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THE IMPACT OF TRADE TARIFFS ON THE GLOBAL MARKET

Giyozov Mahmud Valijon ogli
Head of the Jizzakh Regional Branch of the Ministry of Digital Technologies
(Uzbekistan, Jizzakh)

Abstract: This article provides a comprehensive analysis of the impact of trade tariffs on international economic relations and national economies. It explores how the proper application of tariffs can stimulate domestic production, create new jobs, and increase government revenues. At the same time, it examines the negative consequences tariffs can bring, such as rising prices of imported goods, disruptions in supply chains, and a slowdown in global trade. The study uses real-world examples from countries such as the United States, China, and India to illustrate how tariff policies influence economic growth. The author emphasizes the importance of balanced tariff regulation, strengthening international trade agreements, and ensuring trade stability through institutions like the World Trade Organization.
Keywords: trade tariffs, international economy, domestic production, supply chain, global trade, economic policy.

Introduction

In the global economy, trade tariffs are one of the key instruments of economic policy used by countries. Through tariffs, nations aim to balance foreign trade relations, protect domestic producers, and ensure sustainable national economic development. In today's context of globalization, deeply integrated supply chains, and increasingly active international trade regimes, tariff policy has gained even more relevance.

Proper implementation of tariffs can lead to positive outcomes such as stimulating local production, creating new jobs, increasing state budget revenues, and promoting the localization of imported products. For example, the tariffs imposed by the U.S. on steel and aluminum from 2018 to 2022 spurred the revival of domestic industry and boosted economic activity.

However, excessive increases in tariffs may intensify tensions in international trade relations, raise prices and inflation levels, disrupt supply chains, and slow down overall economic growth. For instance, trade disputes between the U.S. and China led to a 1% decrease in global GDP, disruptions in electronics and automotive industries, and heightened global inflation.

This article analyzes the impact of trade tariffs across various sectors, their positive and negative consequences, and presents case studies of global and national economies. It also considers opportunities to ensure stable and inclusive economic growth through prudent tariff policy.

The Role of Trade Tariffs in Regulating International Trade Relations

Tariffs serve as an important tool for balancing international trade relations, ensuring a state's economic independence, and protecting local production.

Properly applied tariffs can lead to:

- Stimulation of domestic production;
- Creation of additional employment;
- Increased trade and service volumes, which raise state revenues;
- Greater localization of imported products;
- Adaptation of foreign manufacturers to local needs.

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Example:
From 2018–2022, the U.S. imposed a 25% tariff on steel and a 10% tariff on aluminum. As a result:

- Steel production rose from 81 million tons in 2017 to 85 million tons in 2021;
- 12,000–15,000 new jobs were created;
- The government generated $7–10 billion annually in revenue;
- The market share of domestically produced vehicles increased from 64% to 67%.

However, tariffs can also have **negative effects**, including:

- Higher prices for imported goods;
- Increased international trade tensions;
- Rising food prices;
- Disruptions in logistics and supply chains;
- Reduced consumer choice.

Examples of Negative Global Impacts

- **2018–2019**: U.S.-China tariffs on $300 billion worth of goods reduced global GDP by 1% (World Bank).
- **2019–2022**: Chip prices rose by 15–20%, slowing production in electronics and automotive sectors, increasing costs, and reducing purchasing power.
- **India**: Tariffs of 30–40% on smartphone imports limited market entry for global brands, reducing consumer choice.

In **2025**, similar issues resurfaced due to:

- Unpredictable tariff policies under President Trump;
- Retaliatory measures from other countries.

Global Impacts in 2025:

- Global trade growth: **1.8%**, down by **1.6 percentage points** from 2024 (average growth in 2000s was 5.9%);
- Global GDP growth forecast for 2027: **2.5%** — the lowest since the 1960s;
- World Bank forecast for global inflation in 2025: **2.9%**, higher than pre-pandemic levels;
- A further 10 percentage point increase in U.S. tariffs could reduce global GDP growth by **0.5%**.

"This slows global trade, creates uncertainty, and causes instability in financial markets."

Example: U.S. Trade Tariffs Introduced in 2025 under President Trump

Tariff Type	**Affected Countries**	**Rate**
Universal tariff	All countries	10%
High tariffs	Countries with large trade deficits with US	10–60% (or higher)
Energy & minerals not produced in the US	—	No tariffs
Automobiles & parts	All countries (under Section 232)	Varies

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Tariff Type	**Affected Countries**	**Rate**
USMCA countries	Canada, Mexico	0–25% (0% for aligned goods)
If USMCA is abolished	Canada, Mexico	12% on all goods

Such measures force countries to revise growth forecasts and domestic policies:

Revised 2025 Growth Forecasts:

- **USA**: 1.4% (down 0.9 percentage points), 2026: 1.6% (down 0.4 points);
- **EU**: 0.7% (down 0.3 points);
- **Japan**: 0.7% (down 0.5 points);
- **Mexico**: 0.2% (down 1.3 points);
- **China**: Maintained at 4.5% for 2025.

Other impacts:

- Economically vulnerable countries: growth at 3.8% (down from 4.1%);
- Recovery in poor countries may take **2–10 years**;
- By 2027, per capita GDP in these countries will be **6% lower** than pre-pandemic levels.

Sector-Specific Effects of Tariffs

Sector	**Impact of Tariffs**
Automotive	Encourages local production, but disrupts international supply chains
Electronics	Price increases reduce competition among local and international brands
Food & Agriculture	Supports local farmers, but raises import prices
Metallurgy	Stimulates domestic output, but raises costs in automotive and construction sectors

Conclusion

Trade tariffs hold a dual role in the global economy:

- On one hand, they **stimulate local production**, protect jobs, and increase government revenues.
- On the other hand, they cause **international trade turbulence**, **price inflation**, and **disruptions in supply chains**.

Therefore, the **optimal path** for economic development includes:

- **Prudent and balanced tariff policy**;
- **Deepening international agreements**;
- **Supporting stable trade through WTO and bilateral agreements**.

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