



RCAS Commentary

Trump's Self-Inflicted Tariff Debacle

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About RCAS

香港亞洲研究中心| The Hong Kong Research Center for Asian Studies (RCAS) is a nonprofit research organization focusing on Asian affairs. It is a newly established institution founded in February 2022 by Dr. Nian Peng in Haikou and subsequently moved to Hong Kong in September 2023. We currently have an international research team with nearly 100 resident/nonresident researchers from China and other countries.

RCAS aims to become a leading research institute and think tank on Asian affairs in the Indo-Pacific region. To date, RCAS has conducted research programs on maritime disputes in the South China Sea (SCS), China's relations with the Indo-Pacific states, the Belt and Road Initiative (BRI), terrorism/counterterrorism in the Afg-Pak region, and so on. It is committed to promoting maritime cooperation, regional integration, and regional peace in the Indo-Pacific region at large.

RCAS has published nearly ten books in Chinese and English and more than 20 papers in SSCI/SCOPUS/CSSCI-indexed journals. Recent English publications include *Populism, Nationalism and South China Sea Dispute: Chinese and Southeast Asian Perspectives* (Singapore: Springer Nature, 2022); *Pakistan's Foreign Policy: Contemporary Developments and Dynamics* (London: Routledge, 2022); *Crossing the Himalayas: Buddhist Ties, Regional Integration and Great-Power Rivalry* (Singapore: Springer Nature, 2021); *The Reshaping of China-Southeast Asia Relations in Light of the COVID-19 Pandemic* (Singapore: Springer Nature, 2021); *Territorial Disputes, The Role of Leaders and The Impact of Quad: A Triangular Explanation of China-India Border Escalations* (2023); *Managing the South China Sea Dispute: Multilateral and Bilateral Approaches* (2022); *China-Pakistan Cooperation on Afghanistan: Assessing Key Interests and Implementing Strategies* (2022); *Hedging Against the Dragon: Myanmar's Tangled Relations with China since 1988* (2021); and *China-Pakistan Conventional Arms Trade: An Appraisal of Supplier's and Recipient's Motives* (2020).

RCAS has also published hundreds of articles, and its researchers have been interviewed in various local and international media outlets, such as *The Diplomat* in the United States, *East Asian Forum (EAF)* in Australia, *Bangkok Post* in Thailand, *Jakarta Post* in Indonesia, *Lian He Zao Bao*, *Think China* in Singapore, *South China Morning Post (SCMP)*, *China-US Focus* in Hong Kong, *CGTN*, *Global Times*, *World Affairs* in China. RCAS researchers have actively participated in international conferences or study visits in the United States, India, Pakistan, Sri Lanka, Nepal, Myanmar, Cambodia, and other places.

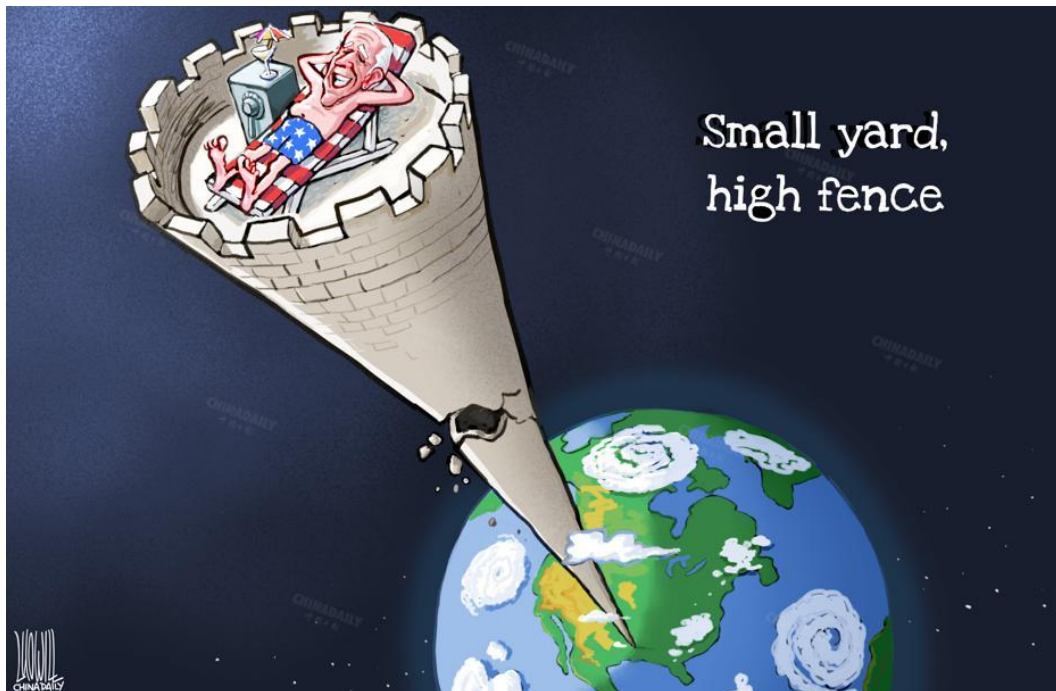
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Trump's Self-Inflicted Tariff Debacle

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On April 2, U.S. President Donald Trump imposed sweeping tariffs on virtually every one of America's trade partners. These tariffs increased from an initial baseline of a flat 10 percent on every country and grew by cutting the U.S. trade deficit in half with trade partners. For China, which responded tit-for-tat, tariffs increased to 150 percent (as of April 13). Overall, these tariffs fell as a bombshell on global trade which had just started to pick up after the pandemic, creating panic in most countries.



▲ Trump's tariff war. (China US Focus).

The tariffs are the latest addition to Trump's delusions, following his earlier shocks: the U.S. absorption of Canada, a sovereign country, to become America's 51st state; taking control of Greenland; occupying the Panama Canal; and the eviction of nearly 2 million Palestinians from Israeli-occupied Gaza to transform it into the Riviera of the Middle East. While these follies mainly worried concerned countries, the tariff bombshell is targeting friends and foes alike around the world. Trump is undermining the very system that the U.S. established to become the top economy, as well as the norms of free trade, market economies and the WTO-which it never tired of championing. Trump believes that the U.S. trade deficit is the root of all America's problems and that tariffs are the panacea that will make the U.S. "great again."

But the way tariffs were implemented resembled a scene from an action movie more than an act of a superpower claiming to be the world's leader. Trump imposed them without any consultation with other countries. The so-called Liberation Day on April 2 kicked off with the excitement of a blockbuster premiere. In less than a week, however, Trump faced reality on the ground and made a U-turn by providing a 90-day pause in the implementation of tariffs-except for China.

While the Trump administration called the break a strategy, plummeting U.S. markets, a bond-market revolt, a devalued dollar and a thrashing of stocks told a different story. This led Trump to modify his first-term conviction that "trade wars are good and easy to win" to a degree of alarm that "there'll be a little disturbance" on the way to greatness. He was preparing American consumers to brace for hardships. Most headlines are focused on calculating tariffs and their implications for the global economy and established trade norms. The world will certainly suffer, and the United States is not exempt.

Tariffs harm America's credibility as a reliable partner. As mentioned earlier, the U.S. imposed these tariffs indiscriminately on both allies and adversaries without consultation, which instilled a sense of panic. Trump was blunt in pointing a finger at long-term allies such as Japan, South Korea, Taiwan, Australia, Canada and others for taking advantage of the U.S. for a long time. In fact, Trump's tariff measures proved more shocking to U.S. allies than to rivals.

The tariff bombshells also affected the status of the U.S. dollar as the world's reserve currency. Countries have long used USD as the primary currency for international trade. A change in this practice first began as the U.S. increasingly employed the dollar as a geopolitical tool to punish other nations through sanctions. Sanctions on Russia, Iran and North Korea are examples that accelerated the demand for alternative currencies.

Tariffs would also impact household items, increasing commodity prices (mainly due to short supply) and pushing inflation above 4 percent by the end of last year. Inflation can skyrocket if uncertainties continue. A study by Johns Hopkins University showed that high inflation during the Biden administration (2021–25) was one of the factors that penalized the Democrats and contributed to victories by Trump-led Republicans nationwide.

But no relief for American consumers is in sight. Instead, the negative consequences of tariffs are likely to hit the middle and lower-middle classes even harder. Perhaps realizing this, Trump has pointed toward what he euphemistically called "a little disturbance" in the future.

The U.S. doesn't just import household items from China. Numerous U.S. industries also rely on key imported components. Many imports from China are difficult to replace, at least in the short term. Staggering tariffs of 150 percent on Chinese goods will damage U.S. production lines as well. Suppliers for top U.S. tech giants Nvidia, Apple, Google and more say they are facing higher levels of uncertainty because of Trump's tariffs than during the COVID-19 pandemic. They felt as if there were no tomorrow. Many suppliers involved in the production of smartphones, PCs and servers-including Nvidia's AI servers-have been compelled to make drastic changes to their production and shipping plans within a matter of days.

Notably, consumer spending has remained the bedrock of the U.S. economy. Beyond commodities, rising prices, high interest rates and speculation about the U.S. sagging into recession further impact consumer behavior. The sudden rise in consumption starting from late March, with consumers flocking to discount warehouses and stores to stock commodities, is one of the symptoms.

Trump's belief that tariffs will draw investors to move manufacturing to the United States is based on raw assumptions. Setting up a factory is not a short-term task; it requires mid-term planning, policy stability and sustained government support. Given the uncertainty and presidential elections every four years, with no idea what the policies of the next administration might be, investors are understandably hesitant to risk their money in the U.S.

In an interview with the Harvard Kennedy School, international trade expert Robert Lawrence said that the manufacturing sector was a very small part of the U.S. labor force. Just over 8 percent of Americans worked in this sector. Even if the U.S. addressed the trade gap, it could increase manufacturing by a maximum of only 2 points-meaning a total of 10 percent of Americans would be working in the sector. This will not make any big difference. In Lawrence's opinion, both the Biden and the Trump administrations were obsessed with the flawed thought that manufacturing could revitalize the American middle class, especially those without a college degree.

Analysts argue that mere trade in goods is not a good way to measure an economy. If the U.S. faces a trade deficit in goods, it holds a surplus in trade services.

The U.S. will also lose its status as a cherished destination for tourism and talent. As the Financial Times reported on the basis of ITA data, "The number of European travelers visiting the U.S. has fallen sharply as political and economic tension and fears of a hostile border under President Donald Trump threaten the world's most lucrative air routes."

Reductions can be seen in transatlantic air traffic, the most profitable routes in the world. In 2024, international visitors spent more than \$253 billion on U.S. travel and

tourism-related goods and services. The decrease in European travelers should have raised concerns among U.S. authorities.

Similarly, the decline in overseas student enrollments in U.S. universities, whether due to strict immigration policies under the Trump administration or the perception of the U.S. as a less desirable destination, is also accelerating. Talented students and high-skill migration have contributed to elevating America's status as a hub of scientific, technological and innovative advancements.

In 2016, the United Kingdom embarked on a similar economic isolationist path-called Brexit. Politicians sold voters with similar narratives that the EU was taking jobs and that immigrants posed a significant challenge to the nation's progress. Brexiteers claimed to revitalize the economy and protect workers in left-behind hinterlands from open borders and globalization. Nearly nine years after the Brexit referendum, the country is still grappling with the consequences. Studies by UK-based professors demonstrate that Brexit did not correct any of the problems caused by deindustrialization. Instead, made them worse. After the UK left the EU, it experienced a record surge of migration, mainly from South Asia and Africa.

So it seems that Trump did not learn any lessons from Brexit and embraced isolationism by erecting walls around the U.S. His poorly conceived global tariff war will severely affect U.S. consumers, increase inflation, damage America's reputation as a reliable partner and put the entire global trade system and practices that the U.S. once championed at risk. Trump has unleashed uncertainty across the entire planet. .

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About Author



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