Trump tariff threats sending shock waves around the world

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Governments around the world are in discussions with their economic and financial institutions as to what will be the impact of the Trump presidency on their economies if he goes ahead with the imposition of sweeping tariffs as a central component of his reactionary nationalist agenda.

There have been warnings that the US tariff hikes could rival those of the infamous Smoot-Hawley measures of the 1930s, which led to a global trade war and played a significant role in creating the conditions for World War II.

Nowhere will the discussions be more intense than in Chinese ruling and administrative circles. Trump has threatened to impose a 60 percent tariff on all Chinese exports to the US. There have been warnings that such measures could lead to a cut in the growth rate in the Chinese economy, already at its lowest level in more than three decades, of anywhere between 1.75 and 2.5 percentage points.

When Trump began imposing tariffs against China during his first presidency, they reflected a somewhat scatter gun approach, but since then, during the Biden administration, the economic warfare has become much more intense.

Biden largely retained the Trump measures and significantly expanded the US offensive through the series of bans, introduced on “national security” grounds, to deny access to the most highly developed computer chips and chip-making technology. Access to this technology is crucial for the central economic strategy of the Xi Jinping government to develop “high quality new productive forces.”

The assessment by the rabid anti-China economic nationalists surrounding Trump, such as the trade representative in his first administration, Robert Lighthizer, who may return to that position, is that with the slowing of its economy in recent years and its growing dependence on exports, China is more vulnerable.

The latest trade data give sustenance to this view. The Chinese trade balance, the difference between the value of its exports and imports, is on track to reach $1 trillion this year. In the first 10 months of the year the trade balance surged to $785 billion, the highest on record and up 16 percent from the corresponding period in 2023.

In a post on X (formerly Twitter) Brad Setser, senior fellow at the Council on Foreign Relations, noted: “With Chinese export prices still falling, export volume growth was enormous. The overall story is of an economy that is again growing off exports.”

During the first Trump administration, China produced 12 percent of global exports. That figure has risen to 17 percent, according to an estimate by the global research firm TS Lombard.

Under conditions where the domestic economy has been weakening, due to the ongoing problems in the real estate and construction sector, stagnant consumer demand, deflationary pressures and falling industrial profits, exports have become ever more crucial to maintain economic growth at the target level of “about 5 percent.”

According to Eswar Prasad of Cornell University, one-time head of the China division of the International Monetary Fund, in remarks cited in a recent *New York Times* article: “The balance of power has certainly shifted in favour of the United States. The Chinese economy is not quite on the ropes, but it has been struggling for quite a while.”

China is not without the means of retaliation. It could cut imports of American agricultural imports—it has already sought to obtain soybeans from suppliers in

Brazil and Argentina—and could restrict its exports of critical minerals needed for high-tech industry components.

According to Scott Kennedy, a China expert at the Center for Strategic and International Studies in Washington, whose remarks were also cited by the *Times*: "China has more leverage than the first time around. It has a range of tools it can mobilise to push back and put some hurt on the US economy if it believes Trump is pursuing outright economic war."

Concerns are being felt not only in China but throughout Asia, including in countries that are US allies. The Japanese automaker Honda has warned that the Trump threat to impose tariffs on cars from Mexico, possibly as high as 100 percent, could have an "extremely big impact" on its operations.

Countries that have a large trade surplus with the US are wondering if they will be in the firing line.

In 2023 South Korea's trade surplus with the US reached a record $44.4 billion, with car exports making up 30 percent of all shipments to the US. Taiwan's exports to the US reached a record high of $24.6 billion in the first quarter of this year, an increase of 57.9 percent over the same period last year. The trade surplus of Vietnam with the US stood at $90 billion for the first nine months of this year.

It might be thought that Taiwan would be exempt from trade war measures because of its export of computer chips to the US, but Trump has accused Taiwanese companies of "stealing" the US chip industry. Some companies have moved to shift some of their operations to the US in order to escape the effect of US tariffs, but it seems even then they can be a target. Trump is on record as saying that the Taiwanese firm TSMC, which has received billions in subsidies after making investments in the US, should "go back to their own country."

Taiwanese companies are also heavily invested in China. There are reportedly hundreds of them that will be vulnerable to tariffs imposed on goods coming from the country. Last week the Taiwanese government said it would help these businesses relocate as the economy minister warned the impact of tariffs could be "quite large."

Europe was in the firing line in the first Trump presidency with tariffs on steel and aluminium and threats of tariffs on a range of industrial goods, including autos. The situation for European industries, especially German car makers, is more serious than it was in the first Trump tariff war.

VW, which is already organising mass sackings and plant closures, could be hard hit. The US is its second biggest market after China. Last year it sold 713,000 vehicles in the US, of which 243,000 were made in Germany, mainly at the high end of the market.

Trump has said the most beautiful word in the dictionary is "tariff" and has made no secret that he intends to attack Europe.

"They don't take our cars, they don't take our farm products, don't take anything," he said during the election campaign, adding that Europe was a "mini," but not so "mini-China."

Government leaders and economy and trade ministers around the world will be hoping that they may be able to dodge the effect of a tariff war and devise means by which they can cut a deal with the US.

It remains to be seen exactly how the US-led tariff war will play out, but one thing can be said with certainty: the post-war order of free trade, already showing signs of senility before the return of Trump, is now well and truly on its death bed. A new era of intensified trade and economic conflict has opened up, the objective logic of which, as it was in the 1930s, is military conflict.