Trump 2.0: Unpacking the Potential Economic Impacts on OIC Countries

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Abstract
United States (US) President Donald Trump's trade policies during his first term were characterized by protectionist measures, including tariff increases and trade disputes with major economies. Following his re-election in 2024, similar policies are resurfacing and impacting global trade dynamics. This paper analyzes the potential economic consequences of Trump's second presidential term on Organisation of Islamic Cooperation (OIC) member countries, focusing on three key components: (1) a tariff on steel and aluminum, (2) a trade war with China, and (3) geopolitical tensions with BRICS nations. A Global Trade Analysis Project (GTAP) model is employed to simulate the short-run effects of these policies on gross domestic product, trade balance, and welfare in OIC countries. The results suggest that increased tariffs and trade conflicts may lead to shifts in global trade patterns, with potential negative spillover effects on OIC countries, particularly those with strong trade ties to the US, China, and BRICS member states. Trade diversion effects are also observed, indicating possible shifts in export flows. The findings provide insights into how OIC nations might navigate the uncertainties of a renewed Trump administration's economic policies.

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1. Introduction

To what extent has Donald Trump's leadership impacted the global economy? This question surfaced during Trump's first term (2017-2021) and has remained a subject of ongoing debate among scholars in recent years. The issue has become even more pertinent following Trump's official return to the presidency of the United States (US) on January 20, 2025. His re-election has led to speculation about the direction of his economic policies, especially because of the protectionist approach he adopted during his first term, which had a major impact not only on the US but also on the global economy and trade. Studying the impact of Trump's re-election indicates that it is likely that similar policies will be applied in the current period – and indeed, are already being applied – and will not differ significantly from those of his first term, which tended to apply a protectionist approach.

In his first leadership period, Trump emphasized the importance of economic protectionism as a key strategy in his trade policy. Under the slogan 'America First', Trump sought to protect US domestic industries from global competition through increased import tariffs, renegotiation of trade agreements, and the imposition of economic sanctions against countries deemed detrimental to US interests. Two of the main goals of this policy was to increase output growth and reduce the US trade deficit, especially against countries that had high trade surpluses with the US, such as China, the European Union (EU), and Mexico (Janush & Mucha, 2025).

This policy of protectionism was manifested in several forms of tariff policies that greatly impacted global trade. In 2018, the US imposed import tariffs on steel at 25 percent and aluminum at 10 percent based on national security reasons (Bown, 2018). This policy directly harmed countries relying on export activities because it reduced the demand for goods from exporting countries, which in turn decreased production and income levels, such as in Türkiye, Russia, Mexico, and the EU (Salotti *et al*., 2019). This policy also triggered retaliatory measures – such as trade wars - from the affected exporting countries as a form of protection for their economic interests (Duche-Pérez *et al*., 2024).

One of the most notable cases of trade wars under Trump's first term was the US-China trade war, which began in 2018. This war was triggered by the US policy of imposing tariffs on billions of dollars of Chinese goods; in return, China imposed tariffs on agricultural and technological products from the US (Fajgelbaum & Khandelwal, 2021). As a result, the economic growth of the US and China was hampered. This trade war also had an impact on the global economy, including international trade and gross domestic product (GDP) in various countries

(Itakura, 2020). Among the effected countries were Japan and India. Japan was impacted due to its strong economic ties with both the US and China, while India experienced a decline in GDP, mainly caused by a slowdown in its manufacturing and agricultural sectors as a result of the trade war (Ajami, 2020). Moreover, the impact was not limited to these countries, members of the Organisation of Islamic Cooperation (OIC) were also significantly affected (Fakhrunnas & Fadillah, 2023).

OIC countries play an important role in international trade, not just as consumers but also as producers, especially in the energy, manufacturing, and commodity export sectors (ICDT, 2024). Countries such as Saudi Arabia, Qatar, and Nigeria are major exporters of oil and gas and rely heavily on global market stability. Meanwhile, countries such as Türkiye, Malaysia, and Indonesia have close trade relations with the US and China in the manufacturing and technology sectors. Therefore, Trump's protectionist policies can significantly affect trade flows, currency exchange rates, and commodity prices, as well as the overall economic well-being of OIC countries.

With Trump's return as US President, big questions have arisen over how his second-term economic policies will affect the global economy, including OIC countries. Trump's statements during his election campaign and at the beginning of his term showed indications that he would pursue a more aggressive policy of protectionism. Some of the key policies to be re-implemented or expanded include (1) a broader increase in steel and aluminum tariffs (Sherman, 2025a); (2) an escalation of the trade war with China (Sherman, 2025b); and (3) the threat of tariffs against BRICS countries if they introduce new currencies to rival the dominance of the US dollar (Shakil, 2025). With these policy plans in place, OIC countries with close ties to the US, China, and BRICS members will face major challenges to their trade and economic stability.

Therefore, this study analyzes the possible impact of Trump's leadership in the second period on the economy in OIC countries. Using a Global Trade Analysis Project (GTAP) model, the study simulates three main scenarios related to US tariff policy: (1) steel and aluminum tariffs, (2) escalation of the US-China trade war, and (3) threat of tariffs against BRICS countries if a new currency is introduced. The results of this study will provide a data-based picture of how OIC countries can anticipate potential economic risks that may arise due to Trump's policies.

2. Literature Review

2.1. Review of Donald Trump's Policies

Trump applies the zero-sum game principle in his trade policies, where gains for one party mean losses for the other (Janush & Mucha, 2025). His policies have focused on US economic interests, so other countries that have trade surpluses with the US are likely to be targets of his protectionist measures. Trump is actively pressuring countries that he considers will potentially benefit the US trade balance, such as China, the EU, Mexico, South Korea, and Germany (Janush & Mucha, 2025). Among the main policies, one that has a big impact is the application of tariffs on steel and aluminum imports.

The implementation of tariff policies on steel and aluminum began during Trump's first term on March 1, 2018. Trump announced his plan to implement a 25 percent tariff on steel imports (Section 232) and a 10 percent tariff on aluminum imports (Section 301) (Sherman, 2025b). This policy is in response to the US trade deficit and the desire to protect the domestic steel and aluminum industries (Saussay, 2024). Trump argued that the surge in steel and aluminum imports weakened the competitiveness of domestic producers, so protective measures were needed to revive the US industrial sector. In addition, this policy was argued for in the context of national security reasons, where the US dependence on imports of strategic raw materials is considered a threat to its economic and military independence (The White House, 2025).

The move sparked a backlash from major exporting countries, including China, Canada, Mexico, the EU, and OIC countries such as Türkiye and the United Arab Emirates (UAE). Many countries considered this policy to be a form of excessive protectionism, and some even filed a lawsuit with the World Trade Organization (WTO) (Bown, 2018). As a result, there was a war of reciprocal tariffs, in which US trading partners began to apply retaliatory tariffs against US products, further exacerbating global trade tensions.

The implementation of this tariff policy resulted in a decrease in trade activity in several countries, such as India, Russia, and Türkiye, which experienced a decrease in total exports of 0.22 percent, 0.36 percent, and 0.21 percent, respectively (Salotti *et al*., 2019). The impact of these steel and aluminum tariff policies was felt not only by exporting countries but also by the US domestic industry itself. Rising raw material prices lead to an increase in production costs for the real sector in the US, which ultimately burdens consumers and reduces the competitiveness of US products in the global market (Amiti *et al*., 2019). Retaliatory tariffs imposed by various countries on the US also made matters worse, with an estimated decrease in US real income of USD 8.2 billion in 2018, with additional costs required by consumers and

importers in the form of tariffs of USD 14 billion (Amiti *et al*., 2019). A survey from the University of Chicago Booth School of Business estimated that as a result of this policy, approximately 146,000 people lost their jobs (Timmons, 2018). However, this tariff policy also encouraged an increase in US domestic production, especially in the steel and aluminum sectors. From 2018 to 2021, domestic steel production increased by 1.9 percent and aluminum production by 3.6 percent. This increase in productivity resulted in a profit value for steel productivity of USD 1.5 billion and USD 1.3 billion for the aluminum sector per year (United States International Trade Commission, 2023). The US steel industry reached a utilization rate of 80 percent in 2021, while the aluminum industry experienced an increase in capacity utilization rate from 40 percent in 2017 to 61 percent in 2019 (The White House, 2025).

The apparent success of the steel and aluminum tariff policy in his first term strengthened Trump's confidence in implementing similar policies in his second term. In an effort to further protect domestic industries, on February 10, 2025, Trump re-announced his plan to increase tariffs on steel and aluminum imports to 25 percent each against all countries except Russia, to be applied beginning March 12, 2025 (Bond *et al*., 2025). This policy is expected to provide an impetus for US domestic producers to increase their production capacity, thereby strengthening the resilience of US industry in the long term. In addition, Trump stressed that the implementation of these tariffs would reduce the US dependence on imported raw materials, especially from countries that are considered a threat to its economic and security interests.

However, the increase in tariffs also gave rise to major consequences for the global economy, including for OIC countries. Higher tariffs will trigger higher steel and aluminum prices in international markets, increasing production costs for industrial sectors such as manufacturing, automotive, and construction. Recent studies also show that tariff hikes tend to generate significant short-run output losses and inflationary pressures, particularly in economies that are tightly integrated into US supply chains (Zhao, 2025). In addition, tariff policies have been found to affect trade flows, global supply chain links, and overall economic growth (Lee & Khan, 2025). Furthermore, these measures may provoke retaliatory actions from major US trading partners, potentially amplifying global trade tensions and contributing to instability in international financial markets.

2.2. US-China Trade Wars

Trump's implementation of protectionism policies triggered a trade war with key partners such as China. The trade conflict began in 2018, when Trump imposed

additional tariffs on more than USD 360 billion worth of Chinese imports, arguing that China had engaged in unfair trade practices, theft of intellectual property rights, and currency manipulation. China retaliated by applying tariffs over several stages on US exports, especially agricultural products, with a total value of about USD 100 billion (Fajgelbaum & Khandelwal, 2021). These trade tensions then disrupted global supply chains, slowing world economic growth and creating instability in the demand and price levels of various commodities (Chen, 2024).

Although Joe Biden's administration took a more moderate approach to trade policy with China through various mediations, Trump's subsequent re-election in 2025 raised fears that this trade war would again escalate and even expand. Trump stated in his campaign that he would tighten tariffs against China and increase pressure on Chinese technology companies perceived to be threats to US national security. This plan was realized by the announcement of additional tariffs of 10 percent on all imported goods from China (Neuffer, 2025). The implementation of these additional tariffs is predicted by the Trump administration to increase US revenue by USD 728 billion, create 2.8 million jobs, and increase household income by 5.7 percent (The White House, 2025). China responded to the policy by applying additional tariffs of 15 percent on coal and liquefied natural gas imports from the US and 10 percent higher import duties on American crude oil, agricultural machinery, and certain cars (Bao, 2025).

If the trade war continues to escalate, other countries, including members of the OIC, will also feel the impact. Many OIC countries have close trade relations with both the US and China, so are likely to be caught in the middle of an economic conflict between these two superpowers (Fakhrunnas & Fadillah, 2023). OIC countries dependent on oil and gas exports, such as Saudi Arabia, the UAE, and Nigeria, may face falling demand if China's economy slows as a result of additional US-imposed tariffs. Conversely, other OIC countries that have been alternative suppliers to the US, such as Malaysia and Indonesia, could experience an increase in exports to the US if Washington shifts its supply chain from China (US Department of State [DOS], 2022; DOS, 2024). Moreover, the US and China, which serve as major markets for sectors such as manufacturing, technology, agriculture, and energy, could pose a serious threat to OIC countries' growth if tariffs increase. According to ICDT (2024), the manufacturing sector is the largest contributor to exports from OIC member countries, accounting for 26%, followed by food products (21%), fuels (18%), and machinery and transport equipment (18%). Specifically, for several OIC countries that play a significant role in global trade, the trade war could pose a substantial

economic shock. In 2024, countries such as the UAE (with a total foreign trade value of USD 764.11 billion), Malaysia (USD 616.47 billion), Türkiye (USD 593.96 billion), and Saudi Arabia (USD 515.25 billion), demonstrate high levels of trade exposure, making them particularly vulnerable to disruptions caused by rising tariffs or trade tensions (ICDT, 2024).

As a key global energy producer, the Middle East region experienced a trade contraction of approximately 0.75% during the first Trump administration due to the escalation of the trade war (Chen, 2024). In countries whose economies are heavily dependent on hydrocarbons, such as Saudi Arabia, the UAE, and Iraq, the impact extended well beyond mere trade figures, affecting broader economic stability. A decline in global demand, exacerbated by intensifying trade tensions, led to falling oil revenues (Cai *et al*., 2022), putting significant fiscal strain on these countries' national budgets. In such contexts, oil prices often serve as a delicate threshold between fiscal balance and economic distress. Consequently, governments in these nations are frequently compelled to adjust their fiscal strategies and accelerate economic diversification efforts to mitigate the risks posed by external economic shocks.

2.3. Threats to BRICS countries

Trump's economic policies target not only major US trading partners such as China but also countries that are considered potential threats to US economic and geopolitical supremacy. One of the main targets is the BRICS group, which is further strengthening its position in global trade and finance. The US relationship with BRICS under Trump's leadership was marked by tensions and volatile dynamics in its first period, mainly due to protectionism policies and economic sanctions applied against some of its members. BRICS' efforts to reduce dependence on the US dollar, including the creation of a common currency, have further reinforced Washington's concerns. For Trump, these steps are not just an economic challenge but a direct threat to US dominance in the global financial system (McCarthy, 2025).

BRICS is an economic cooperation bloc that has grown rapidly in recent decades by increasingly strengthening its influence on international trade and investment. This group is now one of the most influential economic blocs in the world, accounting for 46 percent of global GDP and 55 percent of the world's population (Holztmann & Voort, 2025). The bloc also continues to expand its membership while seeking to reduce dependence on the financial system dominated by western countries and currencies, especially the US and its dollar. Since its establishment in 2009, BRICS has experienced rapid growth in economic and financial cooperation. One

of the most strategic steps taken was the establishment of the New Development Bank in 2015, which aims to provide alternative funding for infrastructure projects in developing countries (Kumar *et al*., 2024). In addition, BRICS also seeks to strengthen cooperation in the trade and financial systems by exploring the use of local currencies in transactions between members and reducing dependence on the USD (Kumar *et al*., 2024).

This increased cooperation is seen as a major threat to the US by Trump, who has reacted by imposing various sanctions on BRICS member countries to suppress their economic growth (Rosyadi & Widodo, 2018; Korobkov, 2019). In statements, Trump has also threatened to impose tariffs of 100 percent on the BRICS countries if they create an alternative currency to rival the US dollar (Shakil, 2025). These threats reflect US concerns about the potential weakening of the dollar's dominance in international trade as well as the increasing economic influence of BRICS on the global scene. If this policy is implemented, it will have a substantial impact not only on the BRICS countries but also create spillover effects for OIC countries that have trade and investment relations with the economic bloc, especially Iran, Egypt, the UAE, and Indonesia.

A 100 percent tariff on BRICS could cause a spike in the price of imported goods from those countries to the US, which in turn would force the BRICS to seek alternative markets for their products. China, India, and Brazil, as the main BRICS producers in manufacturing, mining, and agriculture, are likely to shift their exports to other regions, including OIC countries (Gouvea *et al*., 2021). This could open up opportunities for some OIC countries to increase trade with BRICS, but it could also pose challenges for countries dependent on trade relations with the US. On the other hand, the economic sanctions accompanying this tariff policy also have the potential to hinder the flow of investment from BRICS to OIC countries. Russia and China, which have been active in infrastructure and energy investments, may face obstacles in conducting international transactions due to restrictions imposed by the US (Kluge, 2024). This could hamper strategic projects involving BRICS capital, especially in the energy, manufacturing, agriculture, and mining sectors.

In addition to the direct impact on trade and investment, this policy could also trigger exchange rate instability in OIC countries that have close economic links with BRICS. If BRICS develops an alternative currency to rival the USD, OIC countries that have large dollar-denominated foreign exchange reserves could come under pressure from changes in global currency demand. These exchange rate fluctuations can have an impact on inflation and economic stability in OIC

countries, especially for those that rely heavily on commodity exports.

2.4. Global Trade Analysis Project

To understand the impact of Trump's protectionist policies more empirically, economic model-based approaches such as the Global Trade Analysis Project (GTAP) model can be used. The GTAP model allows an in-depth analysis of how changes in tariff policies and trade barriers affect economic output, trade flows, and welfare (Hertel, 1997). Various studies have used GTAP to measure the impact of policies, including tariffs and protectionism, on international trade. For example, Ur-Rashid and Khan (2024) analyzed how trade integration and trade barriers in the South Asia Free Trade Area region using GTAP, and found that if this region considers reducing intra-regional barriers, there will be an increase in welfare, meaning there needs to be a discussion to consider the application of regional tariffs. Xu *et al*. (2025) also used GTAP to evaluate the impact of Regional Comprehensive Economic Partnership (RCEP) cooperation on the agricultural value chain in Asia-Pacific. The results showed that RCEP cooperation has a positive impact on member countries, which is reflected in the increase in the added value of agricultural exports and increased domestic production of each member country. Gu *et al*. (2023) used GTAP to analyze whether the European Union's Carbon Border Adjustment Mechanism policy has an impact on the economy and productivity of other countries. The results found that carbon tariff policies have a negative impact on economic development, public welfare, and trade levels of Brazil, South Africa, India, and China.

In analyzing the economic impact of US trade tariff policies, some researchers have also used the GTAP model to evaluate the impact of such policies. Li *et al*. (2020) analyzed the economic impact of the US-China trade war and found that the increase in tariffs, especially after March 2020, had an impact on the decline in welfare levels in China by 1.7 percent and the US by 0.2 percent. The level of China's exports and imports to the US also decreased by 52.2 percent and 49.3 percent, respectively. This finding is in line with previous findings from Rosyadi & Widodo (2018), who found that there was a decline in GDP and welfare levels in both the US and China after the trade war. Nantembelele *et al*. (2023) analyzed how the US-China trade war impacts the Sub-Saharan Africa region by focusing on tariff escalation policies. The results obtained show that this trade war has a negative impact on both the US and China in terms of economic growth and trade. This condition provides the potential for trade diversion and creation for Sub-Saharan Africa, and gives an advantage in increasing exports and economic growth,

especially for Ethiopia, Kenya, and Nigeria.

Based on a review of the literature, the high tariff policy and trade war triggered by Trump's leadership have had a far-reaching impact on the global economy, including OIC countries. Various studies have shown that this kind of protectionism policy can disrupt international trade flows, increase import costs, and change trade patterns between countries. The existence of potential threats to the BRICS group also requires better anticipation of the impact on OIC countries. Models such as GTAP have been used in various studies to simulate the impact of tariff policies on trade balance and economic well-being. In addition, some literature highlights that the impact of trade policies is not uniform in each country, depending on its economic structure as well as the degree of linkage, including that of the US and China. Therefore, in the context of the second Trump presidency, an understanding of the transmission mechanism of this policy becomes crucial to anticipate its potential impact on the economies of OIC countries.

3. Research Method

One method that can be used to analyze the impact of tariffs on global trade is using a GTAP model. This model is based on the Computable General Equilibrium (CGE), which allows the simulation of various trade policy scenarios in economic sectors in various countries (Hertel, 1997). GTAP adopts the Armington elasticity of substitution, in which goods from different countries are considered imperfect substitutions, so price changes due to tariffs will affect global trade patterns differently depending on the elasticity of substitution of goods (Armington, 1969). This study uses a database from GTAP version 9A, developed by the Center for Global Trade Analysis at Purdue University. This version of the database covers 140 countries and 57 economic sectors, including agriculture, manufacturing, energy, and service industries (Aguiar *et al*., 2016). Three reference years are available in this version: 2004, 2007, and 2011. For this study, the latest reference year (2011) was used as a baseline or starting point for the simulation because it was considered to reflect the structure of the global economy before major changes in the international trade system, including geopolitical turmoil and increased protectionism. Even though GTAP has some limitations such as relying on a static equilibrium framework and assumptions like perfect competition and constant returns to scale, it remains more suitable than standard regression approaches for this type of analysis. Unlike regression models that require historical variation to estimate causal effects and often struggle to capture general equilibrium feedbacks

across sectors and countries, GTAP allows for the ex-ante simulation of complex policy shocks within a globally interconnected system, accounting for both direct and indirect economic linkages.

3.1. Aggregation

This study follows the default sector aggregation mapping default available in the GTAP database, with some additional disaggregations on certain sectors such as non-metal minerals, steel, aluminum, and motor vehicles. The purpose of this dis-aggregation is to obtain a more detailed picture in analyzing the impact of policies on relevant sectors. In terms of country mapping, most countries are classified individually, especially individual OIC member states and major trading partners of the US. However, in order to maintain the efficiency and focus of the analysis, a regional grouping was carried out with certain regions, such as Australia and New Zealand in the 'AusOce' group and the 27 EU member states combined as 'EU_27'. Not all OIC group countries can be disaggregated, given the availability of country options in the database and economies of scale in each country, so other OIC member countries are grouped under 'RestofOIC'. Other countries that are not included in these groups fall into the category of 'RestofWorld'. The production factors in this model are classified into five main categories: Land, Skilled Labor, Unskilled Labor, Capital, and Natural Resources (see Appendix for details).

3.2. Simulation

This study uses a tariff policy simulation through the CGE approach by utilizing the GTAP model as developed by Hertel (1997). One of the main advantages of the CGE model is its ability to provide a thorough analysis of the impact of macroeconomic policies across sectors. In contrast to the econometric approach that relies heavily on historical data, the CGE model is actually considered to have a strong foundation in economic theory (Dixon & Jorgenson, 2013). Therefore, the results obtained through this approach have advantages in terms of theoretical consistency.

The CGE model is also considered superior to the partial equilibrium approach, mainly because the scope of its analysis is comprehensive and not limited to specific markets or sectors separately. Given the magnitude of the potential global impact of the tariff policy proposed by Trump, particularly in the context of protectionism through import tariffs, the use of CGE is becoming increasingly relevant. This intensification of trade policy has the potential to have far-reaching spillover effects on other countries, including OIC countries. CGE allows researchers to capture inter-sector and inter-state relationships through complex price mechanisms (Hosoe *et*

al., 2010). GTAP was specifically chosen because it has comprehensive features in analyzing interregional trade interactions and global economic linkages, making it particularly suitable for evaluating the impact of international trade policies as analyzed in this study.

3.3. Simulation Scenarios

The tariff policy simulation analyzed in this study includes three main scenarios that reflect the possible direction of trade protectionism policies under Trump's second term:

1. The US imposes a 25 percent import tariff on steel and aluminum entering the US.

2. The US imposes an additional 10 percent import tariff on all Chinese products. China retaliates by imposing a 15 percent border tax on imported energy from the US, as well as a 10 percent tariff on US crude oil, machinery, and motor vehicles.

3. The US imposes a 100 percent import tariff on BRICS countries if they create a rival currency.

In the first scenario, increased steel and aluminum tariffs are applied by the US in Trump's second term, with import tariffs increased to 25 percent for steel and aluminum commodities entering the domestic market. The policy reflects a protective measure against the US heavy industry sector that is considered strategic and vulnerable to cheap imports from other countries. Second, the scenario of the US-China trade war, in which the US raises tariffs by 10 percent on all imported products from China, involves a retaliatory response from China, who raises border taxes by 15 percent on imports of coal and liquefied natural gas products from the US, as well as tariffs of 10 percent on US crude oil, agricultural machinery, and large-engine cars. This scenario reflects the escalation of trade tensions between the world's two largest economies that could cause spillover effects on major trading partner countries, including OIC countries. Third, the geopolitical scenario against the BRICS countries is that the US will impose tariffs of 100 percent on all imports from the BRICS countries if this group officially forms a counter currency to the US dollar. This scenario is based on fears of the fragmentation of the global financial system and the potential threat to the dominance of the dollar as an international reserve currency.

4. Results and Discussion

4.1. Impact on Global Gross Domestic Bruto

The simulation results show that the tariff policy imposed by the US under the

leadership of Trump has a varied impact on the economic growth of countries in the world, including OIC countries.

Table 1. Impact on Value of GDP

Countries	Change ini GDP (%)		
	Scenario 1	Scenario 2	Scenario 3
AusOce	-0.04	0.06	0.59
China	0.09	-0.06	-4.42
Japan	0.15	0.05	1.25
Korea	0.09	0.08	1.19
Singapore	0.07	0.05	1.13
India	0.04	0.03	-4.79
Canada	-0.72	0.03	3.67
Mexico	-0.57	0.02	4.96
Argentina	-0.01	0.02	1.14
Brazil	-0.09	0.04	-2.32
EU_27	0.08	0.02	1.00
UnitedKingdom	0.02	0.02	1.16
Russia	-0.12	0.02	-0.69
Ethiopia	0.09	0.02	-2.87
SouthAfrica	-0.28	0.03	-2.08
US	0.14	-0.07	0.31
Brunei	-0.14	0.03	0.27
Indonesia	0.03	0.05	-2.31
Malaysia	0.05	0.06	1.34
Pakistan	0.09	0.07	2.23
Kazakhstan	-0.09	0.03	0.43
Kyrgyztan	0.07	0.07	3.82
Iran	-0.03	0.03	-1.01
Oman	-0.10	0.02	0.42
Jordan	0.07	0.08	2.96
Bahrain	-0.16	0.03	0.96
Qatar	-0.08	0.02	0.27
UAE	-0.06	0.02	-0.80
SaudiArabia	-0.07	0.01	0.40
Kuwait	-0.09	0.02	0.38
Türkiye	0.05	0.02	0.53
Egypt	0.00	0.04	-3.43
Nigeria	-0.07	0.00	0.84
RestofOIC	-0.03	0.02	1.07
RestofWorld	-0.04	0.05	1.48

Source: GTAP model simulation result (2025), processed.

In Scenario 1, when the US imposes tariffs of 25 percent on steel and aluminum

imports, most countries experience relatively little impact. OIC countries showed mixed results: Brunei and Saudi Arabia recorded a contraction of -0.14 percent and -0.07 percent, respectively, while some countries, such as Pakistan (+0.09 percent) and Jordan (+0.07 percent), experienced a slight increase. This indicates that the impact of this policy is not significant globally, and some countries may benefit from the shift in trade. The observed increase in GDP for certain countries could be attributed to other contributing factors that support economic growth, such as investment levels, government expenditure, and availability of natural resources (Erum *et al*., 2024; Rusli *et al*., 2023).

However, in Scenario 2, when the US adds 10 percent tariffs on all imported products from China and China retaliates against key commodities from the US, the impact is more significant. China and the US themselves experience economic contractions, at -0.06 percent and -0.07 percent, respectively, indicating mutual losses from the trade war. On the other hand, some OIC countries show positive signals, such as Malaysia, Pakistan, and Jordan, which increase GDP by 0.06 percent, 0.07 percent, and 0.08 percent, respectively. This indicates an opportunity for some OIC countries to benefit from shifting global supply chains and shifting trading partners as a result of the US-China trade war. This potential can be effectively leveraged by countries that benefit from lower production costs, driven by competitively low labor wages and an abundance of natural resources required for raw material inputs (Su, 2024).

The greatest impact occurs in Scenario 3, when the US applies extreme tariffs of 100 percent against BRICS countries if they realize the use of counter-currencies. India and China experience a considerable contraction of -4.79 percent and -4.42 percent. OIC countries that are closely linked to the BRICS countries or depend on commodity exports also face very heavy economic pressure, with Egypt contracting by -3.43 percent, Indonesia by -2.31 percent, and Iran by -1.01 percent. Meanwhile, countries such as Kyrgyzstan (+3.82 percent), Jordan (+2.96 percent), and Pakistan (+2.23 percent) see significant economic gains. This increase can be explained by their potential to fill the market void left by the BRICS countries, as well as an increase in demand for products from the OIC countries as a substitution for goods previously obtained from the BRICS.

Overall, the results of this simulation confirm that global trade tensions and extreme protectionism policies can create both opportunities and risks for OIC countries. Countries with more open and flexible economic structures tend to be able to adapt and take advantage of changing trade patterns, while countries with

a high dependence on commodity exports or strategic partners, such as BRICS, face considerable pressure.

4.2. Impact on Trade Balance

Table 2. Change in Trade Balance

Countries	Change in trade balance X - M (USD million)		
	Scenario 1	Scenario 2	Scenario 3
AusOce	-307.27	-182.00	-2939.88
China	-3781.27	-61.86	-9279.75
Japan	-3424.86	-399.00	-19685.26
Korea	-550.08	-150.23	-3577.11
Singapore	-18.77	27.38	606.73
India	-719.86	-104.03	8197.42
Canada	1111.16	-133.10	-7389.57
Mexico	315.65	-58.63	-3970.37
Argentina	-215.53	-22.78	-2330.37
Brazil	-380.72	-176.92	3187.95
EU_27	-7033.44	-543.97	-40236.09
UnitedKingdom	-573.89	-94.79	-7537.10
Russia	-405.50	-41.96	-498.21
Ethiopia	-17.35	-1.63	185.78
SouthAfrica	93.74	-14.31	489.86
US	19898.30	2625.18	107855.75
Brunei	-8.43	0.68	-8.77
Indonesia	-367.40	-50.52	-189.65
Malaysia	-96.00	-39.74	-1654.65
Pakistan	-103.94	-33.92	-1294.96
Kazakhstan	-90.06	1.41	-247.93
Kyrgyzstan	-6.41	-5.31	-294.11
Iran	-266.90	0.07	-640.53
Oman	-42.83	2.44	-24.03
Jordan	-20.82	-14.03	-535.35
Bahrain	-11.91	0.33	-22.89
Qatar	-130.33	13.07	-23.53
UAE	-125.97	-16.07	-70.59
SaudiArabia	-522.50	-4.54	-116.81
Kuwait	-130.22	8.76	119.04
Türkiye	-242.26	-32.36	-1115.25
Egypt	-61.56	-18.59	1094.73
Nigeria	-101.22	-6.47	4.27
RestofOIC	-325.84	-36.59	-2042.19
RestofWorld	-1335.70	-436.04	-16044.54

Source: GTAP model simulation result (2025), processed.

Changes in the trade balance in response to simulated tariff policies indicate that OIC countries are generally under pressure, although there are some exceptions that record improvements in trade performance. In Scenario 1, where the US imposes tariffs of 25 percent on steel and aluminum imports, almost all OIC countries experience trade balance declines, including China (USD -3,781.27 million), Japan (USD -3,424.86 million), and the EU (USD -7,033.44 million). Meanwhile, the US has a large trade surplus of USD 19,898.30 million, reflecting the tariff policy's goal of protecting domestic producers. OIC countries generally experience a decline in the trade balance, such as Indonesia (USD -367.4 million), Pakistan (USD -103.94 million), and Iran (USD -266.90 million), reflecting their dependence on exports of commodities and raw materials affected by this tariff policy. Few countries, such as South Africa (USD +93.74 million), have surpluses, possibly due to trade adjustments with non-US partners.

In Scenario 2, when the US and China impose additional tariffs on each other, the pressure on the trade balance of the OIC countries increases. The US still records a trade surplus of USD 2.625,18 million, but lower than before. Some OIC countries, such as Qatar (USD +13.07 million), Oman (USD +2.44 million), and Brunei (USD +0.68 million), show slight improvement, possibly due to trade route diversion or import source substitution. However, most countries still record a decline in the trade balance, such as Indonesia (USD -50.52 million), Malaysia (USD -39.74 million), and Pakistan (USD -33.92 million). This shows that OIC countries are not optimal in utilizing opportunities for global trade relocation in the context of the US-China trade war.

Meanwhile, the most extreme scenario. Scenario 3, shows a very varied and sharp impact. Most of the OIC countries experience a large decline in trade balances. The US obtains a huge trade surplus of USD 107,855.75 million, while BRICS countries such as China (USD -9,279.75 million), India (USD +8,197.42 million), and Brazil (USD +3,187.95 million) see different impacts. India and Brazil record significant surpluses, likely due to increased exports to alternative markets. In contrast, the majority of OIC countries experience trade balance weakness, such as Malaysia (USD -1,654.65 million), Pakistan (USD -1,294.96 million), and Jordan (USD -535.35 million), signaling export pressures and increased import costs due to global tensions. Only a few countries, such as Egypt (USD +1,094.73 million) and Kuwait (USD 119.04 million), manage to record balance sheet improvements in this extreme scenario. This indicates that in a scenario of high global tensions, certain countries are able to benefit from shifting trade flows, especially if they can offer

product alternatives or become new destination markets for partners who avoid high tariffs.

Overall, the findings suggest that OIC countries are likely to be negatively impacted by international trade due to the US' extreme protectionist policies, especially when they are heavily dependent on major export markets such as the US, China, and BRICS countries. Only a handful of countries have been able to turn global pressures into opportunities to improve their trade balance. This confirms the importance of diversifying export markets and increasing the added value of products in the face of global policy uncertainty.

The impact of US protectionism policies is increasingly evident in the manufacturing and energy sectors. Oil- and gas-exporting OIC countries face price volatility as Trump's policies create uncertainty in global trade, while increased tariffs on industrial goods and raw materials complicate manufacturing in countries dependent on international trade. With rising trade costs and barriers to entry into the US market, OIC countries must find other alternatives to stabilize their economic growth.

4.3. Impact on Equivalent Variation

In general, the simulation results show that the tariff policy pursued by the US, both unilaterally and through trade wars, has major implications for the economic wellbeing of most countries in the world, including OIC member countries.

Table 3. Equivalent Variation

Countries	Equivalent Variation (USD million)		
	Scenario 1	Scenario 2	Scenario 3
AusOce	-472.78	176.01	948.25
China	-117.86	-2094.84	-95666.96
Japan	978.30	301.93	10815.11
Korea	152.74	270.91	4596.59
Singapore	-37.06	46.12	986.30
India	-5.59	86.79	-21328.08
Canada	-3612.96	159.01	10538.45
Mexico	-1931.45	90.46	9978.30
Argentina	-8.35	9.09	865.35
Brazil	-541.66	120.02	-7356.58
EU_27	876.82	179.90	26828.64
UnitedKingdom	-343.55	19.21	5544.49
Russia	-985.17	18.28	-750.75
Ethiopia	6.23	0.26	-225.59
SouthAfrica	-299.17	28.05	-1911.14

US	2039.70	-2406.07	-127525.72
Brunei	-17.23	0.81	-22.42
Indonesia	-112.75	68.79	-3919.22
Malaysia	-85.79	54.22	1645.09
Pakistan	43.79	27.82	1361.30
Kazakhstan	-127.18	8.42	98.18
Kyrgyzstan	3.26	3.23	248.27
Iran	-232.73	26.09	344.94
Oman	-73.20	1.97	-11.17
Jordan	7.04	10.25	475.71
Bahrain	-21.82	1.60	63.40
Qatar	-119.69	12.09	-331.41
UAE	-289.29	13.19	176.55
SaudiArabia	-681.13	5.04	-119.85
Kuwait	-167.65	5.88	-169.25
Türkiye	18.74	14.72	565.13
Egypt	-44.62	16.55	-2106.55
Nigeria	-209.82	-11.56	571.35
RestofOIC	-434.26	20.00	3080.71
RestofWorld	-2380.86	698.56	23332.15

Source: GTAP model simulation result (2025), processed.

On welfare, the 25 percent tariff on steel and aluminum results in a decline in wellbeing levels in most OIC countries. Saudi Arabia recorded an equivalent variation (EV) decline of USD -681.13 million, Iran USD -232.73 million, Indonesia USD -112.75 million, and Malaysia USD -85.79 million. This decline shows that protectionist policies, although aimed at developed countries, still have a broad impact on developing countries with trade links or dependence on global commodity prices. Only a few OIC countries, such as Pakistan (USD +43.79 million), Jordan (USD +7.04 million), and Kyrgyzstan (USD +3.26 million), see economic wellbeing improvements in this scenario, albeit in relatively small amounts.

In Scenario 2 (US-China trade war), there is an improvement in economic wellbeing for several OIC countries. Indonesia and Malaysia see EV surges of USD 68.79 million and USD 54.22 million, respectively, suggesting that these countries could benefit from trade divergence due to the two great powers' trade conflict. Similarly, Pakistan (USD +27.82 million) and Iran (USD +26.09 million) show significant economic wellbeing improvements, which can be interpreted as evidence of their potential as a global supply chain alternative.

In Scenario 3, which is the most extreme simulation (involving a 100% tariff for BRICS countries), the results become more varied and contrasting. Some countries

experience a large increase in EV, such as Pakistan (USD +1,361.3 million), Malaysia (USD +1,645.09 million), Jordan (USD +475.71 million), and the rest of the OIC (USD +3,080.71 million). This shows that these countries are able to become substitutes in global supply chains that disrupted due to the marginalization of the BRICS, especially China and India. However, a number of countries continue to experience large wellbeing declines, including Indonesia (USD -3,919.22 million), Egypt (USD -2,106.55 million), Qatar (USD -331.41 million), and Saudi Arabia (USD -119.85 million), which may be affected due to their entanglements in certain inflexible trade or export structures. Several countries, such as Iran (USD +344.94 million) and the UAE (USD +176.55 million), record positive EVs, signaling a potentially increasing role in the post-tariff alternative trading system.

Overall, these results emphasize that OIC countries are highly vulnerable to changes in global trade policy, especially when they are heavily dependent on large markets such as the US, China, and BRICS countries. Although some countries can benefit from the diversion of trade and investment flows, the majority are still experiencing a decline in well-being, especially countries with economic structures that are not yet sufficiently diversified or dependent on commodity exports. Therefore, it is important for OIC countries to strengthen domestic economic resilience and strategically expand global trade networks.

5. Discussion

Trump's economic policies are based on the principle of 'America First', which emphasizes protectionism and unilateral trade policies. The policies aim to protect the US domestic industry from global competition, reduce the trade deficit, and increase employment for American workers. This protectionism is manifested through various tariff policies imposed on various countries, which will certainly have far-reaching consequences for international trade, including for member countries of the OIC, which have economic links with the US and other major trading partners, such as China and the BRICS countries.

According to Jahan & Al-Harbi (2024), protectionism policies implemented through tariffs can generate international trade tensions and disrupt the stability of global supply chains. There will be an increase in the costs required for production activities due to an increase in the entry price from the application of tariffs. As a result, some countries will shift their markets to other countries that are considered to have more potential. The tariff policy implemented in Trump's first term also proved to have an impact on a wide array of economic aspects. Findings from Amiti

et al. (2019) stated that there was a significant increase in prices due to Trump's tariff policy, which then had an impact on supply chain changes, especially in trade involving the US. The negative impacts resulting from tariff increases are not only felt by targeted countries but by other regions such as the Organization for Economic Cooperation Development group (Celebi & Welfens, 2020). The impact of the steel and aluminum tariff policy also further strengthens the evidence regarding the central position of the US in international trade, because after the implementation of this policy, there was a decline in global trade, especially in the base metal trade. The US' main trading partners, such as the EU, India, Russia, and Türkiye, experienced a decrease in total exports due to this policy (Rocchi & Arto, 2019).

Trump's trade war also has an impact on OIC countries. This is because the US and China, as the world's two largest economies, play a central role in the global trading system, directly or indirectly influencing OIC countries' trade relations with both countries. Fajgelbaum and Khandelwal (2021) analyzed the economic impact of the US-China trade war in Trump's first term. They found that mutually-enforced tariff policies further increased the cost of trade for both countries, thereby causing a decline in the trade balance of each country. In turn, the increased costs resulting from this trade war also disrupt global trade activities and international supply chains. Chen (2024) noted that this trade war had an impact on the decline in total exports in several countries in 2019, including Canada (-0.84 %), Japan (-1.15%), and Russia (-0.41%).

For OIC countries, the impact of the US-China trade war in the first full period of Trump's presidency had varied effects depending on their trade relations with each country. Fakhrunnas & Fadillah (2023) found that in the short term, the trade war had a positive effect on the economic growth of OIC countries due to increased trade with the US. However, relations with China suffered, likely due to reduced demand for imports from China or changes in global trade patterns due to trade tensions. Facing another period of US protectionist policies, OIC countries have an opportunity to strengthen their economic position both by acting as substitute markets in disrupted global value chains and by enhancing intra-OIC trade cooperation. For example, several OIC member states in Africa possess competitive advantages in oil and fossil fuel production, giving them stronger bargaining power in global trade negotiations. At the same time, countries in Asia hold strategic potential to serve as alternative export hubs and consumption markets amid ongoing trade realignments (Su, 2024). These developments highlight the need

for OIC countries to proactively explore untapped trade opportunities within the bloc and beyond. As of 2024, only 30 out of 57 OIC member countries had achieved the intra-OIC trade target of 25 percent of total trade volume (ICDT, 2024). This indicates that there remains significant untapped potential for expanding trade within the bloc, presenting a strategic opportunity to strengthen economic resilience and reduce external dependency among OIC countries.

6. Conclusion

The results of this study show that the protectionist policies of the US, in the form of both sector-specific tariffs and broader trade conflicts, have a real impact on the economies of OIC member countries. Although the impact varies between countries and scenarios, there is a general trend of economic losses for most OIC countries. In terms of GDP, most OIC countries experience a decline in output, especially in extreme scenarios such as a full-fledged trade war between the US and China or the application of 100 percent tariffs against BRICS countries. Countries such as Indonesia, Saudi Arabia, and Iran show considerable economic contraction, reflecting the vulnerability of these countries to external shocks. Only a few countries, such as Pakistan, Malaysia, and Jordan, show a slight increase in GDP in certain scenarios, likely due to the potential shift in global trade flows.

In terms of trade balance, the simulation results show that OIC countries are likely to experience a decrease in surplus or an increase in trade deficit, especially in Scenario 3. This shows that dependence on exports and global supply chains makes OIC countries vulnerable to international trade restrictions, as only some OIC countries record trade balance improvements, and generally in relatively small numbers. Meanwhile, in terms of economic well-being measured through equivalent variation, the majority of OIC countries experience a decline in utility or economic wellbeing, indicating a direct loss of consumption and purchasing power. Some exceptions, such as Pakistan, Jordan, and Türkiye, in certain scenarios show that there are opportunities that can be exploited through market diversification and increased competitiveness. However, in aggregate, OIC countries are still likely to be negatively affected by global trade policy uncertainty.

Overall, the findings highlight the urgency of formulating more strategic and coordinated cooperation policies among OIC member countries in the face of changing US trade policies. Collective efforts such as strengthening domestic markets, promoting trade diversification, and deepening regional economic integration should be prioritized to reduce dependence on major economies such

as the US and China. In the context of rising protectionism, policy synergy among OIC nations is crucial to enhance economic resilience and build a more robust and sustainable trade system. Although this study relies on simulation-based analysis, which inherently abstracts from real-world complexities, it nevertheless offers valuable insights into potential trade policy impacts. Therefore, future research is recommended to incorporate more recent data and adopt empirical methods to produce more robust findings that can offer stronger foundations for policy formulation.

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Appendix

1. Region Aggregation

No.	Country/Region Code	Composition
1	AusOce	Australia; New Zealand; Rest of Oceania.
2	China	China.
3	Japan	Japan.
4	Korea	South Korea.
5	Singapore	Singapore.
6	India	India.
7	Canada	Canada.
8	Mexico	Mexico.
9	Argentina	Argentina.
10	Brazil	Brazil.
11	EU_27	Austria; Belgium; Cyprus; Czech Republic; Denmark; Estonia; Finland; France; Germany; Greece; Hungary; Ireland; Italy; Latvia; Lithuania; Luxembourg; Malta; Netherlands; Poland; Portugal; Slovakia; Slovenia; Spain; Sweden; Bulgaria; Croatia; Romania.
12	UnitedKingdom	United Kingdom.
13	Russia	Russian Federation.
14	Ethiopia	Ethiopia.
15	SouthAfrica	South Africa.
16	US	United States of America.
17	Brunei	Brunei Darussalam.
18	Indonesia	Indonesia.
19	Malaysia	Malaysia.
20	Pakistan	Pakistan.
21	Kazakhstan	Kazakhstan.
22	Kyrgyzstan	Kyrgyzstan.
23	Iran	Islamic Republic of Iran
24	Oman	Oman.
25	Jordan	Jordan.
26	Bahrain	Bahrain.
27	Qatar	Qatar.
28	UAE	United Arab Emirates.
29	SaudiArabia	Saudi Arabia.
30	Kuwait	Kuwait.
31	Türkiye	Türkiye.
32	Egypt	Egypt.
33	Nigeria	Nigeria.
34	RestofOIC	Bangladesh; Nepal; Albania; Azerbaijan; Rest of Western Asia; Morocco; Tunisia; Rest of North Africa; Benin; Burkina Faso; Cameroon; Guinea; Senegal; Togo; Mozambique; Uganda.

35	RestofWorld	Hong Kong; Mongolia; Taiwan; Rest of East Asia; Cambodia; Lao People's Democratic Republ; Philippines; Thailand; Vietnam; Rest of Southeast Asia; Sri Lanka; Rest of South Asia; Rest of North America; Bolivia; Chile; Colombia; Ecuador; Paraguay; Peru; Uruguay; Venezuela; Rest of South America; Costa Rica; Guatemala; Honduras; Nicaragua; Panama; El Salvador; Rest of Central America; Dominican Republic; Jamaica; Puerto Rico; Trinidad and Tobago; Caribbean; Switzerland; Norway; Rest of EFTA; Belarus; Ukraine; Rest of Eastern Europe; Rest of Europe; Rest of Former Soviet Union; Armenia; Georgia; Israel; Cote d'Ivoire; Ghana; Rest of Western Africa; Central Africa; South Central Africa; Kenya; Madagascar; Malawi; Mauritius; Rwanda; Tanzania; Zambia; Zimbabwe; Rest of Eastern Africa; Botswana; Namibia; Rest of South African Customs ; Rest of the World.

2. Sectoral Aggregation

No.	Sectors	Description	Composition
1	Agriculture	Grains and Crops	Paddy rice; Wheat; Cereal grains nec; Vegetables, fruit, nuts; Oil seeds; Sugar cane, sugar beet; Plant-based fibers; Crops nec; Cattle, sheep, goats, horses; Animal products nec; Wool, silk-worm cocoons; Processed rice.
2	Forestry	Livestock and Meat Products	Forestry.
3	Fishing	Fishing	Fishing.
4	Energy	Energy	Coal; Oil; Gas; Minerals nec; Petroleum, coal products; Gas manufacture, distribution.
5	Oil	Crude Oil	Oil.
6	Food	Food	Meat: cattle, sheep, goats, horse; Meat products nec; Sugar; Food products nec; Beverages and tobacco products.
7	VegOil	Vegetable Oil	Vegetable oils and fats.
8	Dairy	Dairy Product	Raw milk; Dairy products.
9	Clothing	Clothing	Textiles; Wearing apparel; Leather products.
10	OtherManuf	Other Manufacture	Wood products; Paper products, publishing; chemical, rubber, plastic prods; Transport equipment nec; Manufactures nec.
11	NonMetalMin	Non-Metal/ Mineral Product	Mineral products nec.
12	Steel	Steel	Ferrous metals.
13	Aluminium	Aluminium	Metals nec; Metal products.
14	MotorVehicle	Motor Vehicle	Motor vehicles and parts.
15	Machinery	Machinery	Electronic equipment; Machinery and equipment nec.
16	OtherService	Other Service	Electricity; Water; Construction; Business services nec; Recreation and other services; PubAdmin/Defence/Health/ Educat; Dwellings.
17	Comm	Communication	Communication.
18	FncIncurance	Financial Insurance	Financial services nec; Insurance.
19	Transport	Transportation	Transport nec; Sea transport; Air transport.
20	Trade	Trade	Trade.

3. Aggregation of Factors of Production

No.	Factor of Production	Agregation Group	Factor Mobility
1	Land.	Land	-1.000000
2	Clerks; Service/Shop workers; Agricultural and Unskilled.	UnSkLab	mobile
3	Technicians/AssocProfessional; Officials and Managers.	SkLab	mobile
4	Capital.	Capital	mobile
5	Natural Resources.	NatRes	-0.001000