

Trump tariff hikes send global trade into reverse

Nick Beams**16 April 2025**

Global trade will go into reverse this year as a result of the tariff war launched by US president Trump, according to a report issued yesterday by the World Trade Organisation.

The WTO said the outlook for global trade had “deteriorated sharply” because of the US tariff hikes and the “trade policy uncertainty” they have created. It estimated there would be a 0.2 percent contraction for 2025, compared to an increase in trade of 2.9 percent in 2024. It added that trade growth could have been as much as 2.7 percent this year had tariffs remained low.

The WTO forecasts take into account the 90-day pause Trump announced on the imposition of “reciprocal tariffs,” which range between 30-50 percent for a number of countries.

The contraction may be even more significant than is indicated in the report, which has been issued just two weeks after Trump’s “liberation day” announcement. This is because of both the fact that the “reciprocal tariffs” may well go ahead after the pause and the uncertainty generated by the tariff war.

“Risks to the forecast include the implementation of the currently suspended reciprocal tariffs by the United States, as well as a broader spillover of trade policy uncertainty beyond US-linked trade relationships,” the WTO said.

It forecast that if the reciprocal tariffs were enacted this would bring a further reduction in global trade by 0.6 percentage points. And if trade policy uncertainty spread this would bring a further reduction of 0.8 percentage points leading to a “1.5 percent decline in world merchandise trade volume in 2025.”

With the imposition of a 145 percent tariff by the US against China, the WTO expects trade between the two countries, the world’s number one and number two economies respectively, to contract by 80-90 percent.

WTO director-general Ngozi Okonjo-Iweala, who presented the report, said the “decoupling” of the US and China was a “phenomenon that is really worrying to me” and would have “far-reaching consequences.”

At this stage, no one can predict exactly what those consequences will be. But such a “decoupling” between major economies has only ever occurred before in times of war.

The WTO warned that, among other things, trade policy uncertainty could “dampen business confidence, reducing business investment and thereby impairing economic growth.” In its worst-case scenario, which may well come to pass, the trade body said the global growth rate would fall to just 1.7 percent. Both the World Bank and the International Monetary Fund consider global growth of less than 2 percent to be indicative of a recession.

As the dangers to global growth spread, the Trump Administration has indicated that the US economic war against the world will intensify with the launching of investigations into computer chips, pharmaceuticals and critical minerals under Section 232 of the 1962 Trade Expansion Act by the commerce department.

Under that legislation, the commerce department prepares a report for the president on whether the importation of a particular item is “in such quantities or under such circumstances as to threaten or impair the national security.”

The legislation has been used previously to impose tariffs on steel and aluminium. Now its reach is set to be extended.

In two separate filings on Monday, the administration said it was ordering investigations into the national security implications of the importation of computer chips as well as pharmaceuticals, their ingredients and derivative products. The probes were initiated by

commerce secretary Howard Lutnick the day before Trump's April 2 announcement.

Both probes are directly linked to the aim for "reshoring" production to the US to gather together the necessary facilities for war. As Trump commented back in March: "We don't make pharmaceuticals anymore and if we have problems like wars or anything else, we need steel, we need pharmaceuticals."

The official launching of the probes into computer chips and pharmaceuticals was followed on Tuesday by a Trump executive order to the commerce department to devise ways of boosting American production of critical minerals which are vital for the development of high-tech products, electric motors and the auto industry. Here again the emphasis was on war preparation.

"President Trump recognises that an overreliance on foreign critical minerals and their derivative products could jeopardize US defence capabilities, infrastructure development, and technological development," the order said.

The statement warned that the US was "heavily dependent on foreign sources, particularly adversarial nations" and this exposed it to "economic coercion."

The problem it confronts is not the lack of critical minerals within its borders but that it does not have the industrial capacity to refine and develop them. China has become far and away the world's leading processor, with the result that even those minerals mined in the US must be sent there.

As the US steps up its economic war, China is increasingly hitting back. Having matched the overall US tariff hikes, it is restricting exports of critical minerals and is seeking to expand the retaliation.

This week, reports have surfaced that Beijing has told airlines not to place new orders for Boeing jets and that carriers must gain approval before they take delivery of planes they have previously ordered.

Boeing, which has been hit by a quality crisis following the fatal MAX crashes in 2018 and 2019, was only able to resume deliveries to China in the summer of 2024 after China had halted taking its planes. The Chinese market is vital for the aviation industry, with Boeing forecasting it will account for one fifth of the global market for planes in the next two decades.

The importance of the Chinese market and the blows

to US corporations from Trump's tariff war and export bans has also surfaced in the area of high-tech.

Yesterday, Nvidia, the leading world manufacturer, at least at this point, of the most advanced chips used in the development of artificial intelligence announced it was making a \$5.5 billion charge to revenue as a result of moves by Trump to clamp down on exports to China of its H20 graphics processing unit.

According to a report in the *Financial Times*, "industry insiders believe the hit on Nvidia's revenue could reach more than \$10 billion."

Washington had imposed export controls on the company's most advanced chips, but Nvidia believed, after discussions with Trump, that the less powerful H20 would not be affected by the ban and told its Chinese buyers so.

The surprise news that new export controls were being introduced is a further indication that major US corporations are unable to undertake long-term planning with any degree of certainty. It sent Nvidia stocks down almost 7 percent, with the tech-heavy NASDAQ index dropping by more than 3 percent, while the S&P 500 fell 2.24 percent.



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