

World War Trade: Conflict, Containment & the Emergent World Trading Order

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Real impact

WORLD WAR TRADE



Conflict, Containment, and the Emergent World Trading Order

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Outline of talk

- What is WWT?
- What are US & CN motives?
- How were US tariffs contained?
- Emergent world trading order
 - It's happening on autopilot.

What is World War Trade?

If tariffs were missiles...

Carpet-bombing tariffs.

- Tariffs on almost everything from almost everywhere.
 - Broke every trade promise.
- Abdicated world trade leadership:
- Trade Law ⇒ Jungle Law.

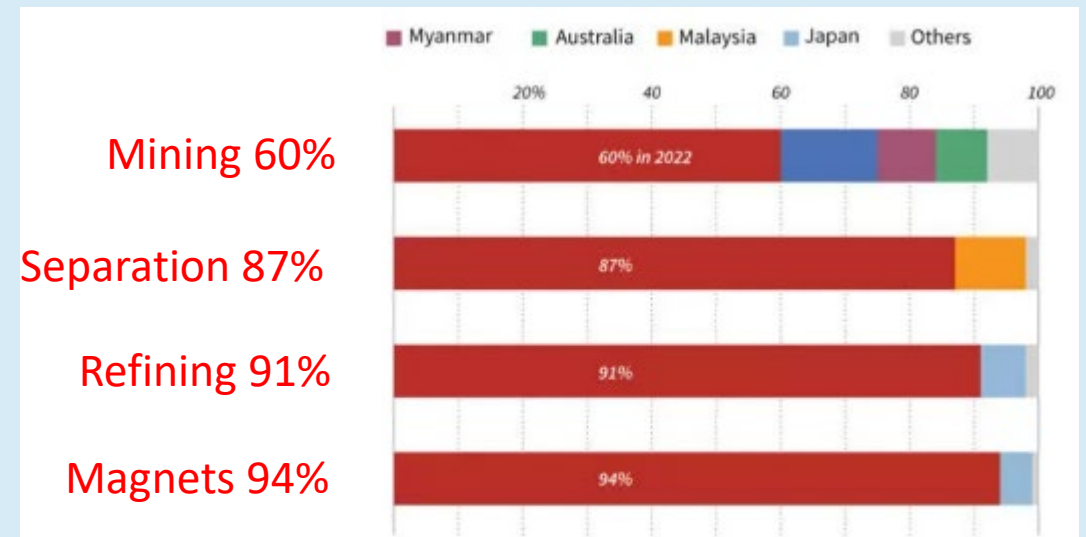
Reciprocal Tariffs		
Country	Tariffs Charged to the U.S.A.	U.S.A. Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

Reciprocal Tariffs		
Country	Tariffs Charged to the U.S.A.	U.S.A. Reciprocal Tariffs
Peru	10%	10%
Nicaragua	36%	18%
Norway	30%	15%
Costa Rica	17%	10%
Jordan	40%	20%
Dominican Republic	10%	10%
United Arab Emirates	10%	10%
New Zealand	20%	10%
Argentina	10%	10%
Ecuador	12%	10%
Guatemala	10%	10%
Honduras	10%	10%
Madagascar	93%	47%
Myanmar (Burma)	88%	44%
Tunisia	55%	28%
Kazakhstan	54%	27%
Serbia	74%	37%
Egypt	10%	10%
Saudi Arabia	10%	10%
El Salvador	10%	10%
Cote d'Ivoire	41%	21%
Laos	95%	48%
Botswana	74%	37%
Trinidad and Tobago	12%	10%
Morocco	10%	10%

Precision-weapon export controls.

What China did on 4 April:

- Exports controls on everyone (rare earths).
- WTO compliant; years in the making.



World War Trade:

Largest importer → import tariffs on whole world.

Largest exporter → export controls on whole world.



Why so different from the 2018
US-China trade war?

+ Now global shipping has been weaponised by Iran.

President Trump's
motives.

Why did America vote for the tariff war?

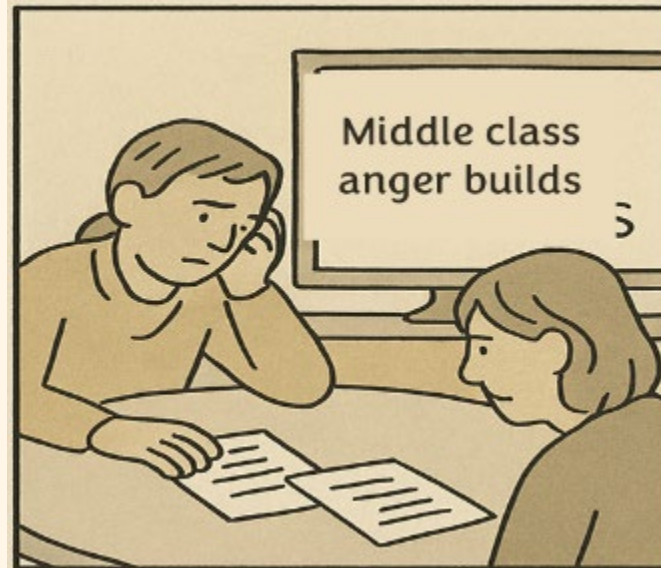
The 1990s economic shocks:

Workers competing with
China abroad and robots at
home



The missing safety net:

Without government help to
adjust, middle class
becomes the “forgotten
men & women”

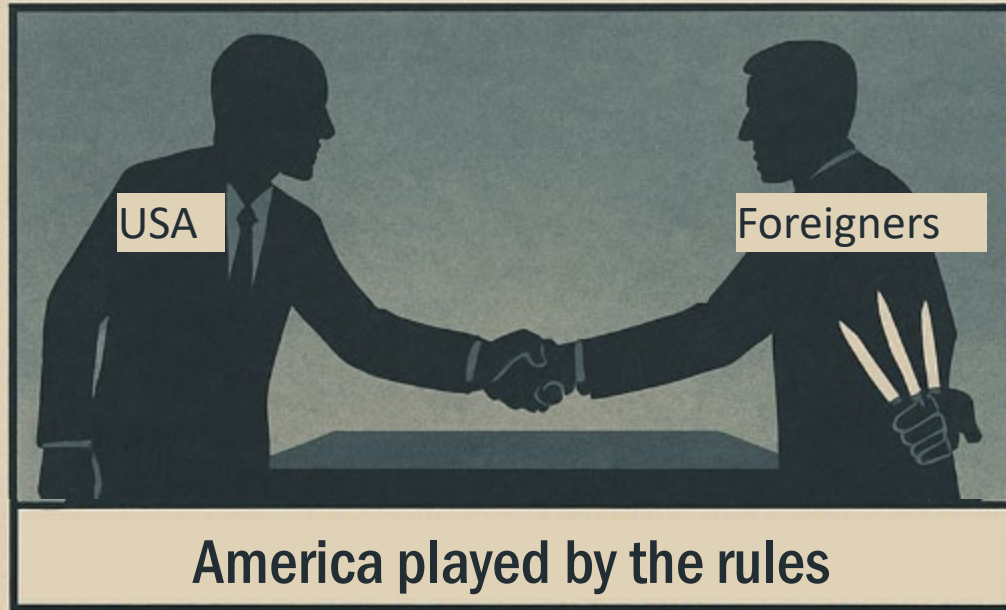


The Populist Promise.

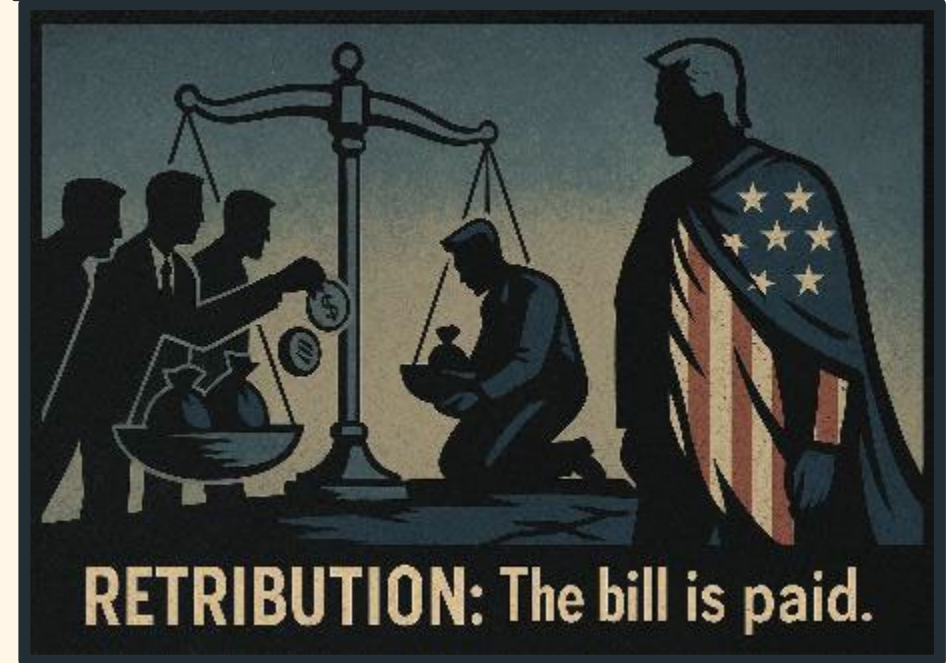
Trump channels their
pain into populism –
turning victimhood
into trade policy



The Grievance Doctrine based on a myth:



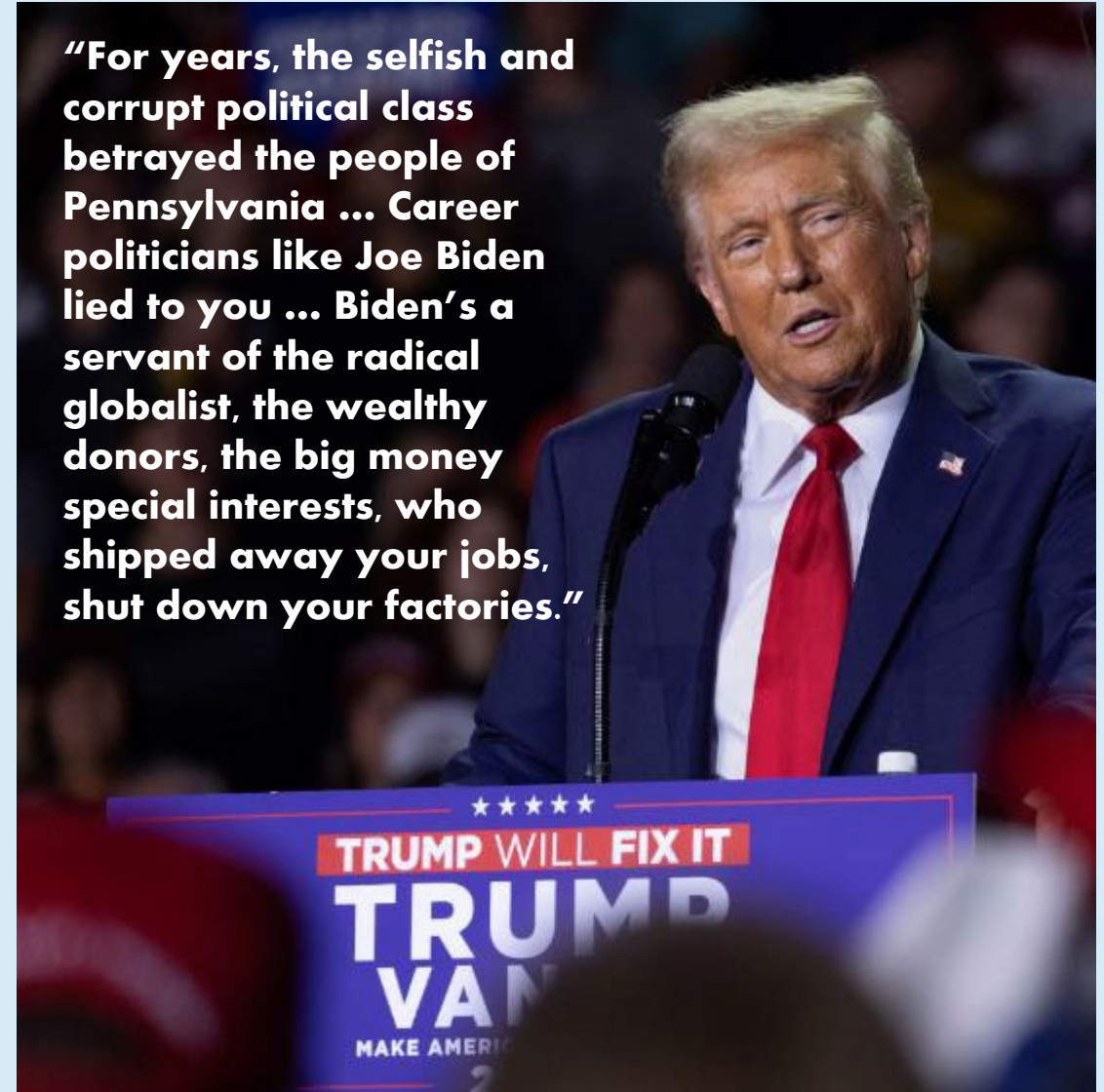
The Myth comes with a Mandate to stop the steal. It's payback time. Tariffs as vengeance.



Trumpian tariffs: Political theatre not economic policy.

- Trumpian trade policy is all about sounding like he's standing up for the forgotten middle class.

"For years, the selfish and corrupt political class betrayed the people of Pennsylvania ... Career politicians like Joe Biden lied to you ... Biden's a servant of the radical globalist, the wealthy donors, the big money special interests, who shipped away your jobs, shut down your factories."

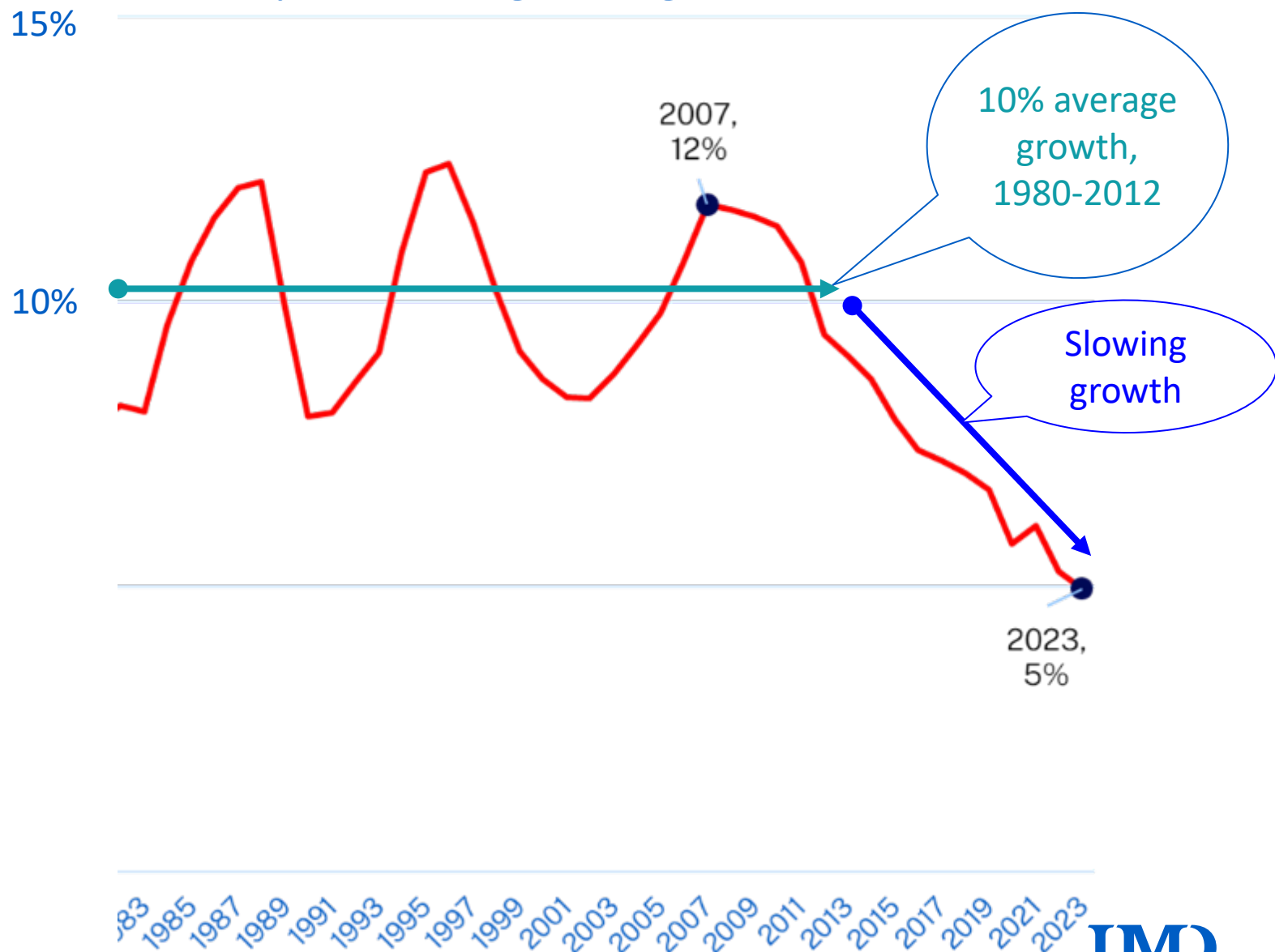


China's motives.

Performance legitimacy fades as growth slows.



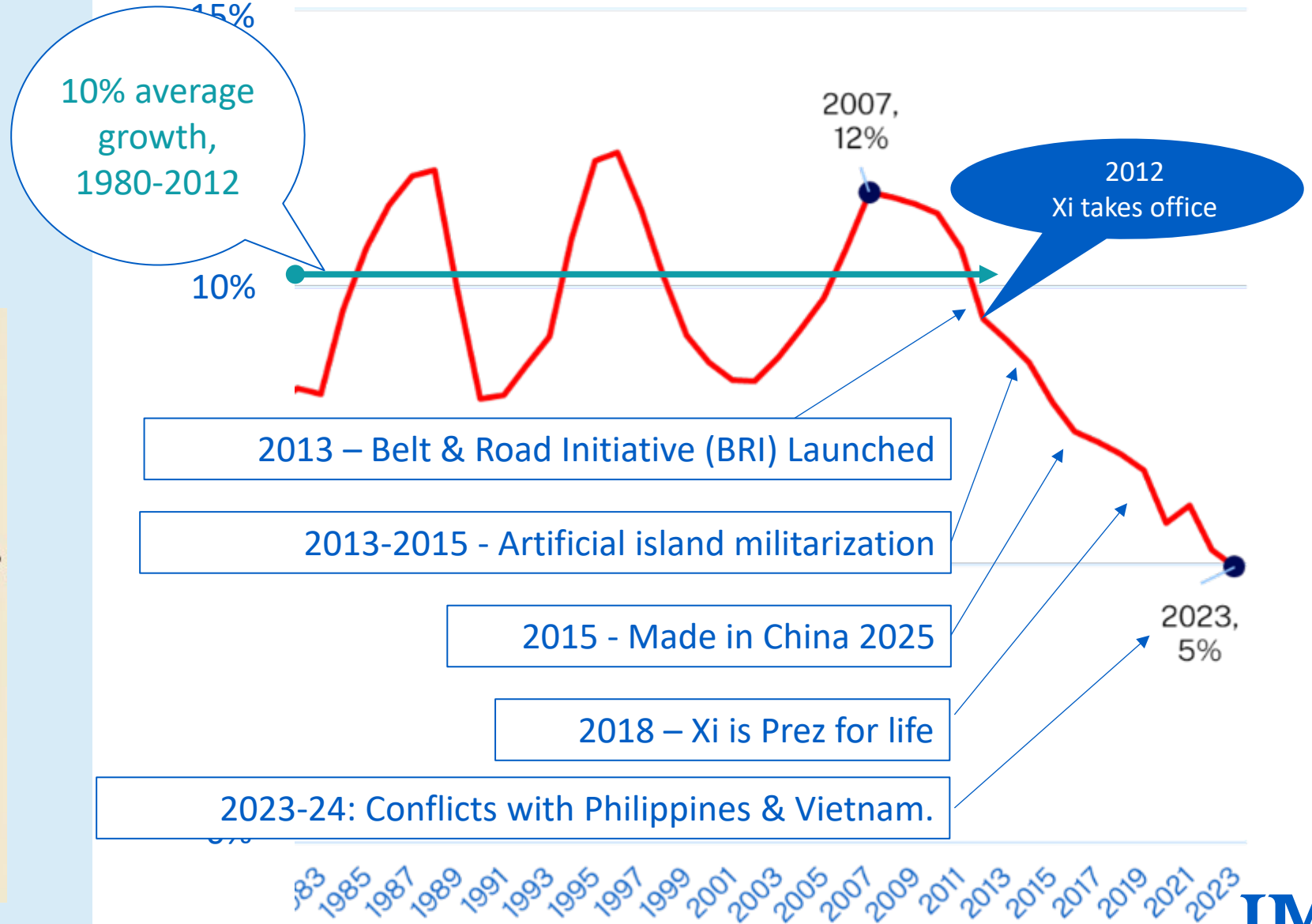
China real GDP growth (%),
5-year moving average (1985-2023).



Legitimacy pivots to performance & patriotism.



China real GDP growth (%),
5-year moving average (1985-2023).



China's intolerance to Trump bullying.

Growth vulnerable to world trade war.

- Exports were critical swing-source for aggregate demand in 2025.
- Threat to global exports intolerable.

Pivot to patriotism:

Trump bullying intolerable.

AND China had prepared its export control weapon.



The Sudden War & Slow Containment of US Tariffs.

Trump containments: 4 types of TACOs.

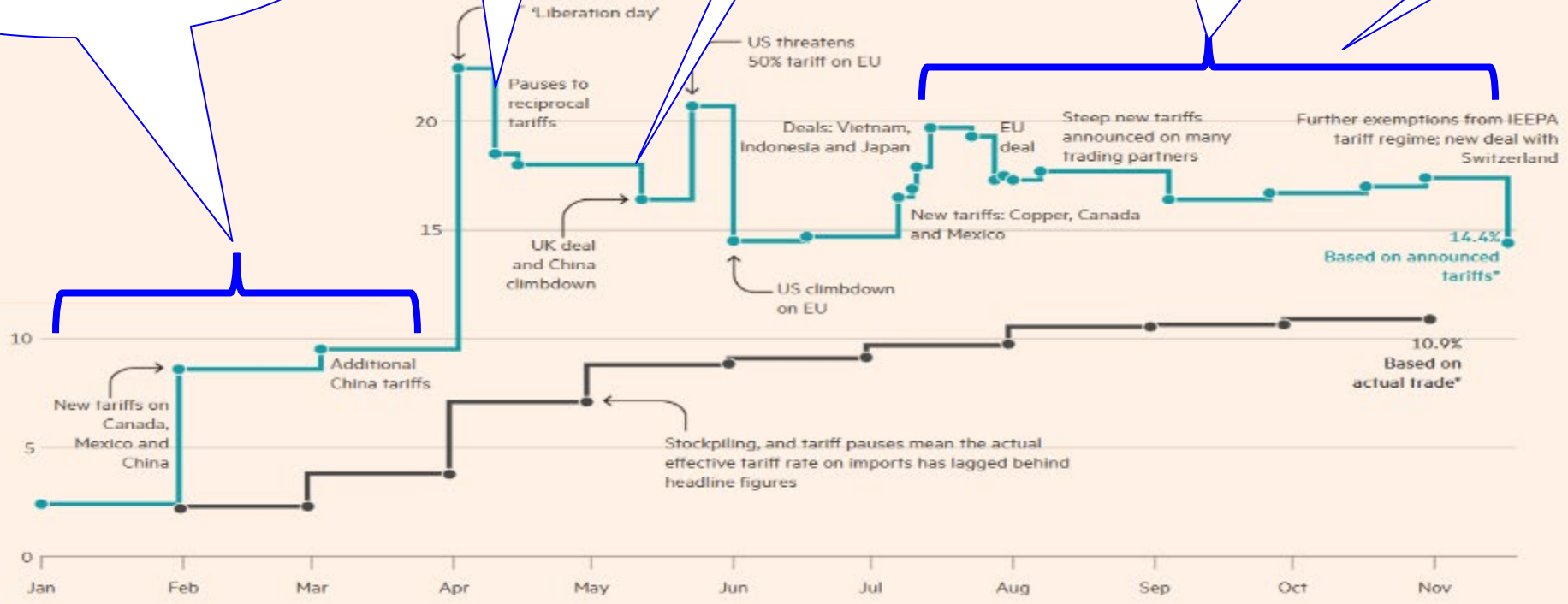
Rust-Belt TACO: MX & CA tariffs up&down, then up&down again.

Market TACO: Rose Garden tariffs reversed.

China TACO.

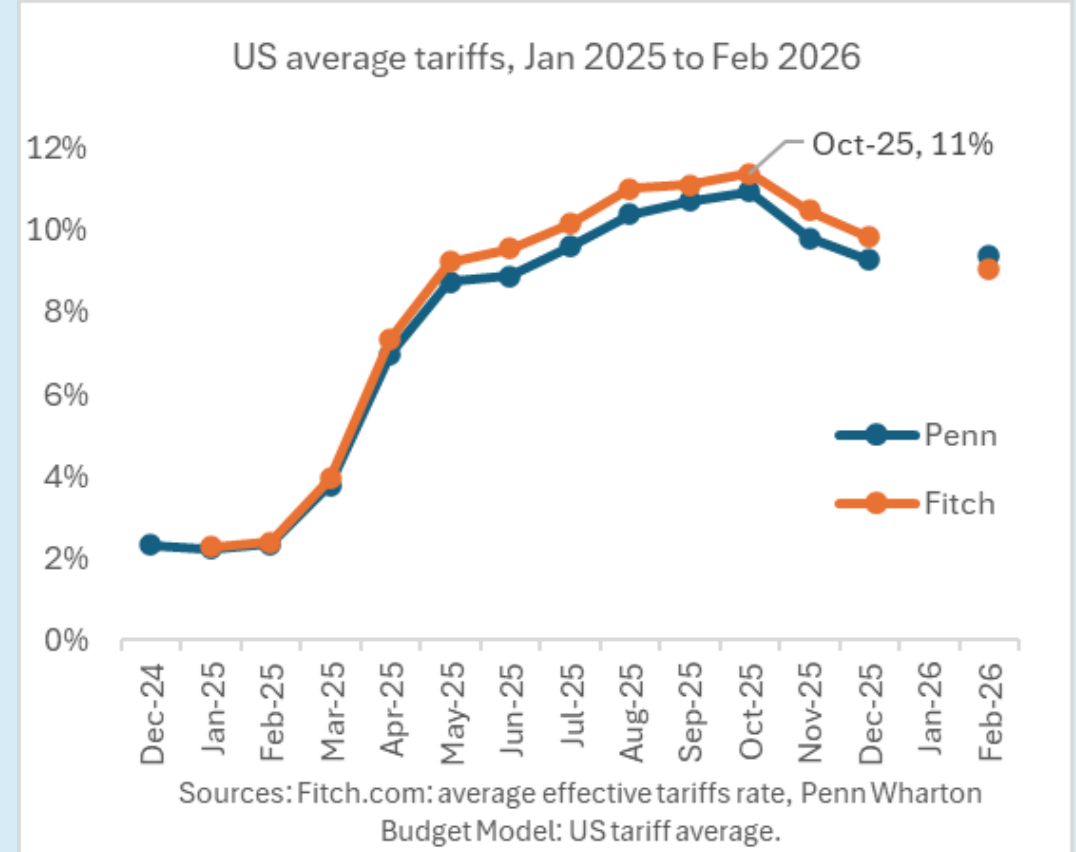
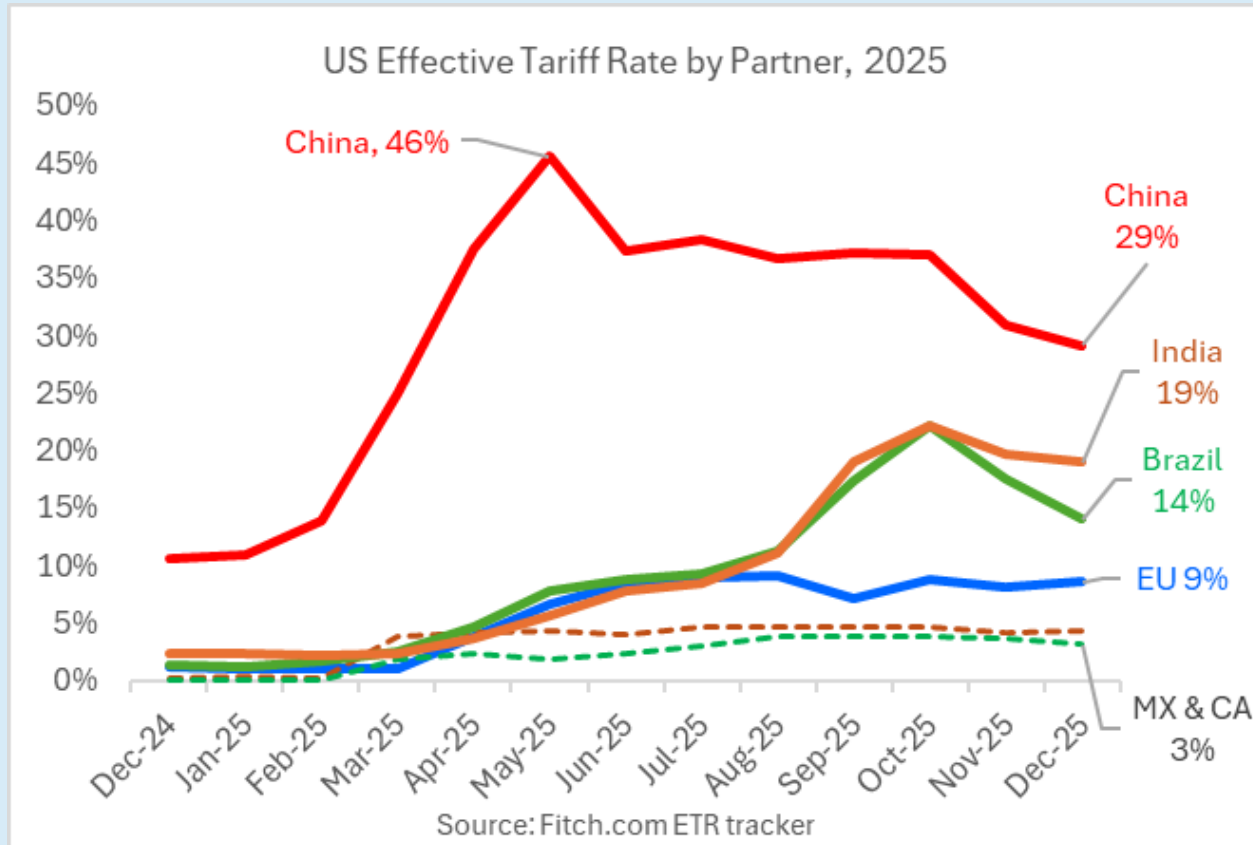
Affordability TACO (Virginia Blue Tsunami) & China TACO

Trade deal tariff hikes.



Source: Yale Budget Lab; US Census Bureau. *Sources: Yale Budget Lab; US Census Bureau
 *Actual trade' rate is customs duty revenue as a % of value of goods imported. *Based on announced tariffs' is the estimate of the long-run effective tariff rate based on current announced policy, after accounting for consumption shifts FT graphic: Alan Smith

US tariffs contained domestically pre Supreme Court.

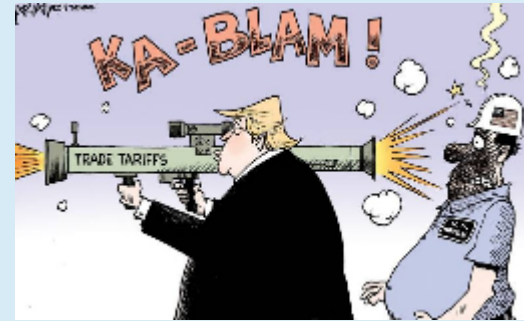


Future world trading order
is already emerging.

Three key facts

1. US tariffs backfired;

Domestic forces contained US tariffs.

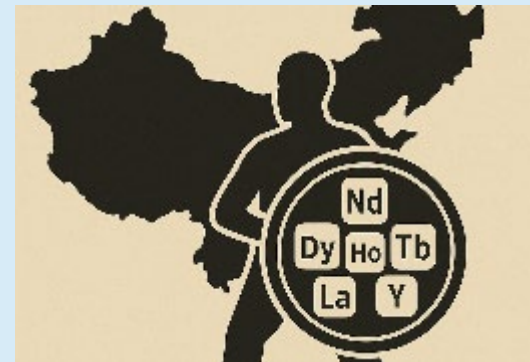


2. Jungle Law only in US.

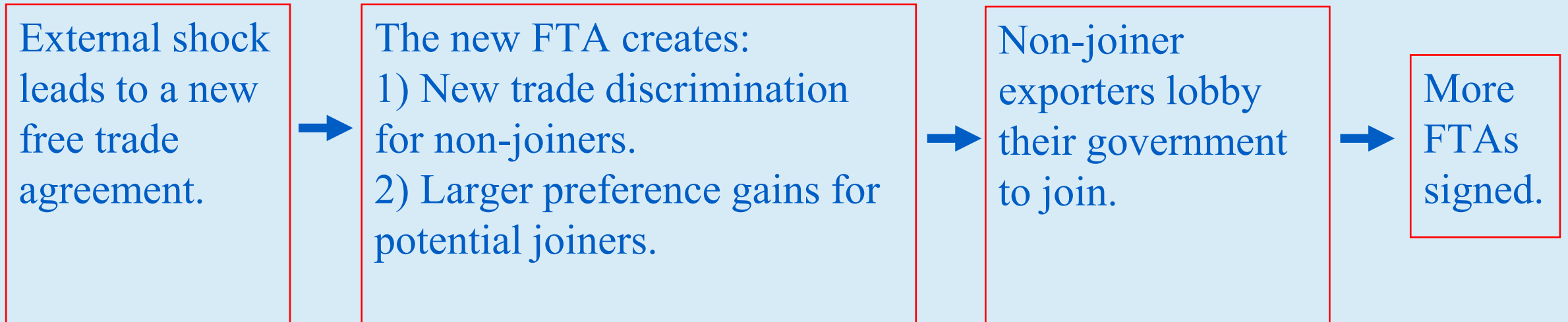


3. China export controls worked;

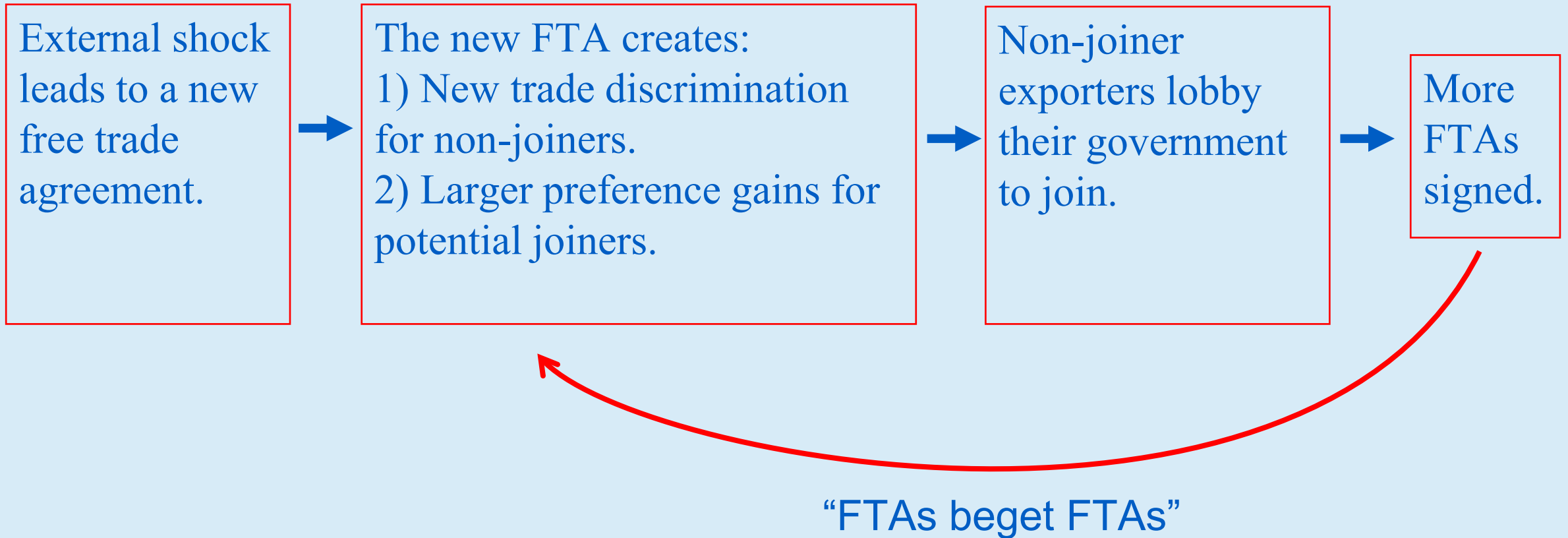
Dampened anti-China aggression, indirectly protected WTO system.



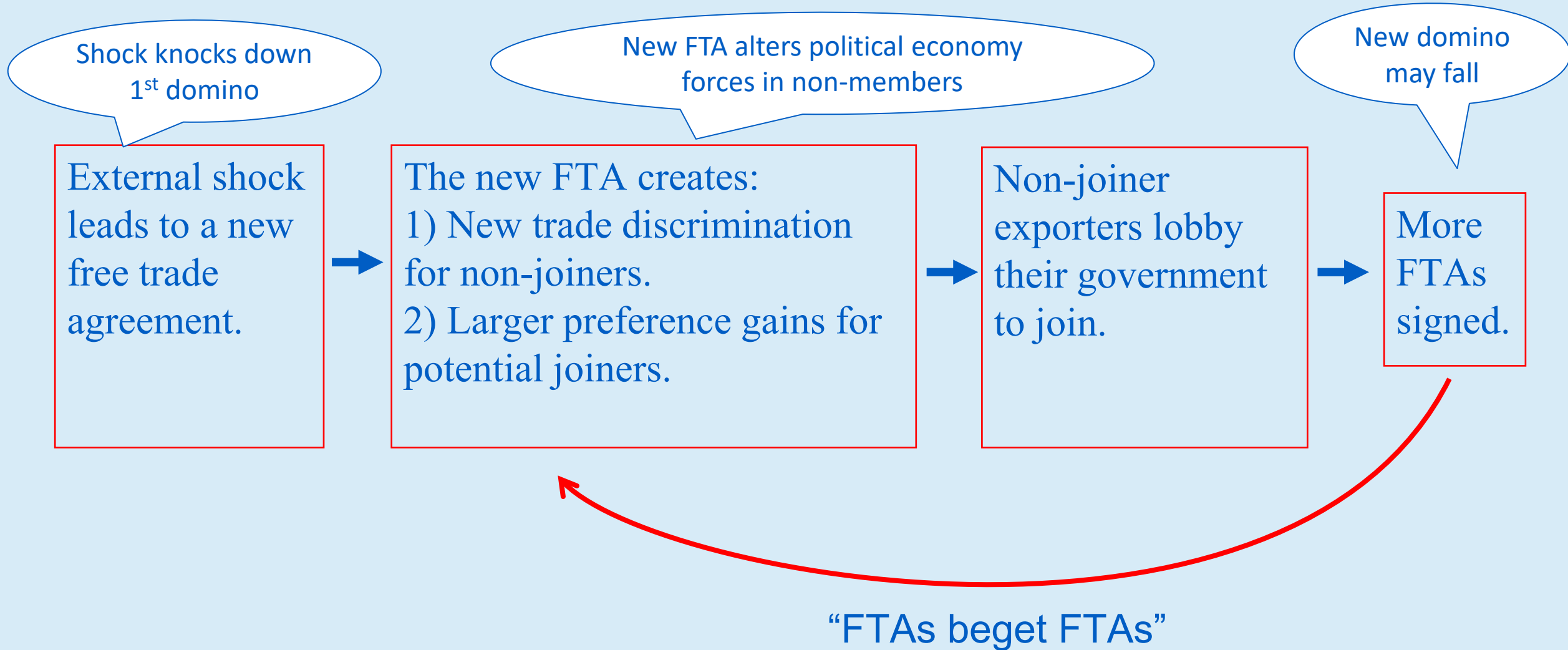
Summary: Domino Theory of Regionalism



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Summary: Domino Theory of Regionalism

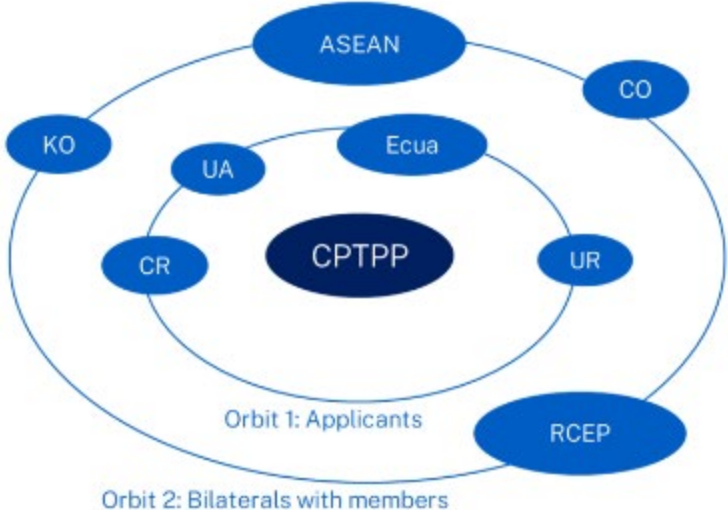
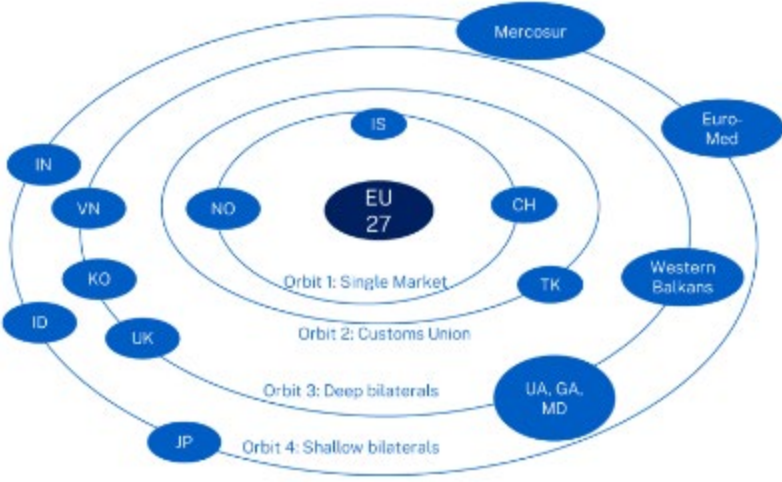


New world trading order is emerging via Domino Theory of Regionalism (on autopilot)

- Trumpian shock \Rightarrow New free trade agreements.
- Deep mega-regionals expanding:
 - a) EU adding big RTAs (India, Mercosur, etc.).
 - b) CPTPP+UK
- Shallow mega-regionals expanding & deepening:
 - a) ASEAN deepening and widening
 - b) Middle power traders (UK, India, Canada, etc) signing hub & spoke trade agreements.

Emergent World Trade Order: Regionalism Rescue Multilateralism on autopilot.

A Solar System of Regional Trade Agreements.

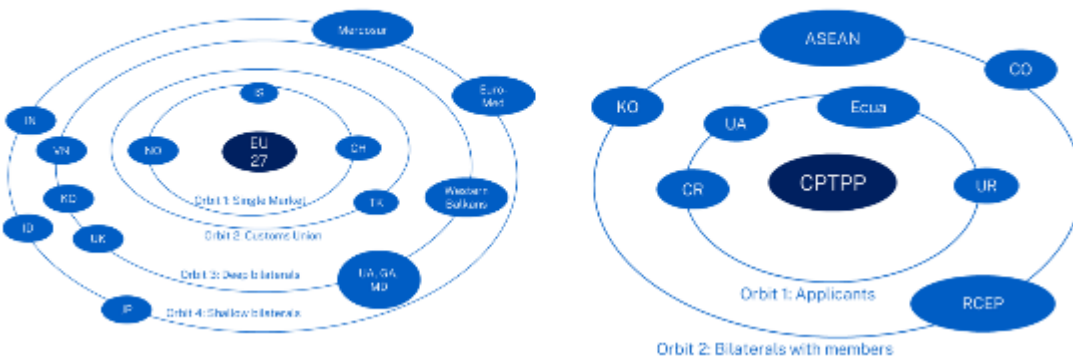


Trade shares covered.

- World trade already inside well-functioning deep mega-RTAs.
 - 16%+2% = 18% (with USMCA = 24%).
- World trade already inside well-functioning shallow mega-RTAs.
 - 1.7%+9.7% = 11.4%

RTA	Share of world trade (%)	Intra-RTA trade (% of members' total trade)	Within-RTA trade as share of world trade (%)
CPTPP	14.4	14.5	2.1
EU	27.8	58.2	16.2
ASEAN	7.2	23.6	1.7
RCEP	28.0	34.6	9.7
Mercosur	2.3	14.1	0.3
USMCA	10.9	52.0	5.7

A Solar System of Regional Trade Agreements.



End.
Thank you for
participating.

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