# Trump's tariffs reshape global trade and supply chains amidst rising tensions



Since taking office, former US President Donald Trump has implemented an extensive series of trade tariffs affecting numerous industrial sectors and trading partners worldwide. His approach has not solely targeted countries engaging in unfair trade practices against US goods but has focused more broadly on nations running trade surpluses with the United States. This strategy has generated significant disruptions in global supply chains, complicating trade relations for many economies, including the UK.

A key consequence of the tariff adjustments has been instability within highly integrated supply chains developed by American companies, which often rely on sourcing components and products cheaply from China and Southeast Asia to sell finished goods at a premium in the US and European markets. The resulting disruptions have prompted some tariff delays and pauses, particularly after significant backlash from major American corporations facing rising production costs and challenges in maintaining profitability. However, China's tariffs remain substantial, with duties reportedly reaching up to 145 per cent on various items, though some exemptions apply for specific products such as smartphones, computers, semiconductors, and solar panels.

Effective from 14 October, ships constructed and owned by Chinese entities will face an additional $50 per net ton fee when docking at US ports, with scheduled increases over the next three years. Given that globally about 80 per cent of trade is carried out via maritime shipping and the US shipbuilding capacity is limited (producing approximately five vessels annually compared to China's 1,700), this levy exemplifies the challenges in rapidly adjusting domestic production capabilities in response to trade penalties.

Trump's administration has also threatened levying tariffs on pharmaceutical products and medical supplies, important UK export sectors to the US. Though ongoing high-level talks and positive statements from US Vice President Kamala Harris may alleviate these threats, the uncertainty has raised concerns about potential impacts on international trade flows.

The broader trade strategy has had significant effects on the financial and currency markets. The US stock market has experienced a considerable downturn, losing an estimated $11 trillion in market value since early in the year. Treasury bonds have equally been affected, with the largest weekly declines recorded for the 10-year and 30-year US government bonds in recent decades. Additionally, the US dollar has depreciated against major currencies such as the euro, the British pound, and notably the Russian ruble. Meanwhile, gold prices have surged to record highs, reflecting market uncertainty.

In parallel with tariffs, the US government has imposed export restrictions on advanced technology goods, such as the prohibition on Nvidia’s export of its H2O chips to China without special licences. Nvidia’s stock price fell by approximately 6 per cent following this announcement. This is part of a wider effort to control the transfer of cutting-edge technology amid rising tensions.

China has responded with reciprocal measures, implementing tariffs of around 125 per cent on select US goods, suspending imports of US beef and liquified natural gas, and restricting exports of critical rare earth metals and magnets, essential components for industries including automotive and defence sectors. These metal exports are particularly significant given China’s dominance in processing rare earths, a sector where the US remains heavily reliant.

Trade disputes between the US and its partners are compounded by issues such as the European Union’s tariffs, often characterised as protectionist, notably in sectors like agriculture, automobiles, and financial services. A study by the National Bureau of Economic Research highlighted that non-tariff barriers—such as subsidies, currency valuation manipulation, import quotas, and technology controls—accounted for a significant proportion of reduced US exports to China during the early years of Trump's presidency.

China’s practice of “grey trade,” wherein Chinese goods are re-exported through Southeast Asian countries to evade US tariffs, has also become widespread. In reaction, the US has imposed record tariffs on countries including Thailand, Malaysia, Cambodia, and Vietnam, with rates ranging from 41 per cent up to 3,500 per cent.

The US itself employs various non-tariff barriers, ranking fifteenth globally in their use. Agricultural policies particularly illustrate this, with tariff rate quotas designed to shield domestic producers while promoting substantial agricultural exports to markets such as Mexico, Canada, and China.

Industrial espionage and intellectual property (IP) theft have been central points of contention within US-China trade relations. Several Western firms across nuclear power, rail transport, wind energy, steel, aluminium, and solar power sectors have reported instances where technology transferred through joint ventures or imported goods has been replicated by Chinese competitors with state support, often to the detriment of foreign businesses. Concerns over espionage activities by Chinese nationals within Western countries have further complicated trade dynamics.

Trump’s trade policies thus illustrate an attempt to address what the US perceives as long-standing trade imbalances and unfair practices. However, the sweeping tariffs and retaliatory measures have caused significant collateral disruption to allied nations and have exposed vulnerabilities in critical supply chains. It remains clear that reshaping these complex global trading relationships and production networks will require considerable time and investment.

While the trade war represents a high-stakes strategic gamble aimed at strengthening American economic interests, the issues involved encompass a wide range of economic, geopolitical, and industrial factors. The interplay of tariffs, trade surpluses and deficits, sovereign industrial capability, and broader international relations will continue to influence the economic landscape in the foreseeable future.

Source: [Noah Wire Services](https://www.noahwire.com)

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