



Issue Brief # IB-30-2025

July 1st, 2025

Trump's Tariff Crusade and Oscillating Geopolitics

Muhammad Firas Shams

Research Associate



Trump's Tariff Crusade and oscillating Geopolitics

by

Muhammad Firas Shams

Introduction

America's 45th and 47th President, Donald J Trump is putting radical changes he promised with blatant bravado during his second "America-first" Presidential campaign one by one into overdrive which has left the global leaders scrabbling; truculent decisions and executive orders are surfacing more recently in the form of slapping tariffs even on European allies without time for the Western-led order to reel and recover.¹ Trump's tariff shock sent global markets in a nosedive, with Dow losing 4300 points or 10% in the US stock market.² Globally, Trump's tariff push wreaked absolute havoc in the markets, with US stock market experiencing the worst two-day loss in its history. In two days alone, following the tariff announcement for 57 countries, \$6.6 trillion in were erased, while the following Thursday, Friday and Monday, \$10 trillion vanished in global equity value.³ For Trump this trade war with allies and adversaries is a much-needed panacea for the deficit-ridden US Economy. All this uncertainty manufactured by Trump is encouraging the investors to buy dollars, however the price of crypto currency notably Ethereum and Bitcoin have

¹ "Donald J. Trump - 45th & 47th President of the United States," The White House, accessed April 28, 2025, <https://www.whitehouse.gov/administration/donald-j-trump/>

² Derek Saul, "Stock Market Volatility Hits 5-Year High As Wall Street Grapples With 'Manmade' Tariff Problem," *Forbes*, April 8, 2025, <https://www.forbes.com/sites/dereksaul/2025/04/07/stock-market-meltdown-trump-tariffs-trade-war-04-07-25/>

³ Alia Chughtai and Mohammed Haddad, "Eight charts that reveal the economic impact of Trump's tariffs," *Al Jazeera*, April 9, 2025, <https://www.aljazeera.com/economy/2025/4/9/eight-charts-that-reveal-the-economic-impact-of-trumps-tariffs#:~:text=%E2%80%8BThe%20announcement%20sent%20shockwaves,markets%20closed%20for%20the%20weekend.>

tanked in the aftermath of the Trump's tariff bloodbath, termed as triggering the worst market crashes since 1929.⁴ In this tariff squabble both Beijing and Washington have been flinging tariffs at each other, as the multipolar world grapples with Trump's protectionism or the evident "beggar thy neighbor policy" In this regard, Trump has jacked up the China tariffs from a paltry 10% to 145%, a move reciprocated by China by slapping a 125% tariff on American goods.⁵

Trump's nostalgia of the past and a crisis that could have been averted

This crisis and policy error according to geopolitical experts like Fareed Zakaria could have been clearly averted and America's policy posture under Trump is fundamentally un-American, where other states have to overtly ingratiate themselves with the incumbent US administration and there is manifestation of politically motivated decisions in the realm of economy. In other words, the US is experiencing what political pundits call "Democratic Recession". According to Donald Trump, the US carries a patina of a victimized colony that has been robbed of its industries, jobs and money, a whittled away economy with redundancies, non-operational factories, and frozen wages. This can't be further from the truth, it is because of America's unparalleled geo-political as well as geo-economic heft that it has been able to impose outrageous levies on the majority of the world, a crusade that is waged to bend the world leaders to America's will.

Contrary to Trump's ludicrous world-view and capricious policies, the US economy has trumped past its competition. Economists state that in 2008 the US economy was equivalent to the Euro Zone in terms of size, however in the present time it has grown nearly twice the size, a twofold increase per se. While if you take the year 1990, the average US salaries were approximately 20% higher than the average in the developed industrial societies, 35 years that gap has accentuated to 40%.⁶ Moreover, another statistic that corroborates American prosperity is that in the year 1995, a

⁴ "The worst market crashes since 1929," *France 24*, April 7, 2025, <https://www.france24.com/en/live-news/20250407-the-worst-market-crashes-since-1929>

⁵ "See the Trump tariffs list by country," *BBC*, April 10, 2025, <https://www.bbc.com/news/articles/c5ypxnnnyg7jo>

Anniek Bao, "China strikes back with 125% tariffs on U.S. goods as trade war intensifies," *CNBC*, April 11, 2025, <https://www.cnbc.com/2025/04/11/china-strikes-back-with-125percent-tariffs-on-us-goods-starting-april-12.html>

⁶ Fareed Zakaria, "Trump's trade war on reality," *The Washington Post*, April 3, 2025, <https://www.washingtonpost.com/opinions/2025/04/03/trump-tariff-fantasy-nostalgia/>

Japanese citizen was approximately 50% richer than an American vis-à-vis GDP per capita, presently an American citizen is estimated to be 150% richer than a Japanese.⁷ As a matter of fact, the poorest state in the US, Mississippi boasts a greater GDP per capita than Japan, the Great Britain or France. Notwithstanding the aforementioned statistics of American prosperity, Trump view reeks of nostalgia of 1960s, when the country was a glorious manufacturing nation, thereby he is compelled to believe that American declined all these years, hence the “Make America Great Again” election rhetoric. Intriguingly, Putin’s Russia has been exempted from the problematic tariffs, political pundits believe that this strategy of the US President stems from the anachronistic notion that Kremlin is still a growing economic power, therefore by not levying tariffs could pave way for cutting deals of geopolitical significance.

The America of today is a global leader in the realm of technology and services, an integral component of the global economy, which appears to be a blind spot for the Trump administration. This tariff crusade is grounded in the philosophy, if there is anything concrete begin with, is that America’s trade deficits in goods ignoring the fact that the country accrues noteworthy and hefty surpluses in the domain of services such as exporting music, banking, software and its services, law globally. Interestingly, it is estimated that more than 75% of is impalpable.⁸ According to some experts, Trump’s nostalgia emanates even further back than the 1960s. This hangover of his favorably describes the later 19th century as when “America was great”, a time when Washington had no income tax and only hinged on tariffs, and the American economy was a cut above others, the strongest in history. This can’t be historically corroborated and essentially folly. In the 1900s, the US economy had a share of 16% in the global economy, today that number is close to 26%.⁹ The fact that International Relations pundits like Zakaria opine that the America of today, is far better than of the 1900s or 1960s for that matter, since the health and living standards of an American denizen is much higher.¹⁰ In materializing his “Make America Great” project, Trump could end up slashing down American heft at the global stage, pull the US back to being a less economically prosperous country by today’s standard, controlled by oligarchy and

⁷ Zakaria, “Trump’s trade war on reality.”

⁸ Zakaria, “Trump’s trade war on reality.”

⁹ Zakaria, “Trump’s trade war on reality.”

¹⁰ Zakaria, “Trump’s trade war on reality.”

manifesting “self-important gait” and overtly engage in arm-twisting of its neighbors and allies, eventually leaving the US citizenry in a state of hand-wringing.

The perpetual China-US rivalry and navigating the shifting world order

As the world including the Global South is acclimatizing to the reverberations caused by Trump's slapdash decisions, policies are being modified or altered, new regional alliances particularly with Beijing are being forged grounded into interdependence which have created strange bedfellows such as deals between European countries and China or as India and China notwithstanding regional schism, are reinvigorating the BRICS+ (Brazil, Russia, India, China, South Africa), Shanghai Cooperation Organization (SCO) and Regional Comprehensive Economic Partnership (RCEP) free trade agreement consisting of Japan, China, Australia, New Zealand, South and 10 Association of Southeast Asian Nations (ASEAN) nations, platforms as an global alternative and as this issue brief is written, geo-political pendulum continues to be winding back and forth as well as regulations are emerging in the ever so nimble markets that underwent a free fall most recently. On the political front, globally in 2024, close to 2 billion citizens of the platitudinous “global village” voted in elections across 70 countries.¹¹ Trump has threatened to impose a 100% tariff on countries like in the BRICS+ who aim to cut down the dominance of dollar as a reserve asset.¹² In this regard, Russia as part of BRICS plans to further decouple from the US dollar by virtue of Western sanctions, however there could be a thaw in relations or reconciliation between Kremlin and Washington due to Trump's fondness of strongman, illiberal leaders like Vladimir Putin. Experts claim that BRICS+ is yet to be a serious challenge to dollar's global position, however Trump's unilateralism could catalyzing it into becoming a geopolitical threat. Moreover, in terms of shifting alliances, military faction ruling in Niger, Burkina Faso and Mali severed relations Western nations including France, pulled out of the Economic Community of West Africa States (ECOWAS) due imposition of sanctions by ECOWAS and eventually joined the Russian camp. Specifically, Burkina Faso requested Russian army to assist in maintaining security at the behest of the ruling junta, subsequent to expulsion of

¹¹ “Trump 2.0: A US and global perspective,” Freshfields, accessed April 28, 2025,

<https://www.freshfields.com/en/our-thinking/campaigns/trump-2.0-a-us-and-global-perspective>

¹² Warwick J. McKibbin and Marcus Noland, “A US-imposed 100 percent tariff on BRICS countries would cause lower GDP, higher inflation than otherwise for all,” Peterson Institute for International Economics (PIIE), March 14, 2025, <https://www.piie.com/research/piie-charts/2025/us-imposed-100-percent-tariff-brics-countries-would-cause-lower-gdp>

French troops, while Mali went into an agreement with Moscow to construct a gold refinery.¹³ The reason why it is crucial to pay heed to such geopolitical and geoeconomic developments is because this is the mise en scene amidst which American tariffs and Trump unilateralism operates, Moscow might be a declining power, but its role in geopolitics can't be shrugged off and Beijing which appears to be the real target of the Trump administration epitomizes contraflow of clout, continues to burgeon.

America is indelibly a superpower in the truest sense, however it is not powerful enough to make policies with outright irrationality. In fact, the multipolar global economy has expanded to a size that notwithstanding duress applied by the Trump gangster-style administration, the world will circumvent American protectionism and find a way to operate without it. Economists opine that prior to the Trump's tariff crusade, the US was factually already a protectionist state, with non-tariff and tariff trade barriers in more than 68 countries.¹⁴ With Trump, America's protectionism has been taken to an unbelievable brink, comparatively having even higher tax rates than the industry backed Smoot-Hawley tariff Act of 1930 that aggravated the Great Depression. However, for Trump's miscalculated gambit, one would barely find support outside of the administration, as these set of tariffs have been censured by economist and the industry alike. Even his Chairman of President's Council of Economic Advisors, Stephen Miran, is at odds with the pace of the tariff push, and however agrees with Trump's policy. In his paper titled, "A User's Guide to Restructuring the Global Trading System", Miran argues that the US has pretty much solely and traditionally provided both its reserve asset, the US dollar and security cover.¹⁵ The former meant to pay their bills, the US government could print any amount of money. However, with the passage of time America's share of global trade and global GDP has contracted – in 1960s the US had a share of 40% in the global GDP, in contrast it is reduced to 26% in 2025.¹⁶ In the current world order Miran describes how the US dollar has become a burden of sorts; countries are able to devalue their currencies to bring down the prices of their products in the global

¹³ Hung Q. Tran, "How Can the Global South Navigate Geopolitical Rivalry and Geoeconomic Fragmentation?", Policy Center for The New South, February 23, 2024, <https://www.policycenter.ma/publications/how-can-global-south-navigate-geopolitical-rivalry-and-geoeconomic-fragmentation>

¹⁴ Zakaria, "Trump's trade war on reality."

¹⁵ Khurram Husain, "Tariff crossfire," *Dawn*, April 10, 2025, <https://www.dawn.com/news/1903261/tariff-crossfire>

¹⁶ Husain, "Tariff crossfire."

markets, but the US is unable to do it. The options here for the US, according to Stephen Miran, are monetary (associating user fees to dollar reserves) or trade measures (tariffs). He clearly advocates for the latter as he opines that tariffs could eventually help Washington regain its global position, it has relinquished to other countries. Additionally, he suggests to interweave security with trade relations, as the US provides reserve asset that undergirds the global economic system and security, those nations who require security from Washington must also be engaged in fair trade with the US. This strategy will foster opposition against Beijing, by pressurizing nations to be partners in tariff war against China. They will have to choose between tariffs on their exports to the US or levy taxes from China. Ultimately, Miran suggests to create a tariff wall to contain China, which in turn will put Xi Jinping under duress to reorient his country's economic edifice.¹⁷

It is speculated that the short-term impact of the collapse triggered by the tariffs will engulf everyone, but in the longer run, countries will trade by finding a way around the US. This phenomenon has already begun to concretize. Back during Trump's first presidency, the US jettisoned almost all bids for trade expansion. However, this didn't discourage other countries from picking up the slack. Around 8 new deals were signed by the European Union, whilst China signed 9 new deals. According to Ruchir Sharma of Rockefeller International, out of the 10 swiftly expanding trade corridors, 5 already have a terminus in China, while 2 have a terminus in the US, alluding to the multi-polarity and Thucydides trap.¹⁸ Economists already envisage China as accrue the greatest benefit from the latest situation unraveling by virtue of Trump's policies and demeanor as it gets Beijing a step closer to be the new locus of trade. In this regard, there is already a greater propensity amongst Canada, America's Asian partners and Europe to find common ground in trading with Beijing and trading around the US.

Subsequent to pushing the global markets in a state of precariousness, the US President has declared a 90-day moratorium on tariffs for a couple with the exception of what the White House calls the "worst offenders" which obviously encompasses China, and other countries like South Africa, 27 European Union countries, India,

¹⁷ Husain, "Tariff crossfire."

¹⁸ Zakaria, "Trump's trade war on reality."

Vietnam etc.¹⁹ In this all-out tariff crusade Xi Jinping retaliated with a 125% tariff on American goods describing Trump's weaponization of tariffs as a "unilateral bullying".²⁰ In this dangerous exercise of trading salvos, Beijing which described the tariffs as a number game and an outright joke, initiated two complaints against US skyrocketing tariffs in the World Trade Organization (WTO), stating how US tariffs that has send the global stock, bond and commodity markets in a tailspin, will seriously and eventually inflict serious harm on poor nations as well it could trigger a humanitarian crisis for the least developed countries.²¹ For China's Xi, the tariff war yields no winners and they have made their intentions of negotiations clear by nominating Li Chenggang, former assistant commerce minister during Trump's maiden presidency and China's WTO envoy, in place of trade tsar Wang Shouwen.²² Contextualizing the Chinese stance is crucial as China provides financial and political backing to the United Nations' Group of 77 (G77) aimed at South-South Cooperation for issues like sustainable development and climate change.

In the face of a mutated American version of realpolitik architecture by the Trump administration, the gesture given by the US in the form reciprocal tariffs is most certainly going to cause disillusionment amongst allies and bruising antagonism amongst adversaries. This scenario warrants and solidifies calls for de-dollarization even further and an alternative world order that doesn't place Washington as the hegemon gain traction. America's Chinese alter-ego emerges as the viable option which through its massive flagship projects like the often criticized by the US as a "debt trap", the Belt and Road Initiative, simply known as the BRI project which invests

¹⁹ Emma Rossiter and Sam Hancock, "US pauses higher tariffs for most countries after-market havoc, but hits China harder," *BBC*, April 10, 2025, <https://www.bbc.com/news/articles/c5y66qe404po>

Ian Aikman, "Trump's top tariffs for 'worst offenders' take effect," *BBC*, April 9, 2025,

<https://www.bbc.com/news/articles/cgkkgg1krg63o>

"Five key takeaways from Trump's 'Liberation Day' reciprocal tariffs," *Al Jazeera*, April 3, 2025,

<https://www.aljazeera.com/economy/2025/4/3/five-key-takeaways-from-trumps-liberation-day-reciprocal-tariffs>

Philip Blenkinsop, "EU countries set to approve first retaliation against U.S. tariffs," *Reuters*, April 9, 2025,

<https://www.reuters.com/markets/europe/eu-countries-set-approve-first-retaliation-against-us-tariffs-2025-04-09/>

²⁰ Bao, "China strikes back with 125% tariffs on U.S. goods."

²¹ "China initiates WTO dispute complaint regarding US tariff measures," World Trade Organization (WTO), February 5, 2025, https://www.wto.org/english/news_e/news25_e/ds633rfc_05feb25_e.htm

"US tariffs will 'inflict serious harm' on poor nations, China tells WTO," *Dawn*, April 13, 2025,

<https://www.dawn.com/news/1903834/us-tariffs-will-inflict-serious-harm-on-poor-nations-china-tells-wto>

²² Ethan Wang, Laurie Chen and Eduardo Baptista, "China unexpectedly anoints new trade negotiator amid US tariff war," *Reuters*, April 16, 2025, <https://www.reuters.com/world/china/china-changes-top-trade-negotiator-amid-tariff-war-with-us-2025-04-16/>

heavily through loans for especially infrastructure projects and technology transfers. This overland Silk Road Economic Belt and Maritime Silk Road made in the image of the ancient Silk Road, involves two-thirds of the world (147 countries) in other words 40% of the global GDP and roughly \$8 trillion.²³ BRI is described by skeptics as Beijing pushback against “US pivot to Asia” envisioned during the Obama Administration which has the objective to ramp up US clout in China’s backyard, by cajoling governments that are neuralgic for China. Despite the cacophony of skepticism, BRI does aim to establish new trade linkages and create export markets.

Amidst Trump’s antagonism and unilateralism with foes and friends alike and isolationist policies driven by self-interest (beggar thy neighbor policy), Xi Jinping is on a diplomatic marathon as he recently visited Vietnam – Hanoi severely hit by Trump’s tariff brinkmanship with a 46% tariff– where he signed dozens of trade cooperation pacts including in the realm of Artificial Intelligence and rail construction.²⁴ Vietnam has been a destination for Chinese investment and shifting of operations for Chinese companies. Hanoi also relies on China for raw materials and other components but simultaneously is distrustful of Beijing over territorial disputes like the South China Sea.²⁵ This move of recalibrating Chinese foreign policy by means of courting Southeast Asia also had Malaysia and Cambodia as “ports of call”- 10-member ASEAN are unsatisfied with the Trump administration. According to international relations pundits, Xi’s message to Malaysian Premier, Anwar Ibrahim whose country has been hit with a 24% tariff by the US that China can offer to bypass the US. The Chinese superpower is Malaysia’s biggest partner in trading since 2009, with a volume that reached \$212 billion in 2024 – Kuala Lumpur exports oil and fruits to China and was amongst one of the first participants in the BRI initiative. Malaysia also fits “China plus one” template which entails Chinese firms diversifying supply chains and manufacturing bases as well as establishing plants outside China – Malaysia is viewed by Beijing as a regional power with considerable clout.²⁶ Lastly,

²³ James McBride, Noah Berman, and Andrew Chatzky, “China’s Massive Belt and Road Initiative,” Council on Foreign Relations (CFR), February 2, 2023, <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>

²⁴ “Vietnam starts trade talks with US as immense 46% tariffs loom, state media reports,” *Reuters*, April 24, 2025, <https://www.reuters.com/world/asia-pacific/vietnam-starts-trade-talks-with-us-immense-46-tariffs-loom-state-media-reports-2025-04-23/>

Katrina Yu, “Xi courts Southeast Asia amid Trump tariff turmoil,” Posted April 14, 2025, by *Al Jazeera*, YouTube 1:41, https://www.youtube.com/shorts/Y7yu_MvRCDQ?feature=share

²⁵ Katrina Yu, “Xi courts Southeast Asia.”

²⁶ Katrina Yu, “Xi courts Southeast Asia.”

Cambodia an old ally of Beijing and with military ties as well as free trade agreement – half of the factories in Cambodia have Chinese owners.²⁷ The Chinese who are part of BRICS, want to do bilateral trading where they can drop the US dollar, rather practice trade in local currency or Chinese Yuan/Renminbi. All three aforementioned Southeast Asian countries want to renegotiate taxes on imports with the Trump Administration. Xi doesn't want trade partners of Southeast Asia to broker deals for tariff relaxation at Beijing's expense. So, the message from Xi is of a reliability and intertwined business interest while Trump appears to be uncompromising and impulsive partner.

Damaging ironclad transatlantic partnerships: the US-EU Schism

The 20% tariffs on EU goods that are destined for American markets was described by Germany's outgoing chancellor, Olaf Scholz as “Fundamentally wrong”, Spanish Prime Minister Pedro Sánchez called it a “unilateral attack”, while French President censured it as brutal, unfounded and certain to have a “massive impact” on the European economy.²⁸ Additionally, UK, a lower category country in terms of the imposition of tariffs, with 10% levy, British company Jaguar Land Rover has already paused all shipments to the US by virtue of a 25% levy on all car imports globally as more international carmakers could follow suit. It is noteworthy that the US is the second largest export market for UK's carmakers after the EU.²⁹

Virtually gone are the days when the United States assumed leadership of the free world subsequent to World War II with the Marshall Plan to recuperate European economies in tatters and spearheading the creation of NATO as a force to resist Soviet encroachment. Under Trump, the US is espousing a much more isolationist and quid pro quo approach, as it appears to be nestled between two humongous oceans geo-strategically. He is running a country opportunistically like an enterprise on Wall Street, and under Trump, America is no longer the traditional hegemon of the West or

Amy Chew, “Xi arrives in Malaysia with a message: China's a better partner than Trump,” *Al Jazeera*, April 16, 2025, <https://www.aljazeera.com/news/2025/4/16/xi-arrives-in-malaysia-with-a-message-chinas-a-better-partner-than-trump>

²⁷ Katrina Yu, “Xi courts Southeast Asia.”

²⁸ Katya Adler, “Katya Adler: EU talks tough on Trump tariffs in hope of U-turn,” *BBC*, April 4, 2025, <https://www.bbc.com/news/articles/c24q5iqyle0o>

²⁹ “US tariffs: Background, perspectives and impact on the UK,” House of Lords Library, April 14, 2025, <https://lordslibrary.parliament.uk/trump-and-us-tariffs-what-might-the-impact-be-on-the-uk/>
Zahra Fatima, “Carmakers mull action over tariffs as JLR pauses car exports to US,” *BBC*, April 6, 2025, <https://www.bbc.com/news/articles/cj0zr0p77m0o>

the bastion of the democratic world. In other words, Truman's legacy is in a perilous state.³⁰

Trump's contempt for America's allies particularly Europe was evident nearly 40 years ago from a full-page advertisements he took out in three US newspapers, where he made an observation, *"The world is laughing at America's politicians as we protect ships we don't own, carrying oil we don't need, destined for allies who won't help."* This sentiment completely resonates with the Trump top lieutenants as in a recent leaked message Vice President JD Vance is reported to have said, *"I just hate bailing Europe out again"*, with Defence Secretary Pete Hegseth in unison, *"VP: I fully share your loathing of European free-loading. It is Pathetic."*³¹

Interestingly, on the issue of Ukraine, Trump vouched that Ukraine won't be granted NATO membership and Kremlin is not expected to return seized territories back to Kyiv. In other words, contrary to Trump's opportunism, he provided Putin with two bargaining chips without asking anything in return. For many supporters of Trump, Putin is an ideal strongman leader who shares their ideals against "woke culture" that according to them has besmirched traditional American tenets. This affinity for Vladimir Putin is definitely a caveat for the Liberal Democratic leaders of Europe. In addition, it goes without saying that Trump isn't a huge proponent of NATO either, he has made it crystal clear that the US won't defend NATO if other members fail meet their financial commitments. However, many European experts believe that 500 million European can fend for themselves especially against Russia.³²

Undoubtedly, the US economy is colossal, 15% to 26% of the Global GDP, albeit EU's economic size isn't far behind, with 16.5% of the Globe's GDP excluding the UK.³³ EU also holds a couple cards including targeting American Big Tech, however that would further up the ante, a move that EU wants to avoid since that could warrant a greater backlash from the Trump Administration, rather the policy so far by EU

³⁰ Allan Little, "Trump has blown up the world order - and left Europe's leaders scrabbling," *BBC*, March 26, 2025, <https://www.bbc.com/news/articles/c2er9j83x0zo>

³¹ Allan Little, "Trump has blown up the world order."

³² Allan Little, "Trump has blown up the world order."

³³ Jim O'Neill, "The Global Economy Without America," Project Syndicate, February 24, 2025, <https://www.project-syndicate.org/commentary/global-economy-without-american-consumer-demand-by-jim-o-neill-2025-02>

"Europe and the Global Economic Order," Center for European Reform, accessed April 28, 2025, <https://www.cer.eu/publications/archive/policy-brief/2025/europe-and-global-economic-order>

appears to mollify Trump, however if the trade Russian roulette continues Europe could be pushed to “whatever it takes mode” with Germany expected to lead through the storm. Moreover, Trump with his tariffs struck a hammer blow at/ jettisoned the established order of free trade by sending reverberation throughout the world, some experts analyze that the wound won't be fatal as the global commerce will have to get along without its biggest player/stakeholder of free trade. Analysis of the US-EU schism show “Trump tilting at windmills”.

The future of multilateral organizations vis-à-vis Trump 2.0

The Trump dispensation has been articulating contempt for multilateral corporation like the International Monetary Fund (IMF). At the fulcrum of this disdain is the belief that free trade and globalization have been almost like a death knell for the US economy as critical industries were shifted overseas to adversaries like China and supposed allies, incurring the US mammoth trade deficits. Tariffs are designed to slash down imports, “Tariff” is the most beautiful word in the dictionary”, Trump has said many times. This zero-sum game, win-lose confrontational stance is in dissonance with IMF's and the World Bank's pro-free trade, pro-globalization, anti-industrial policy and pro-free capital movement objective. Additionally, in terms of the future of the Bank and Fund, the Trump aide-de-camps have fully recognized the Heritage Foundation, Project 2025's 900-page blueprint document aimed at reconfiguring the federal government which entails the withdrawal of the Treasury department from the IMF and World Bank. It is expected that the Trump administration will most likely cut the Fund's lending unless a major financial crisis of global proportions emerges. The mechanism of the Fund works in a way that it gets most of its revenue by virtue of repayment of loans. This begs the question that how much revenue earmarked for savings and how much for new lending? Trump is known for making erratic decisions therefore radical cuts in the US federal government expenditure will certainly be on the table. However, a complete US exit from both multilateral entities will be off the table as that way the US even loses leverage and upper hand for bilateral agreements.³⁴

Furthermore, in terms of collective action against climate change has been threatened and debilitated by Trump's unilateral exodus from the Paris agreement via

³⁴ Robert H. Wade, “The future of the IMF caught in the tensions between the US, China and the EU (Part 2),” Global Policy Journal, February 13, 2025, <https://www.globalpolicyjournal.com/blog/13/02/2025/future-imf-caught-tensions-between-us-china-and-eu-part-2>

an executive order signed on January 20, 2025 under Article 28 of the aforementioned agreement. It also adversely impacts the multilateral system, undermining global solidarity as well as bids to mitigate the multifaceted climate crisis and even jeopardizes the environmental and economic future of the United States. Trump administration's capricious decision puts the US in the same league as Libya, Yemen and Iran, who aren't yet signatory of the aforementioned agreement. This unfortunate phenomenon exists whilst other nations reaffirm, their commitments to the Paris Agreement, by sharing their upgraded Nationally Determined Contributions (NDCs), notwithstanding the American exit. This giving up of leadership by the US is seen as a scenario which will accentuate Beijing's voice despite being the largest contributor to Greenhouse Gas (GHG) emissions globally. Trump's lieutenants have even alluded to jettisoning the UN Framework Convention on Climate Change (UNFCCC). It is estimated that extreme weather patterns take a heavy toll on the US economy, costing approximately \$100 billion yearly, as it upends livelihoods. During Donald Trump's second term, GHG emissions levels are approximated to surge to 36% above the current policy by the year 2035, leading to higher household energy costs as well as greater reliance on imported gas and oil.³⁵

Furthermore, the Trump administration has been decoupling the US from various branches of the United Nations (UN). Having abandoned both the Paris Agreement and the World Health Organization (WHO), Trump announced to "scuttle" from United Nations Relief and Works Agency (UNRWA) that essentially provides assistance to Palestinian refugees and Geneva-based Human Rights Council via an executive order.³⁶ Along with that in an executive order issued on February 4, 2025, Trump has declared to review America's membership cultural body, United Nations Educational, Scientific and Cultural Organization (UNESCO) based in Paris, which has been accused by the current US administration of being biased against Tel Aviv. Donald J Trump has ordered both Congresswoman from New York's 21st District, Elise Stefanik and Secretary of State Marco Rubio to carry out a 6-month review of US

³⁵ Kalina Gibson, "The Trump Administration's Retreat from Global Climate Leadership," Center for American Progress, January 21, 2025, <https://www.americanprogress.org/article/the-trump-administrations-retreat-from-global-climate-leadership/#:~:text=Under%20the%20Trump%20administration%2C%20U.S.,on%20imported%20oil%20and%20gas.>

³⁶ Patrick Wingrove, Jennifer Rigby and Emma Farge, "Trump orders US exit from World Health Organization," *Reuters*, January 21, 2025, <https://www.reuters.com/world/us/trump-signs-executive-withdrawing-world-health-organization-2025-01-21/>

membership of all international organization.³⁷ Stefanik and Rubio will be giving recommendations on whether the US ought to withdraw from any treaties or arrangements. Some international relations pundits describe this situation as an overture to Washington completing kyboshing membership from the UN. Some experts have even cautioned that the situation bears a resemblance to the collapse of League of Nations in the 1930s. Whilst other experts opine that a complete US withdrawal from the UN system is not the table, albeit the current administration will limit its multilateral engagements. Trump policy statements highlighting possible “grand schemes” for taking control of Gaza or backing Israel if it formally annexes the Occupied West Bank, committing Anschluss have caused the members of the UN to look askance at the US. If such ideas materialize to constrict Palestinian rights, the US will likely hear censure as well as condemnation in the General Assembly and Security Council. The Trump administration could push such a critical situation to the brink by making announcements to defund the UN or simply scuttle from other arms of the wings if faced with censure.³⁸

Alarming, UN officials in Geneva and New York are already facing pressure to rationalize the multilateral system's budget. There is immense uncertainty amidst the foreign aid freeze by the US, with officials having no clarity whether or not expending the American aid already in the system's accounts. UN Secretary General, Antonio Guterres sounded the alarm about how the UN secretariat was inching close to a shutdown partly because of US backtracking on its financial commitments. This points to a larger parlous problem that the UN with or without Trump's assistance runs on an unsustainable paradigm. A few UN diplomats have conceded that they are part of the problem here and there is an urgent need for lucid information regarding how various channels of the UN funding are linked to different crises as well as enhance reporting and accounting from arms of the systems vis-à-vis its activities. A couple of UN member states have underscored how the agency needs spend more resources on prevention of conflict, however concurrently it ought to close down funding for programs as well as offices that are tasked with prevention. So, Stefanik could gather takers if she pushes for rationalization of UN outlay and efforts, but she could face

³⁷ “About Congresswoman Stefanik,” Elise Stefanik, accessed April 28, 2025, <https://stefanik.house.gov/about-congresswoman-stefanik>

³⁸ Richard Gowan, “The Trump Administration's Approach Could Make or Break U.N. Reform,” International Crisis Group, February 6, 2025, <https://www.crisisgroup.org/global/trump-administrations-approach-could-make-or-break-un-reform>

some opposition from developing member states adversely impacted by Trump's aid freeze. Although if an approach akin to USAID is espoused for the UN by the Trump administration, by manifesting blatant disregard for and punishing censors, diplomatic chaos could very well ensue. Trump and his aide-de-camps could end up losing a lot of political capital but stuck simultaneously in matters like the Middle East and UN funding.³⁹

In addition, geopolitical pundits have also cautioned about how Trump could reconfigure the UN system, where the multilateral body's sole and founding purpose is guaranteeing peace as well as security, however there is a fear about how the UN could merely be retrograded into a rubber-stamp of Washington and its bilateral priorities. Trump's team criticism of the UN system gains ballast from how the Security Council and the UN in general have handled the war in Gaza, and to an extent Ukraine therefore it is not in a great state. The US administration could either defund or even quit multilateral agreements on areas like human rights and health. A complete review of all of Washington's multilateral treaties as well as commitments including the UN Charter. The exact details of Trump's plan for a UN that emphasizes on peace aren't yet laid out. Experts point to how the current US government visualizes UN as a platform for bargaining or negotiations amongst big global players and pushing smaller states to peripheral status. The mindset was exemplified by the Trump Administration when during the third anniversary of Russia-Ukraine war, Kyiv and its allies in Europe wanted to introduce a UN General Assembly resolution that clearly mentioned condemnation for Russia and impressed upon Ukraine's sovereign rights, Trump's representatives pressurized Ukrainian President Volodymyr Zelensky to withdraw the resolutions text. Instead, the US tabled an escapade of a resolution subsequent to Zelensky's refusal, which omitted all criticism directed towards Russia, made no mention of Ukrainian territorial integrity and merely as well as vapidly called for a peace deal. Resultantly, the US was joined by Russia and China to vote on the American version of the text in the Security Council, while US traditional allies, France and United Kingdom along with the body's three other European members abstained on voting. This was an aberration from the pattern of geopolitics in the post-Cold War period, where notwithstanding their differences on issues like Gaza and the Iraq War

³⁹ Richard Gowan, "The Trump Administration's Approach."

of 2003, for the most important resolutions UK, US and France has always stuck together.⁴⁰

Historically, Former US President, Franklin D. Roosevelt envisioned a UN during World War II, that would have Russia, China, the UK, the US and later France instrumentalize the Security Council to police the global community. However, according experts, the multilateral body has been anything but that, rather it provided both Washington and Moscow a platform to help cool down Cold War crises. Experts have expressed their concern regarding how in recent years how people in the corridors of power in Moscow and Washington seems to have ignored the United Nations' value as a safety valve amidst crippling crises or brinkmanship and as a guardrail against escalation of great power. Moreover, with Trump in the Oval office, European diplomats fret over the worst case scenario, having the Moscow and Washington thrash out a cease-fire on terms that are utterly unacceptable for Zelensky and his European allies. Putin could introduce a resolution for endorsement at the Security Council with Trump go ahead. Naturally, if things go as mentioned, France and the UK could be anticipated to use their vetoes to halt such a text; this would lead to a huge crevice in the transatlantic alliance.⁴¹

Can South Asia weather the tariff storm?

Like the rest of the world, South Asia as part of the Global South had been hit by Trump's tariff shock; while Bhutan, Afghanistan, Nepal and Maldives were already dealing with a 10% tax on exports, other countries in the geopolitically significant region, came on Trump's tariff radar, with 29% levy on Pakistan, 44% on Sri Lanka, 26% on India and 37% on Bangladesh.⁴² Washington has a trade deficit of \$ 45.7 billion with New Delhi, highest in South Asia.⁴³ Subrahmanyam Jaishankar, Indian Minister of External Affairs and Marco Rubio, US Secretary of State and were already conducting trade talks to reach a bilateral deal to decrease non-tariff and tariff. Subsequent to the tariff announcement, India vowed to import greater volume of

⁴⁰ Richard Gowan, "Trump Is Trying to Remake the United Nations," *Foreign Policy*, March 3, 2025, https://foreignpolicy.com/2025/03/03/trump-united-nations-multilateralism-diplomacy/?utm_content=gifting&tpcc=gifting_article&gifting_article=dHJ1bXAtdW5pdGVkLW5hdGlbnMtbXVsdGlzYXRlcmFsaXNtLWRpcGxvbWFjeQ%3D%3D&pid=PNIN6wSF3rd6ba8

⁴¹ Richard Gowan, "Trump Is Trying to Remake."

⁴² Michael Kugelman, "How South Asia Will Respond to Trump's Tariff Reversal," *Foreign Policy*, April 9, 2025, <https://foreignpolicy.com/2025/04/09/south-asia-trump-tariff-reversal-trade-talks-india-pakistan-bangladesh/>

⁴³ Michael Kugelman, "How South Asia Will."

American goods. Although other South Asian states like Sri Lanka, Bangladesh and Pakistan compared to India consist of a much lower trade deficits with the US and even their overall bilateral trade is much smaller, they got higher levies was primarily before the 90-day moratorium because these countries charge higher taxes on American goods imported. Majority of the South Asian countries, unlike China, aren't in the position to up the ante by adopting retaliatory measures that can snowball into a trade war, due to fear of greater reprisals by the Trump Administration. This is corroborated by how the region reacted to the imposition of tariffs either with no policy statement or hoping to get involved in bilateral talks. It is speculated by international relations experts that during the 90-day pause, South Asian states will exercise all policy options and make use of diplomatic channels to communicate the cessation of complete implementation of the original reciprocal tariff rates. Countries like Pakistan, Sri Lanka and Bangladesh are generally economically fragile and in state of economic uncertainty, therefore they rely on the US as their primary export destination for their textiles and garments.

The dispensations in such countries reached out to US authorities for bilateral meetings, and have made pledges to purchasing greater volume of US imports in order to ameliorate the trade deficit with the US. Concurrently, they also have an optimistic view regarding how tariffs imposed on them are still considerably lower than other top apparel exporters in Asia like Vietnam, giving them a competitive edge. Amidst this trade war and talks of trade, India is the best positioned country in the region to reap the benefits of cooperation with the Trump administration. Many of its essential exports such as pharmaceuticals, got tax exemption so far. As mentioned above, both countries were in talks for a trade deal, the current visit by US Vice President, JD Vance captures the quintessence of excellent relations between New Delhi and Washington that a revised and reduced tariff might very well be on the cards. Therefore, Modi's government has almost no reason to overreact with a salvo, as this is different than Trump's previous presidency, when the Indian government slapped a retaliatory 6% tariff on US exports subsequent to when Donald Trump announced a 14% levy on Indian exports marked for the US.⁴⁴ Unlike the Southeast Asian countries and historical adversaries like Japan, South Korea and China have made their intentions

⁴⁴ Michael Kugelman, "How South Asia Will."

known for cooperation in the face of Trump's tariff Russian roulette, in South Asia, every country will be working on its own to weather the tariff storm.

Despite Pakistan's platitudinous narrative of sovereignty and national goal of achieving "autarky", the country has almost invariably been contingent on foreign support. In other words, changing dynamics of the world order or schisms between global centers of power directly or indirectly impacts Islamabad's ability to stay afloat via bailouts handed over by the World Bank and IMF, intuitions of multilateral order. If the multipolar world and its centers of heft crumbles, Pakistan would find itself between the devil and the deep blue sea. The bigger picture is with Trump truculent and unilateral approach, where his administration aims for a quid pro quo, who will come to Pakistan's aid when Islamabad runs precariously low on foreign exchange reserves or when the balance of payments crisis surfaces. Pakistan finds itself in a "tariff crossfire" as veteran economy journalist, Khurram Husain warns, between two most powerful nations on this planet, China and the US, which draws hand-wringing for Islamabad which struggles to maintain balance between allies. Islamabad will need to master multi-alignment approach like India. The recent financial market collapse triggered by the tariff shock was such that it drained both the stock as well as bond markets concurrently. This was an unusual phenomenon since, both the aforementioned markets flow in opposite direction, money leaving the bond market, enters the stock market, vice versa. Despite the 90 day pause, the trade arsenal in the shape of tariffs are here to stay it could create an existential crisis for Islamabad as those institutions that historically have been bailing out Pakistan for a good part of the century, could eventually vanish. Moreover, Pakistan could be confronted with the difficult decision of choosing between Beijing and Washington. Pakistan must be in battle stations mode, prepared for any eventuality, while simultaneously and more importantly initiate a holistic overhaul of the country's economic strategy and tactics. The new scenario won't leave much room for export-driven growth, liberalization or import substitution.⁴⁵

In terms of engaging the Trump administration, Islamabad hosted a global mineral forum with objective of gravitating investment for Pakistan's much unexplored mineral reserves. The forum featured more than 2,000 participants,

⁴⁵ Husain, "Tariff crossfire."

entailing 300 foreign delegates.⁴⁶ At this occasion, Premier Shehbaz Sharif underscored on how the country's untouched mineral resources could significantly cut back dependence on IMF and other multilateral financial institutions. Based on estimates by experts, Pakistan's mineral wealth is worth \$8 trillion, however they have remained largely untapped due to fragile security situation and inadequate infrastructure.⁴⁷ Experts are analyzing this event as a sales pitch that has a likelihood of attracting Trump administration's attention due to its geo-economic interest in mineral wealth. Shehbaz dispensation is keen to make its economy sustainable therefore, American investment would be a silver lining in an otherwise struggling economy. In this vein there has been a telephonic conversation between Secretary of State, Marco Rubio and Foreign Minister/ Deputy Prime Minister, Ishaq Dar. The areas of mutual interests discussed encompassed counterterrorism particularly the capture and transfer of ISIS-Khorasan member, Mohammad Sharifullah, illegal immigration, how address trade deficit amidst reciprocal tariffs and lastly the Secretary of State expressed interests in the tapping Pakistan's mineral reserves.⁴⁸

⁴⁶ Michael Kugelman, "How South Asia Will."

⁴⁷ Michael Kugelman, "How South Asia Will."

⁴⁸ Michael Kugelman, "How South Asia Will."

"Secretary Rubio's Call with Pakistani Deputy Prime Minister/Foreign Minister Dar," US Department of State, April 7, 2025, <https://www.state.gov/secretary-rubios-call-with-pakistani-deputy-prime-minister-foreign-minister-dar/>