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Trump tariffs: Bargaining tool or preface to a global trade war?

By Nick Thomas

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There has been an aspect of “will he, won’t he?” in terms of President Donald Trump introducing long-promised tariffs in recent weeks. It now appears settled that such tariffs are here to stay, at least for now anyway.

After a lot of back and forth, the president set 25% tariffs on imports from Mexico and Canada while imposing a doubled 20% tariff on China, which then retaliated with 15% tariffs on U.S. imports.

But he then again postponed many such tariffs until April 2. It's been a rollercoaster ride with the European Union also now affected by charges on steel and aluminum imports, with further ones threatened on wine and spirits.

So, with the world apparently on the brink of or already in a trade war, the question looms as to whether such tariffs introduced by the United States will work. Opinions seem divided, though most appear to doubt they will achieve their objectives, whatever those goals might be.

China vs. US

China and the U.S. are increasingly in the process of reversing world manufacturing dominance. While the U.S. was responsible in 2000 for 25% of the world's manufacturing capacity, China's total was only 6%.

Those figures are likely to have done a 180 by the year 2030, said Ken Wilcox, former head of Silicon Valley Bank and later the CEO of its joint venture with Shanghai Pudong Development Bank. The current administration will not be able to achieve any improvement in such a situation, he said.

That's because, Wilcox said, it is practically impossible to decouple from established supply chains. In addition, export controls are inefficient, and inflation will follow if inexpensive goods from China suddenly are not as cheap.

There exists little appetite for an industrial policy to truly rebuild U.S. manufacturing, and other institutions vital for such a rebuild, such as the education sector, are being neglected at best.

"None of this can be done under the current administration," Wilcox said. "We will have to wait for a different administration. And, by then, it could be too late."

Javier Palomarez, the founder and CEO of the U.S. Hispanic Business Council, also argued that any plan to implement tariffs without a robust plan to support the U.S. manufacturing sector is doomed to fail.

"Tariff policies have worked in the past to achieve a variety of goals and are working in other countries as we speak," Palomarez said. "Trump's tariffs have that same potential, but it will require a comprehensive, complex, and continuing strategy of bolstering domestic manufacturing and resources. If we continue to implement extreme tariffs with little to no plan to bolster manufacturing, it will not work — that's why you've already seen some tariffs walked back."

Here, there, and everywhere

Tariffs are not unique to the current Trump administration, which also imposed more targeted such measures first time around. In addition, under former President Joe Biden, there were also large-scale U.S. tariffs on Chinese electric vehicles.

China, under a state-sponsored system, has been flooding the market with its much cheaper BYD electric vehicles using lower standard labor practices. Biden implemented tariffs on such vehicles to boost the domestic electric vehicle sector, much, as you would think, to Elon Musk's delight.

But those were targeted tariffs that could benefit the U.S. economy. Not so with the latest round of much more wide-ranging tariffs, said Jason DeLorenzo, principal and owner of Ad Deum Funds and a former statistician at the U.S. Census Bureau.

"These tariffs are designed to raise revenue, and the result will be an implicit inflation tax on Americans," he told the *Washington Examiner*.

Such a tax could even lead to a quick recession.

The ripple effects of the latest U.S. tariff policies are creating serious economic uncertainties, and such a recession could be on the horizon by late 2025, Hispanic Construction Council CEO and co-founder George Carillo argued.

Trump has admitted that the tariffs will cause some short-term pain, but others say the problems will go much deeper.

"It might extend for quite a while as the whole economy goes into a stagflationary cycle and tries to find a new equilibrium," DeLorenzo said.

Others are less concerned about a possible tariff-induced recession.

If the result is a "mild recessionary shift," labor markets may ease and cool wage-driven inflation, lower interest rates, and encourage reinvestment in productive capital, said Brandon Daniels, the CEO of Exiger, a supply chain AI company.

People in more depressed areas of the country could even start to feel better about their lot with a consequently reduced trade imbalance moving wealth back into the heartlands and away from coastal cities, Manhattan Institute legal policy fellow Tim Rosenberger argued.

"Trump's policies mean that key heartland industries, e.g. oil and gas, will do very well even if there is a small economic contraction," Rosenberger said. "A modest contraction could lower home prices, good for working class and younger voters, and commodity prices."

Geopolitical forces at play, not just tariffs

Whether they will work or not, there is little doubt that there is so much more at play here than simply economic policy, sources say.

Tariffs were increased on China, for example, because the president believes that country has not kept to its promises on stopping fentanyl production, said Everett Eissenstat, who served in the first

Trump administration as deputy assistant for international economic affairs and deputy director of the National Economic Council.

The tariffs are part of a much bigger diplomatic play, Daniels agreed.

“By slapping tariffs on Canada, Mexico, and China simultaneously, the U.S. signals it wants comprehensive solutions — not just talk,” Daniels said. “It forces countries to engage on uncomfortable issues.”

Trump can use the tariffs to encourage cooperation or lead to submission from allies and foes, Palomarez said.

“The geopolitical stage runs rampant with ulterior motives and bargaining,” Palomarez stressed, citing the example of Colombia quickly reversing its decision not to accept returning illegal immigrants.

The world waits to see what will happen and in a none-too-relaxed fashion. There won’t be a quick solution either, said Phillip Dickson, the CEO of investment app company Monorail.

“If the goal is to level the playing field for American industries, these tariffs may provide temporary relief, but the long-term impact depends on how they interact with supply chains, consumer prices, and international relations,” Dickson said.

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