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Trump’s Dangerous Game with Unpredictable Outcome: The Tariff War Has Begun

By Vladimir Nišević

Introduction

If history is the teacher of life, then the future of the world does not look good. In the late 1920s, the world witnessed a great trade war, similar to the one now initiated by the President of the United States, Donald Trump. In 1929, the US imposed tariffs of 66% on everything, and everyone retaliated in some way. Through such measures, mutual tariffs, and devaluation, the largest world economies suffocated the global economy, and global trade fell by a third in just three years. Ten years later, in the 1940s, the world witnessed not only economic collapse but also a world war.

Trump’s dangerous game

So, we can say that Donald Trump has started a dangerous game, which he might see as the liberation of America or a new Declaration of Independence, yet again forgetting history and the fact that America was not liberated without blood and sacrifice—not only economic ones (like the English tea in Boston Harbor) but real human sacrifices. However, claiming that this is merely the result of reckless moves by someone who has never studied history or someone blindly stumbling around, signing executive orders like a circus performer, would be excessive and inaccurate. The US, facing external debt exceeding 60% of GDP, an overly strong domestic currency, unemployment, a weakening middle class and a lack of domestic investments, must find a way out of a crisis that may be "smoldering" right now but could flare up into a huge flame. The only question that needs to be asked is whether Trump's response is what the US and the rest of the world need. Harvard economist Dani Rodrik noted that "in Trump's mind, tariffs are like a Swiss army knife—tools that can simultaneously reduce the US trade deficit, increase competitiveness, boost domestic investment, strengthen innovation, bolster the middle class, and create jobs at home."

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However, at this moment, the effect is quite different. Trump's tariffs, based on very basic high school mathematics, are crashing global stock markets and triggering a wave of price hikes, to which the US president responds that people must endure. Many of his billionaire friends, whose wealth is melting away daily, will also have to endure. But also, after a lot of support, they could be the first to turn their backs on him. Trump is now the most vulnerable in his own country because while he may have the support of the average, ordinary person, capital is quickly turning against him. And somehow, we already know how capital rules, and to our great sorrow, that is not democracy. After more than two months of Donald Trump's mandate, with details about his "Days of Liberation" regime revealed this week, Forbes contacted 50 leading Wall Street figures, including billionaire investors, major institutional asset managers, and the largest national wealth advisors, to assess their support for the US president's economic strategies. The 50 respondents, chosen for their immense influence, intensified the recent market turmoil. Among these heavyweights from Wall Street—more than half of whom supported Trump's economic policy when he re-entered the White House in January—72% say that his team's economic plan has been ineffective, and 66% did not support his economic policy. Among those who were Trump's supporters just weeks ago, more than a third no longer support his economic policy, and most of them—54%—say he is failing to implement his plan. Forbes also surveyed Wall Street heavyweights on specific aspects of Trump's approach to various economic policies, asking them to rank them on a scale from 1 to 5, with five being the best rating. Their scores were generally terrible. Regarding tariffs, Trump received a score of 1.86 out of 5, with 27 respondents giving him the lowest possible score.

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On the stock market, he received a similarly bad score of 1.96 (with 25 respondents giving him a rating of one), and almost equally bad, 2.10 for his executive orders aimed at law firms—a direct blow to the rule of law that supports the US system of free enterprise. Ratings for cryptocurrencies (2.0) and inflation (2.16) were also unfavorable. It seems that Trump will fight the most on home soil. We've seen the protests, we know the ratings of wealthy Americans, and whether they will be ready to swallow the medicine and endure, Trump will learn through public opinion polls in the coming months. But he should by no means be optimistic, let alone talk about a third term. Actually Donald Trump has said he is "not joking" about wanting to serve a third term as US president, writes BBC. The US Constitution says that "no person... shall be elected more than twice", but some Trump supporters have suggested there could be ways around that.

What with Europe?

If we look at the whole story from a Eurocentric perspective, we can say that Trump's moves, like every previous crisis, have only revealed all the weaknesses of the EU. The 27-member states currently do not have a unified response, but over 50 countries around the world are already showing willingness to negotiate. Europe is already pressured by the war in Ukraine, with which it certainly cannot cope without the protection of the US and NATO. There is a plan and an announcement of €800 billion investment to strengthen military production in the Union. That sounds great both for security and industry. But there is one big 'BUT'. Transitioning to the military industry and strengthening production is not feasible in less than five or even eight years. Europe unfortunately does not have that time with Russia at its door and no US support. So, the responses to Trump that are being planned could be economically important, but if Trump plays the card of military security, we can say that Europe does not have leverage for negotiations.

Still, these days, European Commissioner for Social Welfare and Industrial Strategy Stéphane Séjourné said that the European Union's response to US tariffs must be "proportional," and somewhat ironically expressed hope that bourbon whiskey will be removed from the list of imports from the US that could be subject to additional tariffs.

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Bourbon has caused disputes in the EU, Reuters writes, because the European Commission imposed a 50% tariff on it, and Trump later threatened a 200% tariff on alcoholic beverages from the EU, which is most concerning for France and Italy, as major wine exporters. "I hope bourbon will be removed from the list," said Séjourné. This discussion about bourbon best shows the sluggishness and childishness of the Union, which focuses on saving toys while the entire house is burning. Still, Séjourné said that in addition to tariffs, the EU has several cards up its sleeve to pressure America, including pulling European companies from US stock exchanges. "This is an economic bazooka because, for some services, especially digital ones, we have no other option but to choose the Americans. We must study in which sectors and why we can do this, but it is one of the issues on the table. We have cards and tools with which we can force the Americans to give in," Séjourné said. Again, in these words, the European technological dependence on the US is visible. This part is particularly concerning and was already emphasized in Mario Draghi's report, which speaks of Europe's lack of competitiveness and innovation in a world where technological progress is measured in days, not years. Europe lags behind the US in two crucial segments: the military and technological innovations. Therefore, there should be no optimism about negotiations in the trade war. The leverage Europe has, and which some analysts warn Trump might be counting on, is called pharmaceuticals. When the fog created around production and the automotive industry is cleared—both are strong and major victims of US tariffs—it seems that Donald Trump, when it comes to the EU, is aiming for domination in pharmaceuticals, one of the last sectors where the Union exceeds the US in knowledge and innovation. This means that Ireland, which Trump accused of "stealing" the US pharmaceutical industry, has not yet escaped danger and could be hit by a double blow—reciprocal tariffs and sector-specific tariffs on drug exports.

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Fears for the EU are also based on the fact that the US administration has designated five sectors as strategically important for the country: aluminum and steel, automobiles, wood, pharmaceuticals, and semiconductors. Much is written and spoken about the first two, but the other three sectors are still under the radar. Among them is pharmaceuticals, which could fall quietly but also serve as a much-needed lever for the EU in negotiations. Of course, all this assumes a unified Union, and politically, this is where the greatest fear lies. All previous crises have revealed the political weaknesses of the Union's unity, or rather its disunity, and Trump and tariffs could be the final blow in that direction. If we look at it from an optimistic perspective, tariffs and Trump, combined with Russia and China, may be just the push the EU needs to shake off its political lethargy and stop worrying about bourbon prices, focusing instead on real unity, for which a guide already exists in the form of Mario Draghi's report.

China - Lose or win

On the other side of the world, the biggest loser or biggest winner of trade wars, when all is said and done, will be China, the country that seems to be Donald Trump's true target. The US president has repeatedly claimed that the US has a trade deficit with China of one trillion dollars. However, there is no evidence for this claim, according to the BBC. The truth is that the US does have a trade deficit with China, meaning it imports more Chinese goods than it exports to the country. However, according to available data, this deficit amounted to just over $295 billion in 2024. Globally, China exported almost a trillion dollars more goods than it imported last year—it's possible that Trump was actually referring to that number, but mistakenly confused China's global surplus with the US-China deficit. But let's start from the beginning. Shortly after returning to the White House, Trump launched an attack on China, one of his favorite targets in trade policy. However, Chinese President Xi Jinping shows no signs of backing down. In February, Trump imposed a new 10% tariff on imports from China, and Beijing responded with measures such as tariffs on US coal, liquefied natural gas, and agricultural machinery.

Globally, China exported almost a trillion dollars more goods than it imported last year.

A month later, Trump doubled the tariff to 20%, triggering a new Chinese response: tariffs of up to 15% on key US agricultural products and stricter rules for US companies operating in China. Trump announced a plan to raise tariffs on Chinese goods to 54%, with exceptions for certain products like drugs and chips. Beijing responded again—introducing new controls on rare earth metal exports, halting imports of US agricultural products from several companies, suing the US at the World Trade Organization (WTO), and placing 27 US firms on a list with restricted access to the Chinese market. An antitrust investigation was also launched against DuPont China Group Co. Trump went even further, threatening drastic tariff increases, which, if implemented, would mean that almost all Chinese imports would be hit with a 104% tariff. Beijing has vowed to "fight to the end."

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All this suggests that the end of this trade war is still nowhere in sight, according to a BBC analysis. And indeed, the quarrels between China and the US seem to have just begun, and the world can be satisfied as long as they remain economic, not military. This is the greatest fear of the US and President Trump, and rightly so. A country that decided in 1949 that it would dominate the world in 100 years is certainly sailing along its predetermined course and clearly threatens America's position on the global map. In this light, Donald Trump's moves are clear—separating China from Russia, strengthening military forces in the Pacific, and perhaps a final attempt to economically weaken China. Whether he will succeed is hard to predict, but at this moment, it seems that neither China nor the US have the answer to that question. The rest of the world can only observe.

The rest of the world

The rest of the world is not made up of insignificant countries, but compared to Europe, the US, or China, the rest of the world still needs to find the beginning of its clearer vision. In this context, India's role will be interesting. A country with the highest growth and development in recent years, a country that could become the next China with democracy, and fortunately for Trump, it does not share the same views as China. In fact, they don't get along very well. The problem for India, Canada, countries in South America, and even Africa is not their level of development or underdevelopment, but the lack of imperial experience. These are countries that have not historically been taught to be leaders or conquerors. Peaceful, more or less developed, military powers to varying degrees.

Their time may come, both economically and in other aspects, but at this moment, their time is at a standstill, because depending on how trade wars develop, their role will change. They may have to choose sides in a bipolar world, and that will not be easy at all.

Mercantilist or hegemonic way

In conclusion, we should look at a very comprehensive interview given by Gillian Tett, an economics columnist for the Financial Times, to the New York Times, where she said that Trump and his team "... If you ask the team what they're doing, they will often revert to the slogan "Make America Great Again." And that's not just a meme — it's also a guiding vision. What they think that means is that they want to do a big reset for the global trading, economic, financial, tech and military systems, and essentially ensure American supremacy and vibrancy for many years to come. The strategy to get there is really all about trying to move from what might be called a neoliberal mind-set to what could be called a mercantilist or a hegemonic power mind-set. That really is their vision for where they're going, and it affects how they see both trade and financial flows and tech..". And that mercantilist or hegemonic way of thinking led to tariffs of 66% and a decline in global trade in the 1930s. After that, we know what happened.

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