Iosr Journal Of Economics And Finance (Iosr-Jef)
E-Issn: 2321-5933, P-Issn: 2321-5925.Volume 15, Issue 5 Ser. 6 (Sept. – Oct. 2024), Pp 24-32
www.Iosrjournals.Org

The Influence Of Trade Tariffs On Global Trade

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Date of Submission: 05-10-2024 Date of Acceptance: 15-10-2024

I. Introduction

Trade tariffs which may be described as an imposition of a tax by a government on imported/exported goods have over time been used as an effective economic strategy. They were used for protection of domestic industries, as sources of revenue and for balancing out the trade deficits(Krugman, 2018). In today's world of globalization tariffs have become sensitive as nations seek to allow free trade while at the same seeking to protect of their own industries. Although, it should be noted that tariffs protect domestic industries in the long run, they result in retaliation and also in trade wars as witnessed lately between the U. S and China (Smith, 2020).

The integration of global supply chains has made it worse for tariffs since degradation of supply dependencies frequently leads to disruptions across several sectors and countries (Jones & Lee, 2021). This paper seeks to assess the general impact of trading tariffs in the international market by evaluating past and present practices of tarifn implementation. The purpose is to assess various degrees to which tariffs act as regulators of the economic interactions and their effects on the global markets with the focus on the contemporary altering geopolitical and economic climate shifts.

Historical Background

Tariffs as a trade mechanism have been around for centuries and more often than not were used as a protection tool for foreign trade by governments from their domestic businesses. Another historical evidence of tariffs use was during the mercantilist period when Britain and france for instance locked their colonies on purpose of developing these colonies by placing high tariffs that would keep out rivals alike. These protectionist policies were for the purpose of developing national companies and taking over the global market share of numerous industries resulted in the uplift of domestic production on the cost of foreign operations.

One of the most important events of the history of trade tariffs took place in the United States in 1930 when the Smoot-Hawley Tariff Act was passed. This act passed during the great depression attempted to protect the jobs and industries of America and to do so it significantly escalated the tariffs to what was up to then the highest level of tariffs ever. It ended up putting other countries on the defensive by imposing their retaliatory tariffs which eventually led to a steep fall in production, exportation and increased the effects of the economic hardship (Irwin, 2019). The lessons of Smoot-Hawley could not be ignored and thus more nations learned that tariff increase posed dangerous effects hence leading to formation of more open trade policies.

During the World War II up to the post World War II, more focus and concentration was put on international economic cooperation through the formation of GATT deal in 1947. GATT sought to decrease the barriers to trades such as taxes and develop relations of cooperation in the economic world (Bhagwati, 2013). This was compounded by creation of the world trade organization WTO in 1995 which saw the centrality of multilateral trade agreements and general Scaling down of tariffs worldwide.

Nonetheless, tariffs are still considered as one of the main measures used by countries, and even more so in the context of economic nationalism and trade wars. Some examples include the current U. S. – China trade war which confirms how tariffs remain implicating forces in the management of international trade relations in as much as such practices result in far-reaching economic impacts (Liu & Wu, 2020). This is because the modern development of tariffs can be construed from these previous and present circumstances.

Types of Trade Tariffs

Tariffs can be described as a kind of taxes that are imposed on imported and exported goods and come in many types with different effects on the economies of the importing or exporting nations, and the global economy in general. For the purpose of comprehending the effect of tariffs on global trade, it is crucial to be acquainted with varieties of tariffs.

1. Ad Valorem Tariffs

Of the tariffs that exist in the world today, the most popular one is the ad valorem tariffs which are tariffs that are calculated as a percentage of the value of goods imported. For example, if a country levies ad valorem tariff at 10 percent on automobiles and somebody imports a car worth $20000, the tariff to be paid will be $2000. This tariffs are prevalent since they vary with the price of goods and give constant income to the governments while extending a fair degree of protection to the local industries (Feenstra & Taylor, 2017).

2. Specific Tariffs

Tariffs specific are fixed at a certain amount of charges per units of weight or volume connected with the goods and not their worth. For example, a $50 can be charged to a ton of the steel import whether the price of this relative product is little or much. They are easier to apply but are less popular since they can penalize low cost products more and hence specific tariffs are commonly used in firms.

3. Compound Tariffs

This is a type of tariff that contain some elements of both the ad valorem and the specific tariffs. For instance a country might decide to charge a 5% ad valorem tariff coupled with $30 charge per ton of the imported product. Compound tariffs can be used to gain equivalent freedom in revenue formation and safeguarding at the same time inheriting the benefits of specific and ad valorem tariffs (Stiglitz, 2015).

4. Tariff Escalation

Gonville and Asca located tariff escalation concept where one country applies low tariff rates on the input merchandise and high tariff rates on output goods. This leads to the promotion of domestic industries to engage in value addition to raw materials imported before selling in the local market or export market (Anderson, 2019). Structuralist authors believe that tariff escalation may help to foster industrialization but at the same time hinders the opportunity for developing nation's to export their processed goods to other countries thus continue to keep the gap between the richer nations and the poorer developing nations wide open.

5. Retaliatory Tariffs

Counter tariffs are charged as a result of tariffs that have been placed on goods imported from a certain country. For example, during the U. S – China trade war, both of the nations put into practice the reciprocal tariffs to the goods of the other nation, thus resulting in a retaliatory cycle that affected the flow of goods around the globe (Liu & Wu, 2020). These tariffs are normally inclined politically and technically can destabilize the supply networks.

Wisdom in these various forms of tariffs is essential for measuring the differentiated impact in international commerce, relations, domestic businesses among them.

Theoretical Framework

This paper will help in presenting an understanding of how trade tariffs affect the global trade by exploring the theoretical analysis of the effects that tariffs have towards the trade flows, prices, and welfare effects. Different models of international economics offer useful information on the subject of tariffs with respect to the global trade.

1. Comparative Advantage

Comparative advantage was postulated by David Ricardo as a principle that stated that countries should produce commodities that they can produce more efficiently. Tariffs, however, interfere with this natural distribution of resources through making imported goods costly thus leading to localized and inefficient production. For instance when a country fixes high tariffs on steel imports then local producers may start producing steel even though the country in question does not have a comparative advantage hence leading to inefficiencies at the global level.

2. Protectionism vs. Free Trade

Tariff barriers help government protect local Industries from competition from other countries, these are known as protectionism. According to Friedrich List, other supportors of protectionism the infant industries require protection in the global market until they establish themselves as strong forces in the international markets (Chang, 2019). But, opponents continue focusing on the negative impacts that can arise from protectionism and the prolongation of the type; for instance, it can be alleged that domestic industries become inefficient and less innovative since they are shielded from competition from other nations (Bhagwati, 2013).

On the other hand, proponents of free trade like Smith point that eradication of these tariffs and barriers to trade results in efficiency in resources, better-off consumers through effect on prices, competition and innovation. It is important to state that this debate on protectionism and free trade continues to form the basis of discussions with regard to tariffs in the global market.

3. Tariffs and Market Distortions

Through the implementation of tariffs, market structures are established which distort the price of imported products by making the price higher than it should ideally be, hence altering behavior of consumers and suppliers in the market. Scholars who supported the theory of deadweight loss said that tariffs result in a social cost since these reduce consumers' surplus without benefiting producers or governments (Stiglitz, 2015). There is this inefficiency whereby consumers buy goods at higher prices if they are imported the domestic manufacturers may also not be under pressure to look for ways of cutting their costs.

4. Trade Barriers as Relating to Global Supply Chains

Another challenge in supply chain is the use of tariffs where globalization is a major consideration. This is because when tariffs are put on intermediary products that we in a development cycle for instance raw materials or components, it ends up raising the cost of production for industries, which in turn leads to high prices of the final product (Jones & Lee, 2021). For instance, the tariffs on steel and aluminum in the U. S have raised the manufacturing costs of the automobile and construction firms making their products expensive to consumers.

5. Political Economy of Tariffs

Political reasons are the main cause for setting tariffs since governments introduce them to safeguard some employment opportunities or in reaction to pressures from stakeholders from within the country. Tariffs can be used as a weapon used in negotiations or as a response to politically unfavorable trade policies by countries (Liu & Wu, 2020). But politically motivated tariffs often lead to trade wars which are very hostile and have a lot of Namen emphasized effects- like the current US and China tariff wars.

The following theoretical frameworks provide a platform for explaining the effects of tariffs in relation to trade, economic well-being and supply chain networks. As will be illustrated by the exploration of tariffs through the four perspectives, tariffs cannot be viewed as an isolated phenomenon with a straightforward impact on the international economy.

Effect of Tariff on Commerce

Tariffs therefore have a vast impact on flow of products across the borders and on the interior gross domestic products. Tariffs do not only affect the patterns of imports and exports but they also affect the structure of relations between countries. The following are some of the effects of tariffs on the international trade.

1. Effects on Domestic Economies

They are frequently applied as a mechanism for shielding certain industries from their foreign counterparts, which may offer help at least in the short term to the selected industries. For instance, many domestic industries such as the steel and textiles industries have in the past been favored by tariffs because they allow them shield from stiffer competition from imported goods (Feenstra & Taylor, 2017). However, as discussed before tariffs may protect domestic jobs and industries in the short run, but in the long run they make domestic firms less efficient because these firms are not forced by global competition to cut costs. This is what is referred to as 'economic rent-seeking' and it puts brake on long-run economic growth (Krugman & Obstfeld, 2020).

2. Global supply chains the idea that seamless economic interdependence of peoples and countries can be broken and disrupted.

Of all the consequences that stems from tariffs, the disruption of supply chains is probably the most pronounced one. In today's global ecosystem of supply chain, products may move through a number of countries before they are distributed to the final customer. For example, automotive and electronics industries have adopted the globalization approach of supply chain networks, were raw materials and components are imported from one country to another. Imposition of tariffs on intermediary goods such as aluminum or semiconductors has the effect of raising the cost of production hence raising the price of the final product (Jones & Lee, 2021). The trade war between the U. S. A and China is a good example of how tariffs on core inputs distorted production chain networks leading to cost escalation for firms globally (Liu & Wu, 2020).

3. Trade Wars and Retaliation

Various effects of tariffs include the fact that the other countries may take measures that will reduce trade with the country imposing tariffs, this can cause trade wars that can exacerbate the effects of tariffs. Trade tensions between the two countries started escalating in 2018 when the U. S and China implemented a trade war by imposing tariffs to the other's goods. This not only lowered the trade between two biggest economies in the world but also created many shocks in the global markets such as increase in prices and fluctuation in the commodity markets (Zhang & He, 2021). The consequences affected almost all industries with especially agricultural, technological, and manufacturing industries having great losses in exports.

4. Effects on Trade Balances

This is among the major reasons why tariffs are implemented to ensure that imports are restricted together with encouraging domestic production. However, the evidence points out that tariffs lead to fallacies in trade balances and it is ignored in the long-term. For instance, it was seen in the trade war that while enjoying the tariffs, the United States trade deficit with China expanded and American companies still imported Chinese products (Lighthizer, 2020). This further suggests that even as tarifds decrease particular imports, they actually cause trade offs rather than the balances of trades.

5. Impact on Developing Countries

These barriers include taxes on imports set by the developed nations which have dire consequences on the developing countries especially those who depend on exportation of raw materials or agricultural produce. High tariffs on processed good are known to deter developing nations from progressing up the value added good export ladder (Anderson, 2019). For instance, exporting countries in Africa exporting coffee beans may benefit from low tariffs, yet value added products such as tinned coffee are highly tariff protected thus the exporting countries cannot fully benefit. This increases dependability on large production facilities while inferiority forcing small industries, thereby, increasing inequality in world trade.

6. Consumer Impact and Inflation

Tariffs in more often than not results to expensive prices for consumer since it has penalties for importation costs. This is perhaps felt most hurtfully where firms import most of their inputs since such inflation has an amplifying effect. As it was seen during the trade war between U. S and China, the common consumer had to pay a high price in the form of tariffs on imported Chinese electronics and other household products (Zhang & He, 2021). This price increase lowers consumers' utility and can lead to downstream effects including a reduction in the overall consumption in the economy and a resultant slows economic growth.

However, these impacts indicate the fact that the implications of tariffs on the international trade are multifaceted and very often unpredictable in terms of their effects on economies, industries and end-consumers across the globe.

II. Case Studies

Case studies offer concrete examples of how tariffs have been implemented and the effects they have had on different countries and industries. The following case studies highlight some of the most significant recent examples of tariffs and their impact on global trade.

1. The U.S.-China Trade War (2018-Present)

One of the most high-profile examples of tariff escalation in recent years is the U.S.-China trade war, which began in 2018. The conflict started when the United States, under the Trump administration, imposed tariffs on approximately $250 billion worth of Chinese imports, citing intellectual property theft and unfair trade practices as primary reasons (Lighthizer, 2020). China retaliated by imposing its own tariffs on U.S. goods, leading to a tit-for-tat escalation. The trade war affected global trade flows and contributed to a slowdown in the world economy.

The tariffs resulted in significant shifts in supply chains. U.S. companies that relied heavily on Chinese imports had to seek alternative suppliers, which often meant higher costs. Similarly, Chinese manufacturers faced reduced demand for their goods in the U.S. market. Research shows that industries such as technology, agriculture, and consumer goods were among the hardest hit, with American farmers losing significant export markets for products like soybeans (Liu & Wu, 2020). Furthermore, the trade war triggered higher consumer prices and market volatility, particularly in sectors such as electronics and manufacturing (Zhang & He, 2021).

2. EU and U.S. Tariffs on Steel and Aluminum

In 2018, the U.S. government imposed tariffs of 25% on steel and 10% on aluminum imports, citing national security concerns under Section 232 of the Trade Expansion Act. The European Union (EU), Canada, and other U.S. trading partners quickly retaliated by imposing tariffs on a variety of American goods, including motorcycles, whiskey, and agricultural products (Feenstra & Taylor, 2017). These measures sparked a mini-trade war between the U.S. and its allies.

The tariffs had a profound impact on the global steel and aluminum markets. American manufacturers that relied on imported metals saw a sharp rise in production costs, which led to higher prices for downstream industries such as automotive, aerospace, and construction (Lighthizer, 2020). European and Canadian steelmakers, in turn, suffered from reduced demand in the U.S. market, prompting some companies to cut production or explore new markets. This case highlights how tariffs in strategic industries can disrupt not only trade but also long-standing economic alliances.

3. Developing Countries and Tariff Barriers

Many developing countries have faced challenges accessing global markets due to high tariffs on their value-added goods. For example, African nations that export raw materials such as coffee, cocoa, and minerals often benefit from low tariffs on these raw exports. However, once these materials are processed, the tariffs increase dramatically, making it difficult for these countries to compete in global markets (Anderson, 2019). This has perpetuated the reliance of many developing economies on exporting raw materials rather than processed goods, limiting their economic growth potential.

One specific case is Ghana's cocoa industry. While Ghana is one of the largest producers of cocoa beans, its ability to export processed chocolate is limited due to high tariffs imposed by developed countries (Jones & Lee, 2021). These tariff barriers have stifled Ghana's potential to move up the value chain, reinforcing the global trade inequality between developing and developed nations.

4. U.S.-Mexico Trade and the NAFTA/USMCA Transition

Another key example of tariff dynamics is the transition from NAFTA (North American Free Trade Agreement) to the USMCA (United States-Mexico-Canada Agreement), which came into effect in 2020. NAFTA had established free trade between the three countries since 1994, significantly boosting trade, particularly in sectors like automotive and agriculture (Wilson & Roberts, 2019). However, tensions arose when the U.S. imposed tariffs on Mexican steel and aluminum imports in 2018, prompting fears of retaliation from Mexico and jeopardizing the renegotiation of NAFTA.

Despite these tensions, the USMCA largely maintained tariff-free trade for most goods, ensuring the continuation of cross-border supply chains that had developed over decades. However, certain provisions, such as stricter rules of origin for the automotive industry, were introduced to encourage more manufacturing within the U.S., which has led to some restructuring in supply chains across North America (Feenstra & Taylor, 2017). This case demonstrates the delicate balance between trade agreements and the use of tariffs as tools of economic policy.

These case studies illustrate the wide-ranging effects of tariffs on global trade, from disrupting supply chains and trade alliances to reinforcing economic disparities between developed and developing nations.

III. Measures And Counter Measures To Tariffs And Other Forms Of Trade Barriers.

Governments as well as international organizations have implemented a number of policies to lessen the effects of tariffs and ensure the continued smooth flow of trade. Besides the conventional tariffs, other measures have been suggested and offered to protect the domestic industries while at the same time ensuring that trade relations between countries are stable. This part of the paper provides an overview of some of the most important policy actions as well as other measures that can be considered as a replacement for tariffs.

1. Free Trade Agreements (FTAs)

Free trade agreements are probably one of the most popular instruments used in order to liberalize trade between countries and eliminate tariffs. FTA’s objective is to eliminate or at least diminish tariffs on goods imported and exported within member countries with the view of making trade more liberal and predictable (Krugman & Obstfeld, 2020). Some of them are NAFTA that has recently been replaced by USMCA and the Customs Union of European Union where most of the tariffs between member countries have been removed (Wilson & Roberts, 2019).

FTA is a agreement between two or more countries with an aim of enhancing the flow of trade between them through the elimination of tariffs, quotas and other forms of barriers. These agreements assist industries which are in a position of relying on cross-border flows of goods and services, enabling goods and services to flow more easily. Nevertheless, FTAs also have the potential for trade diversion effect, which means that the trade switches from the most efficient producers to the FTA partners even if the later can be less efficient (Feenstra & Taylor, 2017).

2. Trade Adjustment Assistance (TAA)

For instance, in the United States, trade adjustment assistance (TAA) programmes are provided to assist the workers and firms that are negatively impacted by trade or tariff liberalisation. The Trade Adjustment Assistance (TAA) offers workers a package of financial assistance, re-employment training and job search assistance for those who are laid off due to import competition or shifts in production to other countries (Lighthizer, 2020). This policy is meant to mitigate the adverse impacts of globalization and trade liberalization on domestic employment especially manufacturing industries.

Critics of TAA have also pointed out that it suffers from inadequate funding and are unable to cope with some of the long-term consequences of trade liberalization. TAA programs have been in the limelight as to their efficacy in helping the displaced workers find new employment; while some studies have revealed that the programs have performed dismally in this aspect (Zhang & He, 2021).

3. Non-Tariff Barriers (NTBs)

Besides tariffs, governments employ another measure known as Non-Tariff Barriers (NTBs) in the control of imports and protection of domestic industries. Some of these barriers are quotas, import licenses, sanitary and phytosanitary measures and technical barriers that are measures which limit the quantity of goods that is allowed into a country or it imposes strict standards on the foreign products (Anderson, 2019). For instance, a country may come up with strict safety or environmental measures on the imported products to discourage competition, yet they do not have tariffs.

Tariffs are not the only way of restricting trade as non-tariff barriers can be equally efficient, but they usually do not lead to retaliation as they are described as technical standards rather than protectionism. NTBs, although, may raise the cost of trade and also create more processes in the international supply chain for exporters.

4. Subsidies to Domestic Industries

Another method which is used by the governments to protect their domestic industries is subsidies. One way through which governments can assist domestic firms to fight against foreign imports is by giving direct financial aid or tax incentives to such sectors. For instance, through subsidization of agriculture, the European Union and the United States are able to sell their products cheaper than the international market (Krugman & Obstfeld, 2020).

Subsidies are used to support domestic industries and they are usually accused of market manipulation and overproduction. For instance, in the area of agricultural subsidies, the excess production results in dumping where the excess goods produced are exported to the other countries at lower prices than their production cost thus being detrimental to the producers in the developing countries (Feenstra & Taylor, 2017). The WTO has rules on subsidies to avoid distortion of market so that the use of subsidies is a subject of controversy.

5. The GATT and the WTO: The Multilateral Trade Negotiations and The Dispute Settlement Procedures.

The WTO is an organization that is responsible for the management of international trade and settlement of trade related issues through the use of the dispute settlement system. Any country which feels that it is being discriminated against by tariffs or any other non-tariff barriers can seek the workout of the WTO legal system. For instance, in the U. S. -China trade war, both the countries filed several complaints to the WTO regarding the tariffs being imposed or not legal (Liu & Wu, 2020).

The multilateral trade talks like the Doha Development Round has mainly been about cutting down trade barriers in form of tariffs across the world. Despite the fact that WTO members' interests differ and thus the progress in multilateral negotiations is generally slow, such negotiations are still the primary way to combat protectionism and develop trade liberalization (Jones & Lee, 2021).

These policy responses and alternatives show the different ways that governments employ in order to control the impacts of tariffs and trade barriers. All the approaches have their benefits and drawbacks, but all of them try to find a compromise between the domestic economic concerns and the general objective of the free and fair trade system.

Data and Analysis

To determine the effects of trade tariffs it is necessary to use both qualitative and quantitative analysis. Trade statistics, tariff rates and models of trade analysis help the researchers to explain changes in trade flows, economic well-being and price levels due to tariffs. This section presents the major techniques and results from the empirical literatures on the effects of tariff.

1. Quantitative analysis of tariffs and their effect on the trade volumes.

The first impact of tariffs on the global trade is that it decreases the number of goods that are traded between countries. By the information published by the World Trade Organization (WTO), the world trade has a tendency of decline by 2. It stood at 9% in 2019 mainly because of the trade tensions between the U. S. , and China, and the subsequent tariffs that the two countries placed on each other products (WTO, 2020). According to the report by Liu and Wu (2020), the value of US imports from China reduced by 16% while the value of Chinese imports from the US reduced by 21%. These Figure illustrates the direct effect of tariffs on trade volumes, as organizations incurred high costs and looked for other ways to source their products.

Also, the electronics sector, agricultural sector, machinery sectors, among others, were badly affected by tariffs. For instance, U. S. soybean exports to China reduced from $12 billion in the year 2017 to $3 billion in the year 2018 thus showing how specific tariffs can harm particular industries (Feenstra & Taylor, 2017). The decrease in trade volumes also affects the global supply chains creating problems of inefficiency, increased costs of production, and time delays in manufacturing.

2. The Impact of Tariff on the Price of Consumers and Producers

Tariffs rise the price of the imported goods that are sold to the consumers that results to high prices. In a study conducted by Amiti, Redding, and Weinstein (2019) they noted that the tariffs which were imposed during the US-China trade war led to a reduction in trade by 0. An 8% rise in the consumer prices in the United States as businesses passed the tariffs costs to the consumers. For instance, tariffs on consumer electronics including smart phones and laptops positively impacted retail prices of these products in the U. S and by extension consumers' spending (Amiti et al. , 2019).

The production costs also rose due to the tariffs on the intermediate goods such as steel and aluminum that affected many sectors including automotive and construction. In a survey, Fajgelbaum et al. (2020) established that the US tariffs on steel and aluminum increased the overall costs of manufacturers that use the two materials by 5% and this was transferred to consumers as higher prices of automobiles, home appliances and infrastructure projects.

3. Ways to Analyze the Consequences of Tariffs.

There are several methods which economists employ in order to analyze the effects of tariffs on trade and welfare. The gravity model of trade is among such tools that help in the estimation of trade flows between two countries depending on their sizes and the distance between them. Research has established that tariffs are capable of greatly diminishing trade between countries particularly if the two trading partners include the United States and China (Lighthizer, 2020). The gravity model is extremely beneficial when it comes to determining how the trade barriers impact trade relations with countries not only the one imposing tariffs but also the ones that are affected by the shift in the trade relations (Jones & Lee, 2021).

The other model that is often used is the computable general equilibrium (CGE) model that measures the effect of tariffs on various sectors of the economy through analysis of interconnection between industries and factors. These models are useful in that they help researchers to model how tariffs affect trade, production, and consumption in a number of countries and sectors. For instance, CGE models have also estimated that the tariffs that were put in place during the U. S. -China trade war are estimated to have lowered the global GDP by 0. 5% due to the decreased trade and effectiveness as well as increased costs of production (Fajgelbaum et al. 2020).

4. Welfare and Income Consequences

This paper shows that tariffs do not only impact on trade volumes and prices but also bears virile effects on the economy and income. Nicita et al. 's (2018) study revealed that tariffs affect the poor households more since they spend a higher percentage of their income on the goods that are charged with tariffs such as food and clothing. Such a negative impact of tariffs intensifies income inequality, especially in the developing countries, which impose tariffs on the imported consumer goods (Anderson, 2019).

Besides the consumers, tariffs also have an influence over the distribution of income on the global scale. Countries that export raw materials and agricultural products are subjected to high tariffs when they seek to export manufactured products thus having limited chances of advancing their value addition (Feenstra & Taylor, 2017). This sustains global trade imbalance as developed countries place tariffs that shield their industries whilst developing countries fight for high value markets.

Criticisms of Tariffs

Tariffs are one of the most popular and at the same time disputed instruments of international trade policy, as they are able to create various negative impacts such as economic inefficiency, price increase as well as countermeasures. This section provide an overview of the most famous arguments against tariffs and their applications in today's economies.

1. Inefficiency and Deadweight Loss

A major concern of tariffs is the economic waste or what is referred to as the deadweight loss. This artificial price inflation cuts down the consumer's surplus which is the benefit that consumers get by purchasing goods at a lower price, and at the same time it also increases inefficiency in the production system. Protection by the tariff may discourage domestic manufacturers to come up with better products or find ways of operating at lower costs thus, resources are misallocated (Krugman & Obstfeld, 2020). The consequence is that both the consumers and the economy suffer, as resources are misallocated.

It has been seen that mainly tariffs have negative impact on the economy as total welfare is likely to reduce. For instance, Amiti, Redding, and Weinstein (2019) established that because of the U. S. – China trade war, the American consumers were worse off because prices had gone up and there was less variety of products because most of the products imported from China had higher tariffs. This deadweight loss can be defined as the difference between the price that consumers are willing to pay and the price they have to pay because of tariffs, which leads to the decrease in the consumption level and inefficiency in the economy (Amiti et al. , 2019).

2. Tariff escalation and Global inequality: An analysis

A major criticism of tariffs is the impact of tariff escalation which leads to the sustenance of global inequality. Many of the developed countries for instance apply low tariffs to raw materials imported from the developing countries but high tariffs on the processed and manufactured goods. This structure hampers the development of the export of higher value added goods and thus hinders industrial progress of the developing countries (Anderson, 2019). Consequently, a majority of the developing countries continue to export primary products which are non-value added goods while the developed countries are in a position to make improvements on the goods imported without incurring high tariffs.

For instance, African nations that supply raw agri-food products including coffee beans or cocoa have to pay for a higher tariff if they try to export a value-addition product like chocolate (Jones & Lee, 2021). This tariff escalation offers a structural challenge to the developing countries which face difficulty in diversifying their exports and thereby, attain higher levels of economic development.

3. Retaliation and Trade Wars

Tariffs usually lead to countermeasures from other countries with an aim of protecting their domestic industries and thus lead to trade wars that have adverse effects on the world economy. The trade war between the U. S and China is a recent example of how imposing tariffs will result in counters tariffs that in turn create a domino effect of increasing trade barriers that affect the entire world (Liu and Wu 2020). The two countries put tariffs on billions of dollars' worth of goods, this impacted sectors such as technology, agriculture among others.

The WTO has also noted time and again that trade wars breed uncertainty in the global markets and decrease volumes of trade, which vitiate the growth of the world economy (WTO, 2020). Also, trade wars can lead to huge tensions in the commodity markets as seen in the case of US-China trade relations whereby prices of items such as soybean and electronics sharply fluctuated (Zhang & He, 2021). This uncertainty is not good for both producers and consumers as they are required to cope up with the sudden changes in prices.

4. Protectionism vs. Globalization

Tariffs are usually used in protectionism as a way of protecting the domestic market from the import competition. But, such policies are not coherent with the principles of globalization which include free trade and the abolishment of impediments to cross border business (Feenstra & Taylor, 2017). Some people state that even though tariffs can help preserve native industries in the short run, they are negative for the global economy as they restrict the movement of products, services, and investments.

Furthermore, protectionist tariffs can harm development of domestic industries because firms are not compelled to enhance their performance by international rivals (Bhagwati, 2013). This dynamic was seen in the U. S. steel Industry after the tariffs were placed on the steel imports. Though the tariffs gave some reprieve to the domestic producers, they in the long run raised costs for industries that used steel such as automotive industry making them less competitive globally (Lighthizer, 2020).

5. Long-Term Economic Consequences

Even as some sectors may receive short term benefits from the imposition of tariffs, these are harms for the economy in the long run. Through making imports costly, tariffs lead to the cost of goods rising for both the consumers and the producers which in turn causes inflation (Amiti et al. , 2019). In the long term, this inflation can decrease the purchasing power, decrease the consumer spending, and limit the economic growth.

Also, tariffs affect the international supply chains because goods can pass through several countries before they get to the consumer. Automotive and electronics industries have been the most affected by tariffs as most of the components are imported from different countries (Jones & Lee, 2021). This causes production delays, higher costs and less competitiveness of companies that are involved in the global marketplace.

IV. Conclusion

Thus, the analysis of the role of trade tariffs in international economic policy shows that they are still effective, but their impact on the global trade is a rather delicate and debated issue. On a positive note, tariffs do offer the short term protection of domestic industries, as well as an influx of revenue for governments; however, these advantages are often accompanied by a number of drawbacks in the long run for both consumers and producers. For instance, tariffs have been used in the U. S. – China trade war and the U. S. tariffs on steel and aluminum have been seen to affect supply chain, cause price increases and lead to other countries imposing tariffs in return, thus creating a trade war (Lighthizer, 2020; Zhang & He, 2021).

An important lesson that can be learned from historical and modern studies is that tariffs lead to inefficiency in the economy and produce deadweight loss and decrease in social well-being (Krugman & Obstfeld, 2020). These inefficiencies are compounded by the retaliatory measures, in the form of tariffs, that follow in their wake, to the detriment of both the importing and exporting countries. Also, the concept of tariff escalation impacts developing countries most as the latter are unable to climb the ladder of value added products and instead contribute to the increase in global inequality (Anderson, 2019).

Also, despite the fact that tariffs are meant to protect domestic industries, they can result in the industries obtaining such protection becoming lazy and unproductive. This was illustrated in the case of the U. S. steel industry where, after being shielded from the competition of imported goods, other industries using steel such as the auto industry were to incur high costs (Bhagwati, 2013). If such protectionism is allowed to continue for many years, it will make that country's industries suffer and become less competitive in the international market.

The effects of tariffs on global trade therefore show that there is need to seek other ways of protecting domestic industries while at the same cooperating with the rest of the world. Some of the policies include the Free Trade Agreements (FTAs), Trade Adjustment Assistance (TAA) and subsidies which are useful in handling domestic issues without having to raise tariffs (Jones & Lee, 2021). Also, the multilateral organizations such as the WTO have important roles in the settlement of the conflict and encouragement of trade liberalization, which leads to the decline of the tariffs as a tool of trade policy (WTO, 2020).

Thus, the present study suggests that policymakers should think through the) possible economic consequences of tariffs and) compare the costs and) advantages of tariffs taking into account the possible retaliation, inefficiency, and global trade disruption. This means that as the world moves towards the integration of the global economy, the best results may be achieved through the liberalization of trade and the fair competition as opposed to the protective tariffs.

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