

Trump's Tariff Imposition and Global Repercussions

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Context

On **February 1, 2025**, U.S. President **Donald Trump** signed an executive order imposing **heavy tariffs** on imports from **Mexico, Canada, and China**. This decision, framed as a measure to protect American economic and national security interests, has sparked **immediate retaliation** from affected nations, escalating global trade tensions.

Reasons for the Tariff Imposition:

- **Economic Protectionism:** Trump aims to protect American industries from foreign competition.
- **National Security Concerns:** He argues that certain imports pose risks to U.S. security.
- **Illegal Immigration:** Mexico is accused of failing to control illegal border crossings.
- **Fentanyl Crisis:** China is blamed for exporting illicit fentanyl, which contributes to the opioid epidemic.

Details of the Tariffs:

- **10% tariff on all Chinese imports.**
- **25% tariff on imports from Canada and Mexico.**
- **10% tax on energy imports from Canada** (including oil and natural gas).

These tariffs have led to **strong retaliation** from trading partners, further straining diplomatic relations.

Retaliation from Canada, Mexico, and China

Canada's Response

- Imposed **25% tariffs on \$155 billion worth of U.S. goods.**
- Targeted **alcohol and fruit imports** from the U.S.
- Signaled that further trade restrictions could follow if tensions escalate.

Mexico's Response

- Mexican President Claudia Sheinbaum rejected Trump's claim of ties between the Mexican government and criminal organizations.
- Announced countermeasures and instructed the economy secretary to implement additional policies.

China's Dilemma: Retaliate or Hold Back?

- China faces a **difficult decision**—aggressive retaliation could escalate a global trade war, while inaction may be seen as **weakness** domestically.
 - The **Chinese economy heavily depends on exports**, making any trade disruption a significant challenge.
 - **China's Ministry of Commerce** has decided to challenge the tariffs at the **World Trade Organization (WTO)**. However, due to the **U.S. blocking judge appointments at the WTO**, the organization's ability to intervene is **weakened**.
 - **China urged the U.S. to focus on cooperation rather than escalating trade tensions.**
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Impact of Tariffs on the U.S. and Global Economy

1. Economic Risks and Inflation Concerns

- Tariffs are expected to raise prices on essential goods, including groceries, automobiles, and housing.
- A Yale Budget Lab study estimates that the average U.S. household could lose \$1,170 in annual income due to rising costs.

2. Escalation of Protectionist Policies

- Trump has signaled possible additional tariffs on:
 - Computer chips
 - Steel and oil
 - Pharmaceuticals
 - European imports
- This could lead to further economic conflicts between the U.S. and major global economies.

3. Impact on U.S. Jobs

- Although Trump claims tariffs **protect American jobs**, economic experts argue they:
 - **Have not significantly benefited industries like steel.**
 - **May hurt other sectors** due to automation and higher input costs.
 - **Fail to reduce the U.S. trade deficit** as intended.
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India's Position in the Trade Dispute

India's Exemption from Tariffs

- **India is not included** in the first round of U.S. trade restrictions, despite past tensions over

tariffs.

- **India reduced tariffs** on U.S. exports (motorcycles, satellite ground installations, synthetic flavoring essences) in the **Union Budget 2025-26**.

India's Role in the U.S. Trade Deficit

- **India contributes 3.2%** to the U.S. trade deficit.
- **Top contributors to the U.S. trade deficit:**
 - **China: 30%** (\$317 billion trade surplus).
 - **Mexico: 19%** (\$200 billion trade surplus).
 - **Canada: 14.5%** (\$153 billion trade surplus).

Opportunities for India in the U.S. Market

- With **Chinese goods becoming more expensive**, Indian exporters see a **chance to capture market share**.
- During **Trump's first term**, similar trade disruptions **helped India gain advantages**.

Sectors at Risk for India

- Although India is **not an immediate target**, certain **high-value exports** may come under U.S. trade restrictions:
 - **Pharmaceuticals (21.9%** of India's consumer goods exports to the U.S.).
 - **Gems & Jewelry (9.6%)**.
 - **Fisheries (shrimps & prawns) (6.6%)**.
- Other vulnerable sectors: **chemicals, textiles, and wood pulp**.

India-U.S. Immigration Relations Amid Trump's Crackdown

India's Diplomatic Approach

- India is cooperating with the U.S. to **accept the return of its citizens** who entered illegally, in exchange for maintaining **favorable legal immigration policies**.
- In 2024, only **1,100 Indians** were deported, but under **Trump's new policies**, up to **20,000** could face deportation.

Trump's Immigration Crackdown

- **Aims to deport 1 million illegal immigrants annually**.
- **Requires 2,750 deportations per day**.
- **Guantanamo Bay** is being considered as a **detention center** for up to **30,000 detainees**.

H-1B Visas and Indian Professionals

- **India's major concern** is ensuring that **skilled professionals and students** continue to have **opportunities in the U.S.**
- **72% of all H-1B visas issued (2022-2023)** went to **Indian nationals**.
- **Indian IT companies (Infosys, TCS, HCL, Wipro)** received over **20,000 H-1B approvals**.
- **351,000 Indian students** were enrolled in **U.S. universities in 2024**.

Balancing Immigration and Diplomatic Relations

- India is urging the U.S. to **handle deportations discreetly** to prevent domestic backlash.
 - The U.S. recognizes that **legal Indian immigrants contribute significantly to the economy** and is likely to **continue supporting legal immigration channels**.
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Conclusion

Trump's **aggressive trade policies** have triggered a **high-stakes economic confrontation**, leading to **inflation risks, trade disruptions, and strained international relations**.

- **For the U.S.**, tariffs may **increase domestic prices** and **hurt employment in certain sectors**.
- **For Canada, Mexico, and China**, retaliatory measures could further **destabilize trade partnerships**.
- **For India**, the exemption from tariffs **presents both opportunities and risks**, with certain exports vulnerable to future restrictions.
- **On immigration**, India is **cooperating on deportations** while safeguarding the interests of **legal professionals and students**.

As Trump's second term unfolds, **diplomatic efforts will be crucial** in managing **trade conflicts and immigration challenges** while maintaining stable **bilateral relations**.



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