

Narrative Review Article

Unpredictable Protectionism: The Global and Corporate Consequences of Trump's Tariffs

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ABSTRACT

This paper shows the global and corporate results and consequences of President Donald Trump's tariff policies, with attention to the U.S.-trade relationship. In the beginning of 2018, the Trump Administration launched a series of tariff circumventions justified by concerns over intellectual property theft and unfair trade practices with other countries, especially China. These measures rapidly increased average tariff rates on Chinese goods, peaking at an unprecedented level of 145% by 2025. Using Government data, economic forecasts, and a direct case study from a Chinese pharmaceutical biotech manufacturer, this research highlights how tariff volatility disrupted global supply chains, destabilized markets, and forced companies to adapt and develop new ways of offshore production. Moreover, this study situates Trump's policy within the context of U.S. protectionism, from past events, the Smoot-Hawley Tariff act of 1930 to current trade wars and considers their broad economic impact. Ultimately, the analysis demonstrates that unpredictable protectionism undermines the stability on which global trade depends.

Keywords: trade war; tariffs; protectionism; intellectual property; trade retaliation; global supply chains; offshoring/nearshoring; market volatility

INTRODUCTION

Global Trade thrives on stability; however, in recent years, a few events have changed that. The United States took an aggressive turn toward protectionism. In 2018, President Trump launched a series of tariffs that disrupted long-standing trade norms, sending shockwaves through the entire economy worldwide. These tariffs were most aggressively targeted at China. A central justification for the Trump administration's tariffs on China was

the long-standing accusation of intellectual property (IP) theft and forced technology transfer. According to the 2018 Section 301 report from the Office of the U.S. Trade Representative, China was accused of engaging in practices that harmed the U.S. economy: "China's theft of U.S. technologies and intellectual property has caused at least \$50 billion in harm to the U.S. economy per year" (1). Furthermore, these tariffs acted as a counter to China's pre-existing tariffs set on American goods (USTR Section 301 Report (1)).

Nevertheless, these tariffs heavily affect global trade flows. They forced international businesses to rethink their strategy, logistics, and market access. Among those affected was a public biopharmaceutical firm from China. They specialize in the production of food and feed additives—particularly biotin, folic acid, and pharmaceutical intermediates like miconazole nitrate.

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This paper examines how Trump's trade policy affected companies through the lens of a specific company, analyzing timelines, responses, and the impact to their global trade.

HISTORY AND CONTEXT

The U.S. and China trade relationship has changed over many decades from limited exchanges to one of the largest bilateral trading partnerships in the world. Since China's economic reforms in the late 1970s and its progression to the World Trade Organization (WTO) in 2001, trade volumes between the two nations have expanded dramatically. By the mid-2010s, annual two-way trade in goods exceeded \$600 billion, making China one of America's largest trading partners (2) (Figure 1).

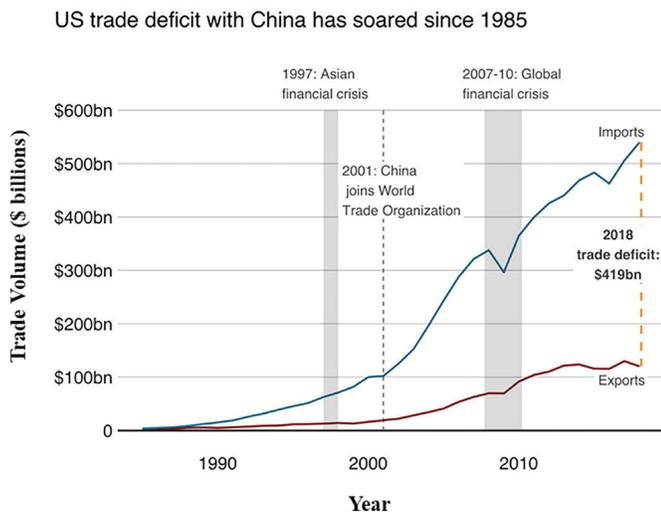


Figure 1. U.S. exports to and imports from China, 1985–2023. Source: U.S. Census Bureau (2). The United States primarily exports agricultural products such as soybeans, corn, and pork, as well as aircraft, automobiles, and high-tech machinery. China, in turn, exports electronics, consumer goods, textiles, and industrial machinery to the U.S. at a massive scale.

Before the most recent trade war, most goods moved between the two countries under relatively low tariffs, often under 3% for many Chinese exports (3). However, that changed dramatically starting in 2018, when the Trump administration-imposed tariffs on hundreds of billions of dollars' worth of Chinese goods. By 2019, the average tariff rate on Chinese imports had jumped above 19%, covering more than \$360 billion in products (3)

(Figure 2). China retaliated with its own tariffs on over \$110 billion worth of U.S. goods, further straining the trade relationship (3).

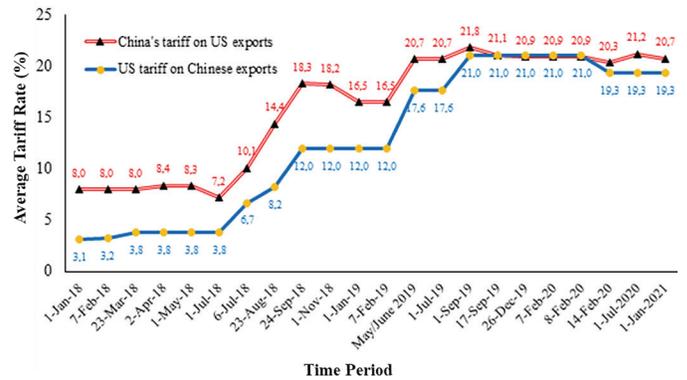


Figure 2. U.S.–China tariff rates during 2018–2021. Source: Peterson Institute for International Economics (3).

The trade relationship between the U.S. and China has been a long story of interdependence. China represents a substantial manufacturer with low production and infrastructure costs for US companies to offshore manufacturing. U.S. companies benefit from this low cost and imports from China's manufacturing. However, this dynamic has changed with the Trump administration's tariffs. Trump created these tariffs as a strategy to promote the domestic industries been getting replaced. Before Trump's presidency, the tariff rates were about 32%-35% on Chinese imports. This rate allowed for a stable trade relationship between China and the U.S. However, during Trump's first term, these rates drastically increased. Still, he was not finished.

Ever since Trump took office in 2025, he has increased these rates to a staggering 145% brutalizing trade (7) (Figure 3).

However, this pattern of aggressive trade measures was not limited to China. Trump's tariff strategy broadened to include close allies and major trading partners, with steel and aluminum tariffs imposed on the European Union, Canada, and Mexico. These moves strained long-standing alliances and provoked retaliatory measures from countries that had traditionally been U.S. economic trade partners. Yet it is important to note that many of these same countries already maintained far higher tariff barriers than the United States. The European Union, for instance, had long imposed tariffs in the 10–20% range on certain U.S. agricultural and

US-China trade war tariffs: An up-to-date chart

Last updated August 18, 2025

a. US-China tariff rates toward each other and rest of world (ROW)

— Chinese tariffs on US exports — US tariffs on Chinese exports — Chinese tariffs on ROW exports — US tariffs on ROW exports

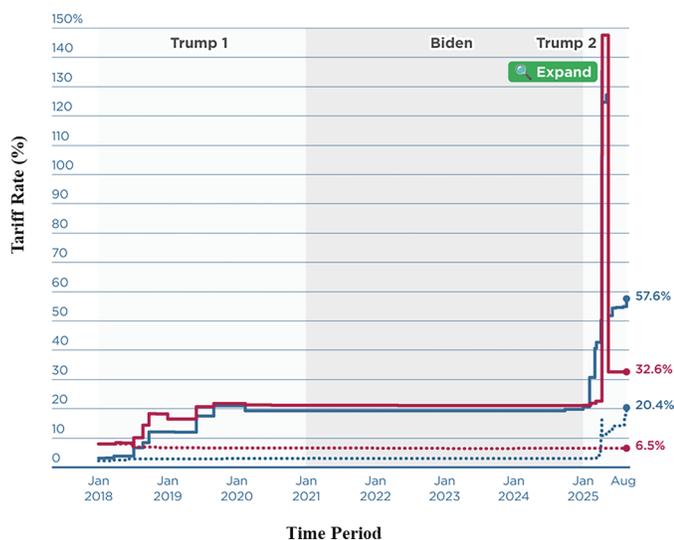


Figure 3. Tariff escalation between the U.S. and China, 2025. Source: PIIE Chart (3).

industrial products. Compared to the U.S.'s pre-Trump average tariff rate of only 3–4%, these foreign tariff structures were far more aggressive.

Although Trump's tariffs seem unusually aggressive in this modern era, the use of tariffs has had its own history in U.S. economics, and China was not the first country that the U.S. imposed its tariffs on. The early 20th-century Hawley-Smoot Tariff Act in 1930, which was intended to protect American farmers and manufacturers during the early stages of the Great Depression, sparked retaliatory tariffs from dozens of U.S. trading partners, such as Canada and European countries, leading to a global collapse (4). In previous years, the Biden administration announced a significant increase in tariffs on solar energy materials from China. The tariffs still remain in place. Despite the higher costs and slowed deployments, the increased U.S. capacity was a net positive outcome.

The current tariff cycle also echoes structural patterns observed during earlier protectionist periods such as the Smoot–Hawley Tariff Act of 1930. In both cases, policymakers sought to bolster domestic industries by restricting foreign competition, but the resulting retaliation and contraction of global trade produced wider economic harm. Just as the Smoot–Hawley Tariff

accelerated a downward spiral of global demand during the Great Depression, contemporary tariff escalation has strained cross-border supply chains and magnified systemic vulnerabilities in a deeply interconnected global economy. The historical parallel underscores how protectionist episodes, despite differing contexts, tend to generate similar macroeconomic distortions.

TIMELINE

In 2018, in Trump's first presidency, during his initial round of tariffs, President Trump implemented a minimum tariff of 145% on products from China, covering a wide range of goods from industrial machinery and electronics to chemicals and agricultural products (7). After leaving office in 2021, the subsequent administration maintained portions of his tariff framework—the Biden administration, though with varying degrees of enforcement and negotiation. Skipping ahead to February 2025, early in Mr. Trump's second term, he announced an increase of an additional 25% on products from Mexico and Canada, and an additional 10% on products from China (7). Then, in March of that year, he increased another 10% on Chinese imports. China retaliated with its tariff, bringing U.S. goods to a tariff rate of 84% (7). President Trump brazenly responded in kind, further increasing the tariff to 145% (7).

At this rate, most businesses in China can not survive having only American exports. However, on May 12, 2025, things took a turn. The US and China decided to have a 90-day reprieve, during which the mutual tariffs dropped to 30%.

Furthermore, the scope of these tariffs triggered global panic. Many countries saw the measures as a sign of rising U.S. economic nationalism and began reassessing their trade strategies. Some, like the European Union, opted to negotiate targeted trade deals with Washington to secure exemptions or favorable terms—moves that directly weakened China's bargaining power by giving the U.S. robust alternative supply routes and markets.

Nevertheless, these shifting trade dynamics were not just abstract geopolitical maneuvers, they had immediate, concrete effects on businesses around the world. For Chinese exporters, the escalating tariffs and the uncertainty surrounding future trade policy forced difficult decisions about production, market priorities, and long-term strategy.

Moreover, the effects did not just end there; they spilled over into Wall Street. The constant uncertainty

rattled investors, dragging down the U.S. stock market at several thousand points as illustrated in Figure 4. Worries about a drawn-out trade war and shrinking corporate profits hit hardest for companies tied to global supply chains. Market volatility jumped, and sectors from tech to agriculture saw their values drop, a clear sign of just how closely trade policy and financial stability are linked.



Figure 4. S&P 500 index decline during Trump's tariff announcements (April 2018). Source: S&P Global (11).

GLOBAL EXPECTATIONS

Many countries would prefer to trade with the United States over other markets because of its stable and high-value economy. However, that stability has been shaken. President Trump's unpredictable tariff decisions have made it difficult for governments and businesses around the world to predict future trade conditions. While the 90-day reprieve at a 30% tariff rate offers temporary relief, few believe the previous rates of 145% could return with devastating consequences for trade flows. Globally, Trump's expanded tariff policies are expected to slow economic growth, raise costs, and shift trade alliances (8). Economists at UBS and Oxford Economics forecast that sustained high tariffs—potentially reaching 20–25% on average—could reduce global trade values by over 7% by 2030 and cut worldwide GDP by nearly 2% (9). In response, major U.S. trading partners such as the European Union and Japan have negotiated targeted agreements to secure lower tariffs. These shifts suggest that Trump's tariffs are driving a more fragmented global trade landscape. Yet despite the turmoil, markets showed resilience.

After the initial dip in major indices like the S&P 500, investors began to regain confidence during the 90-day reprieve, interpreting the tariff reduction to 30% as a signal that compromise was in the works (9). The rebound reflected a broader optimism that U.S. and Chinese leaders could come to an agreement and prevent major consequential outcomes if the trade war were to continue. Analysts noted that capital inflows resumed, with some investors betting that multinational companies would adapt by diversifying supply chains and finding new efficiencies.

Tariff volatility also weakens global investment confidence by eroding the predictability on which multinational planning depends. Firms typically make long-term capital decisions based on stable expectations of market access, input costs, and regulatory conditions. When tariff regimes shift abruptly or with little warning, companies face elevated risk premiums, delayed investment cycles, and greater reluctance to commit to fixed assets in tariff-exposed regions. This uncertainty transforms what would otherwise be routine investment decisions into strategic gambles, constraining expansion and redirecting capital toward markets perceived as less politically volatile.

CASE STUDY EXPECTATIONS

More specifically, a publicly listed, mid-sized Chinese pharmaceutical and biotech manufacturer headquartered in Tiantai County, Zhejiang Province. Specializing in the production of food and feed additives, particularly biotin, folic acid, and pharmaceutical intermediates like miconazole nitrate. With EU and global certifications (including GMP, ISO 9001, FAMI-QS, and HALAL), the company exports internationally and plays a leading role in China's biotin market, holding approximately 30% of the global share. Its subsidiary also produces biological preservatives such as nisin and natamycin. Backed by a provincial-level R&D institute and national talent programs, the firm emphasizes innovation and quality control while maintaining an export-driven business model that heavily interacts with global trade systems.

For the Chinese pharmaceutical company at the center of this case study, the 90-day reprieve is a fragile lifeline. The firm hopes the 30% tariff rate will remain in place after the reprieve ends, as returning to 145% would effectively cut off the U.S. market. Such a rate would make exports non-viable, erasing a key source of revenue. Stability is their top priority, even above securing the lowest possible tariffs, because consistent policy allows

them to adapt and strategize effectively. In response to the current tariffs, the company has already altered its operations. Previously, it sold directly to U.S. buyers; now it routes products through middlemen in other countries, sharing the tariff burden in a three-way split that reduces profits. Another strategy leverages trade rules that allow goods with at least 20% of production completed in Europe to be labeled as “manufactured in Europe,” reducing most U.S. tariffs. These measures, while costly, are designed to keep the company competitive in an increasingly uncertain global trade environment (10).

This company’s story is emblematic of a pattern emerging elsewhere across China’s export-driven sectors. As tariffs disrupt decades-old, developed routes, companies are exploring diversified destinations, partially relocating production, and using regulatory credentials to maintain international access. For example, instead of relying on the United States as a consistently available market, manufacturers have increasingly found Southeast Asian, Middle Eastern, and Latin American buyers with lower tariff exposure on cargo, and similarly, partial relocation efforts - creating products but completing value-added processing in Europe - demonstrates a newly found regionalized nature to supply chains as companies seek tariff-neutral labels. Thus, GMP, ISO 9001, and FAMI-QS certifications are not so many definitions of products as they are means of mobility, helping companies assimilate within alternative systems - and thus move more freely from location to location. Therefore, this case illustrates how operators within China’s manufacturing industry respond to unexpected protectionism through diversification, strategic production shifts and an emphasis on regulatory empowerment.

NEXT STEPS

Looking forward, companies’ prevailing sentiment is that the tariff will not stay at 145% after the 90-day period is over. However, they are preparing for that possibility.

If the tariff remains high, companies are thinking of these long-term adjustments. Companies anticipate that tariff levels may remain elevated after the 90-day reprieve, prompting them to prepare for more permanent structural adjustments. Many firms are actively considering relocating segments of production to countries with more favorable trade relationships with the United States, a strategy that reduces direct tariff exposure while preserving access to major consumer

markets. At the same time, businesses are reassessing their dependence on the U.S. altogether. While the American market remains profitable, persistent tariff uncertainty has encouraged companies to cultivate alternative markets and diversify revenue streams, thereby reducing vulnerability to future policy shocks.

CONCLUSION

Trump’s tariffs did not just change trade numbers on a chart—they shook the entire system of global business. These dynamics highlight the fundamental trade-off embedded in protectionist policy: short-term insulation for targeted industries versus long-term economic inefficiency.

While high tariffs may temporarily shield domestic firms from foreign competition, they also raise input costs, reduce competitive pressure, and encourage resource misallocation. Over time, this weakens productivity and erodes the global competitiveness of the very industries protectionism aims to support. The result is a policy paradox in which immediate political gains often mask structural economic losses.

What started in 2018 as a response to China’s intellectual property practices quickly grew into a trade war that unsettled markets, hurt farmers, and made companies rethink how and where they operate. The first Trump administration was disruptive enough, but upon his return in 2025, he took things to another level. Tariffs soaring to 145% did not just pressure China; they crushed the stability that global trade depends on. Even the short 90-day reprieve at 30% felt less like relief and more like a pause before the next blow. The bigger takeaway is clear: in this new age of unpredictable protectionism, companies and countries cannot count on steady rules. Their survival depends on how quickly they can adapt, spread their risks, and learn to navigate a world where politics and economics collide more violently than ever before.

The escalation of Trump’s tariffs to unprecedented levels fundamentally reshaped the global trade environment, imposing pressures not seen in the modern era of international commerce. These rapidly shifting barriers disrupted global supply chains, forcing firms to reorganize logistics, reroute goods through third countries, and reconsider where and how production should occur. This period underscored the crucial importance of policy stability, as businesses struggled to plan long-term investments amid volatile tariff regimes. In response, many firms began adopting adaptive

strategies such as offshoring production to tariff-neutral regions, diversifying export markets, and modifying products to satisfy alternative regulatory standards. The broader economic consequences extended far beyond manufacturing: higher input costs, consumer price increases, retaliatory tariffs, and diminished investor confidence collectively weighed on global growth prospects. Together, these dynamics illustrate how deeply protectionist shocks can reverberate through both corporate decision-making and the international economic system.

CONFLICT OF INTEREST

The author declares no conflicts of interest related to this work.

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