspectives. First, it examines tariffs as expressions of economic nationalism and realist geopolitics. Second, it analyses tariffs and sanctions through India's recent trade and energy experiences. The central claim advanced here is that tariffs today operate not merely as economic tools, but as geopolitical and geoeconomic instruments reshaping state behaviour, alliances, and the global trading order.

Tariffs and the breakdown of liberal trade

The post-war era had envisioned the rise of a liberal order. Its principles - shared norms and rules, peaceful resolution of disputes, and economic cooperation came to shape global rules around international trade and paved the path for globalisation. However, today Trump's tariff policy has become a threat to the liberal trade order as America's persevering motivation towards liberal internationalism is rejected by the Trump administration.

Trump's 'reciprocal tariff policy' from April 2025 unveiled a baseline 10 percent tariff on most countries and higher on those with greater U.S. trade deficits. Trumpian tariffs become a part of a larger political project - MAGA(Make America Great Again) which aims to protect American interests, putting protectionism at the forefront of American foreign and economic policy. Tariffs aim to boost U.S. manufacturing and increase federal revenue. The heightened scope of tariffs under Trump has caused challenges for companies which rely on global supply chains. The tariff policy has also caused significant disruptions in the global trading system as major economies are compelled to partake in bilateral negotiations with the U.S. - the most important contributor to regulation of global trade rules by means of economic organisations like WTO. This marks a decisive shift towards economic nationalism, protectionism and, a departure from the post-war liberal trade order.

Tariffs as Political and Geopolitical Tools

As Trump administration announces a 25 percent tariff on all countries in business with Iran, our understanding of tariffs' functioning moves beyond protectionist economic measures. Iran-U.S. relations under Trump's tenure have been marked by imposition of sanctions and military escalation in the past. Now, recent developments with the tariff policy attempt to not just attack Iran but also other major powers. The twenty-five percent tariff declaration can potentially impact major economies such as China, India, and the UAE among others. Trump's tariffs hence reveal insights into political strategy and global restructuring.

Against the backdrop of weakening liberalism, the tariff policy can be examined as an instrument of U.S. power as tariffs continue to redefine alliances in the geopolitical arena. The 25 percent tariff risks tensions with China -Tehran's major trading partner. The use of tariffs

here extends beyond trade measures. It attempts to ‘punish’ other players through economic coercion. Tariffs act as coercive tools ensuring America’s say in all its partnerships while putting other nations under financial risks as it deems fit. The continual use of tariffs by the Trump administration brings back distrust and uncertainty in the global order, revealing a resurgence of realist power-based geopolitics as the multilateral system fail to provide security to major powers.

Indian Context: Trade under Geopolitical Pressure

India’s recent experience shows how tariff and sanction politics have become instruments of geopolitical pressure. In August 2025 the United States increased additional duties on Indian merchandise, ultimately reaching an effective 50 percent rate on a large tranche of exports and affecting roughly \$60.2 billion of shipments, with labour-intensive sectors such as textiles, gems and jewellery, shrimp, and furniture especially exposed.

Washington framed the measures as a response to India’s purchases of discounted Russian crude, creating a two-tier coercive regime designed to coerce changes in India’s energy sourcing and highlight the growing use of geoeconomic coercion against middle powers. New Delhi responded on several fronts- it initiated consultations at the World Trade Organization, defended its energy policy as guided by affordability and supply security for 1.4 billion people, and moved to shore up the domestic economy through GST and demand-led measures.

Russian crude continued to form a significant share of India’s imports through 2025, with sources reporting roughly 1.2 million barrels per day in late 2025 and Russia remaining the largest supplier in December. At the same time India widened its sourcing, increased strategic stocks, and modestly raised U.S. purchases to manage risk. These responses reflect strategic autonomy in practice: India chose economic realism over alignment pressure, clinging to cheap Russian oil to keep fuel prices down even as it modestly boosted other suppliers- reflecting India’s long-held principle of strategic autonomy. Despite the headwinds, India’s GDP is still forecast to grow robustly at around 7.4 percent in FY 2025-26.

These events make plain that geoeconomics has moved from the margins to the centre of statecraft. Economic tools are now routinely used to influence behaviour and enforce alignment, shifting policy choices away from purely commercial logic. The U.S. tariffs on Indian goods in 2025 and parallel proposals (the US Senate will soon vote on the Sanctioning Russia Act with proposals for punitive tariffs of up to 500 percent on buyers of Russian energy) to penalise buyers of Russian energy exemplify how trade measures are being repurposed as strategic levers.

At the same time, export controls on high-end technology illustrate a second strand of geoeconomic pressure. Washington has tightened controls on advanced semiconductors and related equipment in order to constrain China’s military and AI capabilities, reducing the efficacy of traditional, rule-based dispute settlement when security objectives are asserted as justification.

For middle powers such as India the result is constant hedging. New Delhi has combined public defence of sovereign energy choices with pragmatic diversification of suppliers, expansion of reserves, and WTO recourse where possible. The broader lesson is that global trade is

increasingly shaped by strategic calculations, risk management, and coercive signalling rather than predictable rules and mutual liberalist commitments.

Conclusion

Trump's tariff regime reflects a convergence of economic nationalism, domestic political strategy, and realist geopolitics. Framed as a corrective to trade imbalances and a means of reviving U.S. manufacturing, tariffs have also functioned as instruments to discipline allies and adversaries alike. Their strategic logic is inseparable from Washington's response to the rise of China, where trade measures, sanctions, and export controls are deployed to slow competitors, reshape supply chains, and reinforce U.S. leverage within the international system. In this context, tariffs cease to be temporary protectionist tools and instead become durable mechanisms of power projection.

These dynamics remain salient today, as seen in India's recent trade and energy decisions. Faced with tariff pressure linked to its Russian oil imports, India prioritised domestic economic stability, inflation control, and energy security over alignment pressures, while simultaneously hedging through diversification and multilateral recourse. This response illustrates how middle powers navigate an increasingly coercive geoeconomic landscape, seeking strategic autonomy within tightening constraints. The broader implication is clear. Tariffs have evolved into central instruments of global power politics, redefining how states engage with trade, alliances, and sovereignty in a world where economic policy is inseparable from geopolitical strategy.

References

Revista, C. (n.d.). A fractured world and the collapse of the liberal order. CEBRI Revista. <https://cebri.org/revista/en/artigo/215/a-fractured-world-and-the-collapse-of-the-liberal-order>

Donald Trump's new tariff strategy leaves only a few countries untouched – Here's the complete list. (2026, January 13). Latest News, Breaking News, LIVE News, Top News Headlines, Viral Video, Cricket LIVE, Sports, Entertainment, Business, Health, Lifestyle and Utility News | India.Com. <https://www.india.com/news/world/donald-trump-united-states-us-president-russia-north-korea-canada-tariff-charges-world-news-vladimir-putin-india-8266509/>

Colson, A. (2025, December 29). Impact of tariffs on tax and trade in 2025. Tax & Accounting Blog Posts by Thomson Reuters. [https://tax.thomsonreuters.com/blog/impact-of-tariffs-on-tax-and-trade-tri/#:~:text=The%20Trump%20administration's%20tariff%20strategy,under%20UNICAP%20rules%20\(IRC%20Sec.](https://tax.thomsonreuters.com/blog/impact-of-tariffs-on-tax-and-trade-tri/#:~:text=The%20Trump%20administration's%20tariff%20strategy,under%20UNICAP%20rules%20(IRC%20Sec.)

Shamim, S. (2026, January 13). Trump announces new 25% tariff: How will it impact Iran's trading partners? Al Jazeera. <https://www.aljazeera.com/news/2026/1/13/trump-announces-new-25-tariff-how-will-it-impact-irans-trading-partners>

Ferragamo, M. (2026, January 13). U.S. relations with Iran, 1953–2025. Council on Foreign Relations. <https://www.cfr.org/timeline/us-relations-iran-1953-2025>

Chellaney. (2025, November 15). Trump's tariffs exact 'tribute' more coercive than China's Belt and Road. Stagecraft and Statecraft. <https://chellaney.net/2025/11/15/trumps-tariffs-exact-tribute-more-coercive-than-chinas-belt-and-road/>

Trump imposes 50% tariff on India as punishment for buying Russian oil. (2025, August 27). The Guardian. [Trump imposes 50% tariff on India as punishment for buying Russian oil | Trump tariffs | The Guardian](#)

India in firing line as Trump greenlights US bill proposing 500% tariffs on buyers of Russian oil. (2026, January 8). The New Indian Express. [India in firing line as Trump greenlights US bill proposing 500% tariffs on buyers of Russian oil](#)

Russian oil still reaches India despite US sanctions, December intake slips. (2025, December 31). The New Indian Express. [Russian oil still reaches India despite US sanctions, December intake slips](#)

Trump's 500% tariff pressure & global crude supply shock risks: Where does India's oil security stand? (2026, January 12). Times of India. [Trump's 500% tariff pressure & global crude supply shock risks: Where does India's oil security stand?](#)

Despite US tariffs, GDP pegged to grow at 7.4%; at 7%, manufacturing expected to stay robust. (2026, January 8). Times of India. <https://timesofindia.indiatimes.com/business/india-business/at-7-mfg-expected-to-stay-robust/articleshow/126402081.cms?utm>

Trumpian Tariffs: A Timeline

01.02.2025 - President Donald Trump imposed a 25 percent tariff on imports from Canada and Mexico and a 10 percent tariff on imports from China.

03.02.2025 - The United States postponed implementation of the tariffs on Canada and Mexico for at least 30 days amid preparations for retaliatory measures by both countries.

04.02.2025 - The 10 percent U.S. tariff on Chinese goods entered into force, prompting China to announce retaliatory tariffs on U.S. imports.

11.02.2025 - Trump ordered a 25 percent tariff on steel and aluminium imports from all countries, scheduled to apply from 12.03.2025.

03.03.2025 - The United States doubled the tariff on Chinese imports from 10 percent to 20 percent.

04.03.2025 - A blanket 25 percent U.S. tariff on imports from Canada and Mexico took effect. Canada imposed retaliatory tariffs on U.S. goods including peanut butter, while China announced additional duties on U.S. agricultural products such as tree nuts and dried fruits.

06.03.2025 - Trump announced the suspension of tariffs on goods traded under the US Mexico Canada Agreement, while signalling further tariffs on non-USMCA goods in April.

02.04.2025 - Trump announced expansive new tariffs, including a baseline 10 percent tariff on all imports and higher country specific rates on approximately 60 countries.

03.04.2025 - The European Union and the United Kingdom announced preparations for potential countermeasures while expressing willingness to negotiate with the United States.

04.04.2025 - China announced a 34 percent tariff on all imports from the United States, effective 10.04.2025.

05.04.2025 - The baseline 10 percent U.S. tariff on all imports entered into force.

08.04.2025 - Trump imposed an additional 50 percent tariff on Chinese goods, bringing total U.S. tariffs on Chinese imports to over 100 percent.

09.04.2025 - Country specific U.S. tariffs briefly entered into force before Trump announced a 90-day suspension, reducing affected countries' rates to the baseline 10 percent. The same day, China and the European Union advanced retaliatory measures.

10.04.2025 - The European Commission announced that EU countermeasures would be adopted but suspended for 90 days following the U.S. tariff pause.

11.04.2025 - China raised its tariffs on U.S. goods to 125 percent.

08.05.2025 - The European Union launched a public consultation on potential countermeasures covering a wide range of U.S. agricultural products.

14.05.2025 - The United States and China agreed to temporarily reduce tariffs on each other's goods for 90 days, lowering rates to 30 percent and 10 percent respectively.

23.05.2025 - Trump threatened to impose a 50 percent tariff on European Union goods, citing stalled trade negotiations.

25.05.2025 - Trump withdrew the threat of a 50 percent tariff on EU goods following discussions with European Commission leadership.

28.05.2025 - The U.S. Court of International Trade ruled that federal law did not grant the president unlimited authority to impose global tariffs, ordering their removal subject to appeal.

29.05.2025 - The U.S. Court of Appeals for the Federal Circuit issued a stay allowing the tariffs to remain in effect during the appeals process.

20.06.2025 - The U.S. Supreme Court declined to expedite review of legal challenges to Trump's tariff authority under the International Emergency Economic Powers Act.

02.07.2025 - Trump announced a trade agreement with Vietnam reducing proposed U.S. tariffs to 20 percent and imposing higher duties on transhipped goods.

07.07.2025 - Trump extended the suspension of country specific tariffs until 01.08.2025 and notified multiple countries of planned tariff increases.

09.07.2025 - Trump threatened a 50 percent tariff on Brazilian goods unless Brazil halted legal proceedings against former President Jair Bolsonaro.

11.07.2025 - Trump announced a 35 percent tariff on imports from Canada, effective 01.08.2025.

12.07.2025 - Trump announced 30 percent tariffs on imports from Mexico and the European Union, effective 01.08.2025.

20.07.2025 - The U.S. Commerce Secretary confirmed that USMCA compliant Canadian and Mexican goods would remain exempt from tariffs for the time being.

22.07.2025 - Trump announced trade agreements with Indonesia, the Philippines, and Japan establishing reduced tariff rates on imports from these countries.

24.07.2025 - The European Union published a detailed schedule of countermeasures targeting U.S. agricultural goods if negotiations failed.

27.07.2025 - The United States and the European Union announced a framework trade agreement setting a 15 percent tariff on most EU exports to the U.S.

30.07.2025 - The United States announced a 40 percent tariff on Brazilian goods and a 15 percent tariff on imports from South Korea.

01.08.2025 - Trump imposed sweeping new tariffs on imports from approximately 70 countries while increasing tariffs on Canadian goods, with USMCA exemptions retained.

05.08.2025 - The European Union suspended its announced countermeasures against U.S. goods for six months.

06.08.2025 - Trump imposed an additional 25 percent tariff on Indian goods, raising total U.S. tariffs on Indian imports to 50 percent.

07.08.2025 - Switzerland announced it would not retaliate against newly imposed U.S. tariffs and would continue negotiations.

11.08.2025 - The United States and China extended their tariff truce until 10.11.2025.

21.08.2025 - The United States and the European Union released further details of their trade framework agreement.

29.08.2025 - The U.S. Court of Appeals ruled that Trump's reciprocal tariffs were unlawful but allowed them to remain in effect until mid-October pending appeal.

01.09.2025 - Canada removed most retaliatory tariffs on U.S. goods, including duties on peanut butter.

25.10.2025 - Trump announced an additional 10 percent tariff increase on Canadian imports, citing political developments in Canada.

31.10.2025 - Trump announced that the United States would reduce tariffs on Chinese goods from 20 percent to 10 percent following high level talks with China.

14.11.2025 - In line with the rate applied to EU goods, Trump agreed to lower tariffs on goods from Switzerland and Liechtenstein, from 39% to 15%

12.01.2026 - Trump announced that any country doing business with Iran would face a 25% tariff on goods entering the U.S. effective immediately.

17.01.2026 - Trump announced that a 10% tariff on Denmark, Finland, France, Germany, the Netherlands, Norway, Sweden and the United Kingdom, adding that it would increase to 25% on June 1, if no deal for the purchase of Greenland by U.S. could be reached.

21.01.2026 - The European Parliament's International Trade Committee suspended ratification of EU-US deal. Trump retracted his threat of tariffs on EU countries over Greenland dispute.

CIDS EDITORIAL BOARD



Geetaali Malhotra
Team Lead



Pakhi Dhokariya
Team Co-lead



Poorvanshi Tyagi
Research Analyst



Amey Goswami
Research Analyst



Tanishka Shah
Research Analyst



Rhea
Research Analyst

FACULTY EDITOR



Professor Deepanshu Mohan
Centre for New Economics Studies
O.P Jindal Global University



O.P. JINDAL GLOBAL UNIVERSITY

Sonipat Narela Road, Sonipat, Haryana-131001 (NCR of Delhi), India
www.jsia.edu.in; www.jgu.edu.in

For any comments or inputs on the research submissions, please write to us at
cids@jgu.edu.in