The Economic Impact of Tariff on the United States of America

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Upon its formal establishment in 1995, the World Trade Organization (WTO) promoted the improvement of people's welfare around the world through international trade while fostering lower barriers and increased border openness. As a result, trade policies were centered on low tariff rates as a tool for easier market access. Recent political changes have led to a reconsideration of these trade policies which have been associated with increased trade deficits and unfair competition practices.

The latest wave of tariffs applied by President Donald Trump clearly signaled an immense shift in conventional trade policies where tensions have been escalating between the United States and the world, especially China. Retaliation happened and uncertainty prevailed on the global scene.

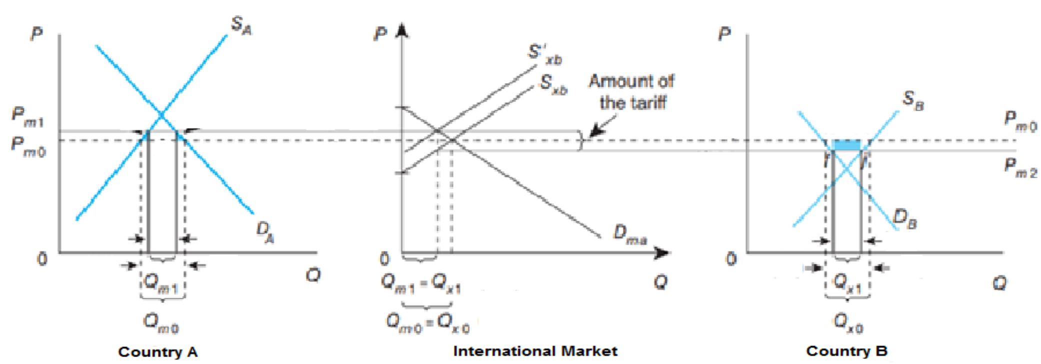
Trade Restriction in Partial Equilibrium Setting: A Theoretical Background

In international trade theory, the impact of trade policies can have different outcomes on different parties. When a country initiates a policy, its economic entity plays a crucial role on the outcome. The larger the imposing country is, the wider the impact it has on influencing international prices and internal welfare. To better understand the possible impact of the tariff on the United States, a theoretical model will be explained first.

To start with, the model will consist of three markets:

- Home Country (*referred to as Country A*);
- International Market;
- Foreign Country (*referred to as Country B*).

Home country (A) refers to the country that imposed *Ad Valorem* tariff. Foreign country (B) refers to the country that exports to A. In other words, it is the country from which A imports. The international market is where country A's demand for imports meets country B's supply of exports, determining the world price and quantity.



Because Country A produces this product at a higher cost, it prefers to buy it from abroad rather than produce it at home. This creates a demand for imports from the international market. On the other hand, Country B can produce the same product more cheaply, so it is willing to sell it abroad, creating a supply of exports.

When these two countries trade freely, the price of the product reaches equilibrium at a level where the amount Country A wants to import matches the amount Country B wants to export. This is the international market price.

However, if Country A decides to impose a tariff on the imported product, 4 main changes occur:

1. The price in Country A goes up, since the tariff adds to the cost of the imported good.
2. Local producers in Country A respond by producing more, because the higher price makes it more profitable for them, *ceteris paribus*.
3. Consumers in Country A buy less, because they now face higher prices.
4. As a result, the amount of imports into Country A decreases.

Meanwhile, in Country B:

1- Exporters find themselves with extra supply, since Country A is now importing less.
2- To sell off this surplus, they lower their prices.
3- This leads to more local consumption in Country B, because the product is now cheaper.
4- Producers in Country B may also reduce how much they produce, and less of the product is exported.

The reduction in the export price in Country B means that the tariff-inclusive price in Country A also begins to fall slightly. As this happens, imports become more attractive again, and purchases of the product in Country A start to rise gradually.

Eventually, prices in both countries adjustt together, until the number of goods Country A wants to import equals the number Country B wants to export again, but now at a lower level of trade than before the tariff. At this new equilibrium, the price in Country A (after the tariff is added) and the price in Country B (before the tariff) differ by exactly the amount of the tariff. This difference reflects how the cost of the tariff is shared between the two sides.

Understanding the Welfare Effects of a Tariff

This section will explain the incidence of tariff on the overall economic welfare of the country that imposes it, considering it being Country A**.**

When Country A imposes a tariff on an imported good, three major things happen in terms of who gains and who loses:

1. Consumers in Country A lose because they now have to pay more for the imported good.

2. Producers in Country A gain because the higher price makes producing more.
3. The government in Country A earns revenue from the tariff imposed.

However, because Country A is a large player in the global market it might end up benefiting from the tariff, not just in government revenue and producer gains, but also because it effectively extracts a “discount” from Country B, by pushing down its export price. This outcome depends on the elasticity of consumers and producers to the changes in price.

If Country A’s demand and supply are more responsive to price changes (elastic) than Country B’s supply and demand, then Country A is in a stronger position to benefit from the tariff, because it can more easily reduce its imports, forcing prices to fall in Country B.

From Theories to Empirics:

As the theory has shown, when a large country having elastic demand imposes tariffs it can have an influence in the international market ending up with benefits instead of losses. However, this outcome is related to a partial equilibrium analysis for a homogenous market, which could be considered as a raw material. What the theory misses above is the retaliation option imposed by other countries to the United States.

The intended imposition of tariff is to improve the trade balance by reducing the amount of imports, *ceteris paribus*. However, this objective might not be reached due to the main following events:

- **Retaliation by trading partners:** This has been the case with most of the countries when in turn they imposed a tariff on U.S. exports. This might negatively impact the exports of the U.S. leading to a reduction in exports which in turn will impact the trade balance.
- **Reduction in exports of the U.S. due to a higher input prices:** As the tariff imposed tackled most of the imports, the production process in the U.S. might be negatively impacted because the imports of raw materials are now more expensive leading to higher price of goods and less demand resulting in reduced exports.
- **Internal inflationary pressure if the economy is close to full employment:** When a country experiences unemployment during economic downturns, implementing a tariff can lead domestic consumers to favor locally made goods over imports which will increase the demand for locally-produced items, encouraging local industries to scale up their production and hire additional workers, helping to lower the unemployment rate. The newly employed workers will have more disposable income to spend, which, through the Keynesian multiplier effect, will further stimulate activity in other sectors and generate even more employment opportunities. However, applying a tariff can lead to higher prices, especially if there is no room for the creation of new jobs to accommodate for the increasing demand. Currently, the U.S. unemployment level is close to 4% in February 2025, down from 15% in April 2020.

These events would impedes the objective of improving the U.S. trade balance. However, the bargaining political power that the U.S.A. has in imposing trade deals might minimize these repercussions. As an example, the trade deal with Ukraine regarding raw earth materials might opt to secure the required inputs for U.S. production. Moreover, the negotiations between the U.S. and other major countries and economic blocs such as the European Union, amid the harsh trade war, might result in new trade agreements that favor the States. In addition, some legislative procedures regarding corporate taxes can create a favorable investment environment in the United States, attracting investments from abroad. Also, the need of foreign labor will be essential. Despite the current measures imposed on the Mexican labor force, this action might be to re-organize the inflow of foreign labor and limit illegal actions.

الأثر الاقتصادي للرسوم الجمركية على الولايات المتحدة

منذ تأسيس منظمة التجارة العالمية عام 1995، شجّعت السياسات التجارية على خفض الرسوم الجمركية لزيادة الانفتاح التجاري وتحسين رفاه الشعوب. إلا أن التحولات السياسية الأخيرة أدت إلى إعادة النظر بهذه السياسات، خاصة بعد ربطها بعجز الميزان التجاري وممارسات تنافسية غير عادلة.

شهدت فترة رئاسة دونالد ترامب تحولًا جذريًا في السياسات التجارية، تمثّل بفرض رسوم جمركية على العديد من المنتجات، لا سيما الواردات من الصين، مما أدى إلى توترات تجارية وانتقام مماثل من الشركاء التجاريين.

الإطار النظري لتأثير الرسوم الجمركية

يُظهر التحليل النظري لتأثير الرسوم في حالة توازن جزئي أن فرض الرسوم يؤدي إلى:

- ارتفاع الأسعار في الدولة التي تفرض الرسوم A
- زيادة الإنتاج المحلي نتيجة ارتفاع الأسعار.
- انخفاض الطلب من قبل المستهلكين المحليين.
- تراجع حجم الواردات.

في الدولة المصدّرة(B)، يؤدي هذا إلى فائض في المعروض، انخفاض الأسعار، زيادة الاستهلاك المحلي، وتراجع في الإنتاج والصادرات.

وفي النهاية، تنخفض التجارة الدولية وتُعاد التوازنات بأسعار جديدة، حيث يتحمل الطرفان كلفة الرسوم.

تأثير الرسوم على الرفاه الاقتصادي

عند فرض الرسوم الجمركية:

- يخسر المستهلكون في الدولة A بسبب ارتفاع الأسعار.
- يربح المنتجون بسبب ارتفاع الأرباح.
- تحصل الحكومة على إيرادات جمركية.

لكن إذا كانت الدولة A كبيرة في السوق العالمي، فقد تستفيد أيضًا من خفض أسعار صادرات الدولة B.يعتمد ذلك على مرونة العرض والطلب في كلا البلدين.

من النظرية إلى الواقع

رغم أن النظرية توضح إمكانية استفادة الدول الكبرى من فرض الرسوم، فإن الواقع يُظهر أن هناك عوامل تحد من ذلك، أبرزها:

- **الردود الانتقامية** من الشركاء التجاريين التي تُضر بصادرات الولايات المتحدة.
- **ارتفاع أسعار المدخلات الصناعية**، مما يضعف القدرة التنافسية للصادرات الأميركية.
- **الضغوط التضخمية** الداخلية إذا كان الاقتصاد قريبًا من التشغيل الكامل.

في فبراير 2025، بلغ معدل البطالة في الولايات المتحدة حوالي 4% فقط، مما قد يزيد الضغوط التضخمية في حال زيادة الطلب على الإنتاج المحلي.

قد لا تحقق الرسوم الجمركية الهدف الأساسي منها وهو تحسين الميزان التجاري الأميركي، لكنها قد تكون أداة تفاوض سياسي فعالة. إذ يمكن للولايات المتحدة عبر صفقاتها التجارية مثل تلك مع أوكرانيا، أو عبر الاتفاقات مع الاتحاد الأوروبي، أن تقلل من التأثيرات السلبية. كذلك، من خلال تعديل الضرائب على الشركات وتشجيع الاستثمار، يمكن تعزيز الاقتصاد الأميركي، رغم الحاجة المستمرة إلى تنظيم سوق العمل واليد العاملة الأجنبية.