


Chapter 5

U.S. Trade Policy and Reciprocal Tariffs: The Trade War and Its Impact on Future Trade Policies in Asian Countries

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ABSTRACT

The trade war between the United States and China has opened strategic opportunities to expand economic markets in Asian countries. The United States' trading partners are expected to retaliate to protect domestic industries and recover nominal income. This would cause further harm to U.S. economic growth and income, slowing global economic growth, with the negative impact intensifying when tariffs extend to free trade agreement partners and prompt retaliation. This study uses the literature research method. It analyzes information about the trade war between the United States and various Asian countries, especially China, which has a long history of trade conflict with the U.S., and discusses the effect of U.S. reciprocal tariffs on trade policies and tariffs in Asian countries. Trump's program would not only cause grave damage to the U.S. economy; these policies would actually benefit other countries, including most in Asia.

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1. INTRODUCTION

The second term of Donald J. Trump as the president of the United States of America began in January 2025, marking the continuation of his distinctive “America First” approach (Dhar, 2025) and “Make America Great Again”, a modern American political slogan made popular throughout his victorious presidential campaigns in 2016 and 2024. In a return to his first term's trade policies, he has implemented a wide range of tariff measures with most countries and traditional allies. .

According to Executive Order 14257 of April 2, 2025 - Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits, in order to combat that special and exceptional threat to the United States economy and national security that comes totally or in large part from outside the nation, President Trump imposed additional ad valorem duties. He declared a national emergency in response to conditions reflected in the huge and ongoing annual United States goods trade deficits. As a result of domestic political negotiations between globalists and protectionists, who represented owners of factors unique to exporting and importing competitive industries, respectively, the United States of America Reciprocal Tariff established the country's trade policy with other nations (Bowen, T. Rene; Broz, J. Lawrence; Rosendorff, 2023).

While section 4(b) of Executive Order 14257 provided that in order to guarantee the effectiveness of this action, in the event that any trading partner retaliates against the United States in response to this action by imposing import duties on U.S. exports or taking other actions, President Trump may further amend the United States' Harmonised Tariff Schedule to increase or expand the duties imposed under this order.

Late in May, there were additional court decisions that added to the uncertainty surrounding Trump's tariff strategy. To support his reciprocal tariffs, Trump invoked a domestic legislation known as the International Economic Emergency Powers Act (IEEPA). Two different U.S. courts declared that the president had overreached himself in imposing IEEPA tariffs and demanded that all IEEPA-related duties be immediately removed. Although the lower court ruling was stayed by an expedited appeal filed by the Administration, the cases will likely to be analysed by the Supreme Court (Elms, 2025). Meanwhile, the Trump administration is adamant that they have the power to raise tariffs as planned in July, and then changed to early August, allowing countries to negotiate.

Originally, the increase in tariffs aimed to balance the bilateral trade deficits between the U.S. and each of its trading partners. For this purpose, it is calculated as reciprocal tariff rates, through the assumption that a mix of tariff and non-tariff factors that hinder trade from balancing are the cause of ongoing trade deficits. The

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