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Tiruchirappalli – 620102

Phone : +91 73059 14348 – [info@iledu.in](mailto:info@iledu.in) / [Chairman@iledu.in](mailto:Chairman@iledu.in)



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## TARIFFS AS INSTRUMENTS OF POWER: THE GEOPOLITICAL DIMENSIONS OF U.S. TRADE POLICY

**AUTHOR** – HITRAJ SINGH, STUDENT AT UNIVERSITY INSTITUTE OF LEGAL STUDIES, CHANDIGARH UNIVERSITY  
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### 1. Introduction

In the words of UK Prime Minister Keir Starmer, *“The world has changed, globalization is over and we are now in a new era”*.<sup>1790</sup> This idea underscores a momentous shift in global economic dynamics due to 21<sup>st</sup> century being the era of free trade and open markets and it is being progressively challenged by a resurgence of protectionist policies. The United States, under the leadership of 47<sup>th</sup> President Donald Trump has been at the front end of this movement by implementing tariffs on a range of imports as part of an *“America First”* strategy. These measures have not only disrupted international trade but ignited geopolitical tension and prompted strategic responses from various nations, international organisations as well as unrest in various stock exchanges through the globe.

U.S. tariffs have evolved from mere economic instruments to a weapon thus making it a potent geopolitical tool, powerful enough that it can now influence global alliances and economic strategies. Countries such as India, China, and Russia have recalibrated their trade policies and diplomatic engagements in response to the shifting landscape. Simultaneously, emerging blocs like BRICS are exploring alternatives to the U.S.-dominated financial system, aiming to mitigate the impact of American economic policies.

This paper seeks to explore the multifaceted role of U.S. tariffs in contemporary geopolitics. The core research agendas guiding this inquiry are:

**Keywords:** Dollar, U.S., BRICS, Geopolitics, Economy, Trade, Tariffs.

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<sup>1790</sup> UK Prime Minister Admit Globalisation Over in Response to Trump Tariffs, Fox News, <https://www.foxnews.com/politics/uk-prime-minister-admit-globalisation-over-response-trump-tariffs-report> (last visited Oct. 22, 2025).

- **How do U.S.A tariffs intersect with power struggles at geopolitical level?**
- **What different counter-strategies are emerging from affected nations?**
- **What historical precedents inform current tariff policies and influenced by them?**
- **What role do financial institutions and different currencies play in this context?**
- **How can the effectiveness of U.S. trade wars be challenged and undermined?**

Therefore, implementing a multidisciplinary approach, this study will analyze historical data with special spotlight on economic theories, and current geopolitical developments to provide a comprehensive understanding of the implications of U.S. tariff policies. The structure of the paper is as follows:

- 1. Historical Foundations of U.S. Tariff Policy – An examination of the evolution of U.S. tariffs and their economic and political motivations.**
- 2. Tariffs as Geopolitical Tools: An examination of how tariffs are applied to accomplish geopolitical goals that go beyond financial gain.**
- 3. International Reactions and Strategic Reactions: Examples of how China, Russia, India, and the BRICS countries have adjusted to and reacted to US tariff policy.**
- 4. Financial Power Structures and Perceptions: Examining how global currencies and financial institutions function in relation to trade policy.**
- 5. U.S. Trade War Failure Scenarios: Examining possible outcomes in which trade wars in the United States might not accomplish their desired goals.**
- 6. Policy Implications and Recommendations: Offering advice and tactics to help countries and international organisations deal with the difficulties presented by protectionist measures.**

Through this analysis, the paper aims to contribute to the discourse on international trade and geopolitics, offering perspectives on how nations can adapt to and influence the

evolving global economic order.

## **2. Historical Foundations of U.S. Tariff Policy**

As per the current dynamics of geopolitics it becomes a compulsion to understand the depth of historical aspects. A line very well said by **Franklin D. Roosevelt in 1933** **“The only thing we have to fear is fear itself.”**

### **2.1 Early American Protectionism: Hamilton’s Vision**

Back in the year 1791, Alexander Hamilton which was the first U.S. Secretary of the Treasury, articulated a vision for the subject American economic independence in his various reports on Manufactures. He **strongly advocated for protective tariffs** to nurture nascent industries, arguing that the nation should not rely on foreign goods but instead develop its own manufacturing capabilities. This concept laid the groundwork for what became known as the **“American System,”** championed by Henry Clay, which sought to promote internal improvements and a self-sufficient economy.

The first evidentiary application of this protectionist ideology was the **Tariff of 1816**, which imposed duties on imported goods to protect U.S. industries from foreign competition. This move was **not done without controversy**, particularly in the agrarian South, which relied on imported goods and viewed such tariffs as **economically detrimental**.

The debate intensified with the **Tariff of 1828**, dubbed the **“Tariff of Abominations”<sup>1791</sup>** by its Southern detractors. This tariff raised duties on imported goods to as much as 50%, aiming to protect Northern manufacturers. The South, however, argued that it disproportionately harmed their economy, leading to the Nullification Crisis of 1832–33, where South Carolina declared the tariff null and void within the state, challenging federal authority and highlighting the sectional tensions over trade policy.

<sup>1791</sup> The Tariff of Abominations, Office of the Historian, U.S. House of Representatives, <https://history.house.gov/Historical-Highlights/1800-1850/The-Tariff-of-Abominations/> (last visited Oct. 22, 2025).

## 2.2 The Smoot-Hawley Tariff: A Cautionary Tale

Fast forward to 1930, Then arrived the Smoot-Hawley Tariff Act<sup>1792</sup> and it raised U.S. tariffs on over 20,000 imported goods to record levels, averaging about 40%. Initially, the intent mainly was to protect American jobs and industries during *the Great Depression*. However, the act prompted retaliatory tariffs from other nations, leading to a significant decline in international trade. **U.S. exports fell by 61% from 1929 to 1932, and imports decreased by 66%**, exacerbating the economic downturn and contributing to the global spread of the Depression. This episode underscored the dangers of protectionism during economic crises and led to a reevaluation of trade policies in the ensuing decades.

## 2.3 Post-WWII Liberalization and the Rise of the WTO

In the year 1930, The *Smoot-Hawley Tariff Act* then came into effect, **increasing U.S. duties on more than 20,000 imported items to historically high levels, with an average of almost 40%**. At first, the primary goal was to safeguard American industry and jobs during the Great Depression. However, the act caused other countries to impose retaliatory tariffs, which resulted in a sharp drop in global trade. Between 1929 and 1932, **U.S. imports dropped by 66% and exports by 61%**, which exacerbated the economic slump and helped the Depression spread over the world. In the decades that followed, **trade policies were reevaluated** as a result of this incident, which **highlighted the perils of protectionism during economic crises**.

In 1995, the *GATT changed its name to the World Trade Organisation (WTO)* and added services, intellectual property, and dispute settlement procedures to its purview. The United States was instrumental in the creation of the WTO, which signalled a dramatic shift towards an international trading system based on rules.

## 2.4 The Concept of Economic Statecraft

Tariffs and other trade tools have been used by the US more frequently in recent years as tools of economic statecraft, which is the use of economic measures to accomplish geopolitical goals. This strategy entails using trade policies to address national security issues, safeguard strategic interests, and affect other countries' behaviour. In order to address trade imbalances and intellectual property concerns, for example, tariffs have been placed on nations such as China. This move also signifies a change in the U.S. foreign policy approach towards one that is more forceful.<sup>1793</sup>

This approach departs from the post-World War II focus on free trade and multilateralism and represents a larger trend in which economic policies are entwined with foreign policy objectives. As countries negotiate the challenges of striking a balance between geopolitical concerns and economic objectives, the ramifications of this change are still being felt.

*"The policy of excessive protectionism is like a habit-forming drug. Nations once indulging in it go on from excess to excess; and the appetite increases. But the end of unrestrained indulgence is disaster." – Oscar D. Skelton, Canadian Undersecretary for Foreign Affairs, 1939*

## 3. Tariffs as A Geopolitical Tool: Strategic Leverage in the Modern Global Economy

### 3.1 Leveraging Tariffs: National Security Exceptions and Legal Frameworks

The trade expansion Act of 1962 in United States of America, provides the president with an authority to apply tariffs under section 232 which specifically says, **Can impose tariffs if imports threaten national security**. tariffs have evolved from traditional trade policy instruments to influential tools of economic diplomacy, particularly under the model of national security exceptions. These such

<sup>1792</sup> Smoot-Hawley Tariff Act, Encyclopædia Britannica, <https://www.britannica.com/topic/Smoot-Hawley-Tariff-Act> (last visited Oct. 22, 2025).

<sup>1793</sup> Economic Statecraft Lexicon, GeoEconomics Center, Atlantic Council, <https://www.atlanticcouncil.org/programs/geoeconomics-center/economic-statecraft-initiative/economic-statecraft-lexicon/> (last visited Oct. 22, 2025).

provisions are invoked to justify tariffs on steel, aluminum, and other critical industries, bypassing the usual Congressional approval process and raising questions about the constitutional limits of executive power in trade matters.

Legal scholars have debated the implications of such executive actions. Some argue that the broad application of national security exceptions undermines established trade norms and could set a precedent for protectionist policies under the guise of security concerns. This shift reflects a growing trend where economic policies are increasingly intertwined with national security objectives.<sup>1794</sup>

### 3.2 The U.S.–China Trade War: A Case Study in “Weaponized Interdependence”

A prime example of the concept “*weaponized independence*” in which dependencies are leveraged to achieve strategic goals can be seen in U.S.–China trade war. In this, U.S. out of geopolitical influence imposed tariffs on various Chinese goods by emphasizing “*Unfair Trade Practices & Intellectual Property Theft*”. The Chinese government retaliated by targeting critical sectors like rare Earth minerals which are vital for U.S. defense technologies, this scenario demonstrated how mixed and intertwined economic relations can be manipulated & controlled for geopolitical advantages.<sup>1795</sup>

This dynamic scenario displayed that how countries can use economic tools not only for trade objectives but also for instruments in foreign policy shaping, which reshapes global power structures and alliances.

### 3.3 Implications for Global Supply Chains

The use of tariffs as a strategy has various implications in the dimension of global supply chains. Industries which are relying on same trade routes will face various complex international disruptions and it will make the

international trade nexus weaker. For example, semiconductors and rare earth elements can face disruptions as countries seek to secure supply lines and reduce dependencies. Present day, China is the one having dominance in rare earth production and it has strongly allowed and secured it to influence global markets, affecting industries from electronics to defense. But now companies are working over-time to re-evaluate their supply chain strategies, they are thinking various factors and ideas like geopolitical instability or blockade in international waters. This shift is prompting a new agenda towards diversification as well as dynamics along with localization of supply sources in order to mitigate risks which are associated with economic coercion.

### 3.4 Tariffs, Sanctions, and Technology Bans: A Coordinated Approach

Now, modern day geopolitical strategies often involve a combined approach of tariffs+sanctions+technology bans to enforce & exert pressure on adversaries. The U.S. has employed export controls on technologies which are being dominated by China like semiconductors and this will limit the Access to critical components as well as research & development, while at the same time imposing tariffs to weaken China’s economic position.<sup>1796</sup>

This is a multi-dimensional approach which aims to create a *comprehensive economic blockade*, and it will target multiple vulnerabilities within an adversary economy. Though, all these strategies also come with a risk of escalating tensions and prompt retaliation measures can also result in broader conflicts or even a Hot War.

***“Economic power is the most effective tool of modern statecraft; a nation that controls trade flows controls the world.” – Madeleine Albright, former U.S. Secretary of State.***

<sup>1794</sup> Jeff S. Barr, Tariff Inclusion Process Comes at High Costs and Absurd Outcomes—Extra Cronyism, Cato Institute (Mar. 23, 2025), <https://www.cato.org/blog/tariff-inclusion-process-comes-high-costs-absurd-outcomes-extra-cronyism> (last visited Oct. 22, 2025).

<sup>1795</sup> Mohammad Hassan & Curtis R. Reisinger, Economic Statecraft, National Security, and U.S. Trade Policy: The Broad Reach of Section 232, 18 Law & Econ. Currents 1 (2024), [https://repository.law.umich.edu/cgi/viewcontent.cgi?article=1401&context=law\\_econ\\_current](https://repository.law.umich.edu/cgi/viewcontent.cgi?article=1401&context=law_econ_current) (last visited Oct. 22, 2025).

<sup>1796</sup> Richard Wagner, How China’s Grip on Rare Earths Risks U.S. Arms Firms Amid Trade War, The Guardian (Apr. 16, 2025), <https://www.theguardian.com/us-news/2025/apr/16/china-trade-war-us-arms-firms-rare-earths-supply> (last visited Oct. 22, 2025).

#### 4. Global Responses and Strategic Countermoves

##### 4.1 India's Stance

India is slowly preparing for such scenarios and our approach to tariffs and global trade is reflecting a nuanced balancing between strategic autonomy and economic interests. The nation's engagement in both the Quad and BRICS alliances shows that they underscore their commitment to multifaceted world order. Where they seek to use upper-hand of partnerships without the need to compromise it's sovereignty. This dual alignment allows India to pass these complex geopolitical situations and allowing itself to balance the relation between major powers while also advocating for the interest of Global South.

In August 2025, the U.S. imposed a heavy 50% tariff on select Indian exports including jewelry, textiles, and shrimp. All of this was done because of Our National Interest of Oil by citing India's continued purchase of Russian oil as a primary justification. President Donald Trump emphasized that these tariffs were necessary to address what he termed "unfair trade practices" and to pressure India into reducing its oil imports from Russia. The prime minister of India Narendra Modi delivered a resolute message, stating, "India will never compromise on the well-being of its farmers, dairy sector, and fishermen. And I know personally I will have to pay a heavy price for it". Indian government has asked the Indian populace to support domestically produced goods, urging them to "get rid of foreign products" and choose "Swadeshi" items to stimulate local economic growth. Not only this, India has sought to beef up its strategic alliances beyond the West. PM Modi accepted an invitation from Chinese President Xi Jinping to attend the Shanghai Cooperation Organisation summit in Tianjin, signaling India's intent to engage with a broader spectrum of global partners.

##### 4.2 BRICS and the Push to Destabilize Dollar Hegemony

*Brazil, Russia, India, China, South Africa and now expanding to include UAE, Indonesia, Iran, Egypt and Ethiopia*, these all together form BRICS Bloc. They have in recent decade have focused on reducing their reliance on Dollar and finding another currency to do trade with. One strong step is by the **New Development Bank (NDB)**, which plans to issue its first Indian rupee-denominated bond (\$400–500 million, 3- to 5-year maturity) by March 2026. This is consistent with the bank's strategy (2022–26) to conduct about 30% of its financial commitments in member countries' national currencies.

At Kazan, (2024) BRICS leaders agreed to boost trade and financial settlement in local currencies. They supported the voluntary BRICS cross-border payments initiative (BCBPI) and they studied the reliability of an independent cross-border settlement and depository infrastructure which will provide voluntary reinsurance capacity among members. Russian President Vladimir Putin has explicitly called for an "independent settlement system" among BRICS nations to reduce dependence on SWIFT and the U.S. dollar. India, while not fully embracing an agenda of de-dollarization, has supported trade invoicing in rupee with partners like Russia, the UAE, and others; and PM Modi has publicly advocated for trade in local currencies during BRICS summits. Western nations, led by the U.S. and Europe, are dominating global military, technology, and economic spheres. They prefer to use economic sanctions to influence other states without the need to create direct military conflict, but sanctions harm civilians more than the targeted elites. Sanctions do not initiate war, thus preventing collateral damage, but they do make sure that there is strong economic pressure. While they may achieve their goals, usually the humanitarian costs are at the stake.<sup>1797</sup>

<sup>1797</sup> <https://ijlss.com/sanctions-as-the-new-age-weapon-redefining-warfare-through-economic-dominance/>

There is a need to use local currencies (yuan, rupee, real, ruble) for settlement and it can significantly reduce transactional costs as well as there will be lower exposure to U.S. monetary policies plus it will defend the nations from sanctions which are tied to the complex old dollar-dominated system. For example, BRICS has started to settle trade in local currencies. Though, India has clarified that full de-dollarization is not part of its current financial agenda, choosing instead to adopt local currency trade on a selective or non-binding basis.

### 4.3 Financial Power Structures and Perceptions

Considering the Global Financial Centres Index (GFCI 37, March 2025), New York retains its top position globally, followed by London whereas London has recently grown closer in score to New York, improving by about 12 points in the 37th edition of the index. Tel Aviv appears within regional rankings of the Middle East & Africa in some assessments of financial centres, but it is not yet in the top global-tier (top 10) of GFCI37. The dominance of New York is possible due to the factors like the presence of the NYSE & Nasdaq (two largest by market cap) with availability of large investment banks plus trading volume in derivatives. London retains strength in insurance markets, foreign exchange as well as international banking. So, it is clear to grasp that the need of the hour is to be prepared for gradual multipolarity, but also don't underestimate the entrenched dominance of U.S.- and U.K.-anchored finance. Talking about a major perception, historians have widely emphasized and have

documented that European restrictions on all of the Jewish livelihood from the Middle Ages through the 18<sup>th</sup> century like the bans on land ownership or participation in many trades as well as guild membership which ever channeled Jewish communities into occupations like money-lending, tax farming or currency exchange. As Christian canon law once forbade lending at interest, whereas on the contrary Jewish financiers did the opposite moreover they filled a structural gap, unintentionally reinforcing the stereotype of "Jews and money". During the 19<sup>th</sup> century, many prominent families such as the Rothschilds built pan-European banking networks (Frankfurt, London, Paris, Vienna, Naples) and financed state debts, including British loans during the Napoleonic Wars and rail projects across Europe. Their visibility was combined with success and it made them easy targets for political polemicists from across the spectrum. Writers like Édouard Drumont (*La France Juive*, 1886) and later Nazi propagandists falsely claimed a global Jewish plot to control gold reserves or manipulate wars for profit. In the United States, Henry Ford funded the publication of *The International Jew* (1920–22), reviving the Russian Protocols of the Elders of Zion forgery as "proof" of a worldwide cabal. As historian Niall Ferguson notes in *The Ascent of Money*, "the Jewish banker became a lightning rod for anxieties about capitalism itself," illustrating how economic modernization created social resentment long before the rise of modern conspiracy culture.

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Emerging Economies (India, Brazil, Indonesia, South Africa, ASEAN, Middle East)	Currency diversification through bilateral swap lines (rupee-dirham, yuan-real) and regional payment platforms like BRICS Pay. • Build commodity-backed reserves (gold, rare earths, lithium) to hedge against dollar volatility. • Deploy selective retaliatory tariffs targeted at politically sensitive U.S. exports (agriculture, aircraft). • Launch parallel digital trade standards with ASEAN/BRICS.
Global Institutions (WTO, IMF, World Bank, BIS)	WTO structural reboot: fast-track digital trade rules, strengthen Appellate Body enforcement, and add tariff-cap flexibility for climate measures. • IMF quota reform to reflect BRICS+ GDP share; expand SDR basket to include yuan and rupee. • BIS to pilot cross-border CBDC settlements reducing SWIFT dependence. • Coordinate carbon-border tax frameworks to limit unilateral tariff use.
United States	Re-engage allies via Indo-Pacific Economic Framework (IPEF), CPTPP accession, and EU trade dialogues. • Transition from blanket tariffs to targeted Section 301 actions compliant with WTO norms. • Invest in friend-shoring supply chains (Mexico, Vietnam, India) to counter Chinese dominance. • Deploy strategic export controls on critical technologies while negotiating partial tariff rollbacks to avoid stagflation.
Private Financial Hubs (New York, London, Tel Aviv, Singapore, Hong Kong)	Expand multi-currency clearing houses (e.g., LCH SwapClear for yuan). • Partner with sovereign wealth funds for dual-currency bond issuance. • Strengthen AML/CFT regimes to remain trusted even in a multi-reserve world.

**6. Two-Strong Solutions**  
**Solution 1: Global Trade Governance Reform**

The existing multilateral framework, anchored by the World Trade Organization (WTO), must be urgently reinforced and reformed to prevent the misuse of "national security" exceptions.

The current system has proven vulnerable to unilateral actions, allowing nations to bypass established dispute resolution mechanisms under the pretext of security concerns (Section 232). To restore credibility and rule-based trade, member nations should:

Enact a binding, precise definition of "National Security" exceptions under WTO agreements, subject to review by a reformed Appellate Body.

**5. Complexity of U.S. tariff Geo-politics**

Establish a rapid-response enforcement mechanism that imposes counter-tariffs on nations found to be abusing the security exception for purely protectionist ends, ensuring that the cost of violating international norms outweighs the perceived domestic benefit.

**Solution 2: Digital and Financial Autonomy for the Global South**

Emerging and developing nations must accelerate their pivot toward financial systems

and supply chain resilience that are de-linked from U.S.-anchored financial infrastructure.

This requires a dual focus on technology and finance:

**Establish a BRICS-Anchored Digital Settlement Platform:** Build an independent, secure, and sovereign cross-border payment and messaging system—a true alternative to SWIFT—that facilitates local currency trade settlement using distributed ledger technology (DLT) or similar advanced digital infrastructure. This will reduce transactional costs, mitigate risks from U.S. sanctions, and enhance currency stability among participating nations.

**Diversify Critical Supply Chain Clusters:** Countries like India must move beyond mere "diversification" to establishing strategic, redundant supply chain clusters for critical items (e.g., rare earth elements, pharmaceuticals, and semiconductors) with trusted partners in the Global South. This localization and friend-shoring will build true resilience against economic coercion and technological export bans (e.g., as seen in the semiconductor war with China).

7. **Conclusion**

The analysis of U.S. tariff policy reveals that trade instruments have conclusively transcended their traditional role as mere economic levers to become powerful instruments of geopolitical coercion and national security statecraft. As former Secretary of State Madeleine Albright noted, "Economic power is the most effective tool of modern statecraft; a nation that controls trade flows controls the world." The "America First" strategy, exemplified by the application of Section 232 tariffs and the escalation of the U.S.-China trade war, illustrates a fundamental shift from post-WWII multilateralism to an aggressive, unipolar approach rooted in weaponized interdependence.

The historical context, from Alexander Hamilton's early protectionism to the disastrous Smoot-Hawley Tariff, provides critical lessons: tariffs can temporarily nurture local industries but, when applied aggressively (as seen today), risk disastrous global retaliation and economic fragmentation. The current U.S. strategy aims to not only adjust trade imbalances but also to reshape global supply chains and limit technological access for adversaries, creating comprehensive economic pressure.

By pursuing these comprehensive structural and digital-financial reforms, nations can effectively challenge and ultimately undermine the effectiveness of tariffs as instruments of power, thereby building a more equitable and multi-polar global economic order.

