

TARIFFS

Commentary

Trump's Tariff Policy:

Navigating the Geopolitics of the Global Trade System

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The United States, under President Trump, has recently become the focus of intense global geopolitical and economic debate due to its new economic and policy direction regarding its relationship with the world. Trump recently developed a global tariff policy in which the United States imposed tariffs on the exports of countries to the U.S.; virtually all countries in the world were affected. This is based [on the claim](#) that the U.S. has been subject to unfair trade dealings by other countries over the years. The [formula](#) used to calculate the tariffs has also faced criticism, further complicating the rationale for introducing the tariffs in the first place, which is to address the trade deficit situation in the United States and ensure fairer treatment in global trade relations. However, the tariff imposed on China made the most headlines. The April 2 “Liberation Day” tariffs, announced on goods imported into the U.S. from China, was 34%, which, when added to the already existing 20%, raised the total rate to 54%. This increased to 145% by April 10.

Beyond the macro/micro economic shenanigans, and the implications of such policies given the U.S. towering position in global trade, there is an underlying perception that the present liberal economic structure born out of the post-1945 Bretton Woods system is no longer fit for purpose. The reality is that the US elite has technically been calling for this reset long before now. Democrat leaders have also called for this reset. Obama, Hillary, and Nancy Pelosi have been known to support the idea of a global tariff on countries exporting to the U.S.

The geopolitical plot is what is at play here; the US is immensely committed to this system at the expense of its own health. The very structure that was designed to engender the wealth and development of the Northern Hemisphere under the hegemonic suzerainty of the United States has unexpectedly taken a turn, leading to domestic economic laxity in the Global North countries,

which are the self-acclaimed custodians of the global trade economic system. The US manufacturing base has become slack, and the United States itself has reduced infrastructure spending internally, concentrating on high-end manufacturing within the global manufacturing value chain in areas where it wants to maintain manufacturing. In other areas, it has completely outsourced manufacturing to different parts of the globe, as it is less expensive, both in terms of infrastructure and human resources, given that highly trained labour in those countries is cheaper than their counterparts in the US. It then concentrated on financialization, a topic I will return to later.

The beneficiaries of these were a few global south countries; they immediately took the initiative and concentrated immensely on infrastructural development, human resource capacity training and development, to be able to attract manufacturing. These beneficiaries include China, India, Vietnam, Indonesia, Thailand, Cambodia, etc. The countries not only attracted manufacturing but also domesticated production, and they also began exporting high-end products to the Western world, taking advantage of the liberal free trade system. Hence, we are very careful when we say that the Western liberal system spelt poverty for a large section of the world. The idea was not to create wealth for every section of the world; the idea was to concentrate resources, capital, machinery, decision-making, and technical know-how in the core global north countries, while the global south countries are tied to the global system simply through being markets and extraction bases. But over time, Eurasia/Southeast Asia appear to have found a way to circumvent and circumnavigate this global system, by also redirecting the core to themselves, and not only doing so, but also becoming a core part of the system, thereby diluting the influence and control of the United States. The latter no longer has an outright monopoly on the system, even when it is being affected. These countries have become a powerhouse on their own, while also being subsidised by the liberal structure, since the United States still remains the insurer of the global liberal structure that guarantees free and unrestricted trade.

From the above, one can immediately see why this is a significant concern for American policy-makers, as Southeast Asia/Eurasia have emerged as the manufacturing centre of the world. And we are not just talking about mere manufacturing; we refer to manufacturing on a massive scale and of high quality. Chinese electric cars are not only cheaper but also rival those of the West in terms of innovation and quality. This represents a challenge to the global liberal system, which no longer serves the interests of its participants. Its purpose was globalisation, but “purposed” or “structural” globalisation, where every part of the world remains in its place while the West reaps the benefits and continues to maintain the system through paltry contributions to countries at the lower rungs of the ladder. It was not designed to create global wealth; it was designed to perpetuate inequality, but the project has turned against itself, leading to overinvestment and overextension of American power and finance, which cannot continue to be sustained.

The recent tariff is nothing more than a geopolitical game, aimed at resetting the system. And it does not matter who is involved. It is making the headline because of the persona of Trump, but

the reality is that, the American elite had been looking for ways to reset the global system for strategic reasons, and it does not matter who is in power, it would have come in one form or the other, even if we had a democrat President. Yes, we can spend time explaining how the US has been so involved in maintaining the present system, which it does through various international institutions that responds to it, which Washington has immense influence over, and that is why we are also hearing that the US wants to cut down on this global commitment, because it also feels that they no longer serve its geostrategic interest. And it sees Asia as the new pivot, where the largest threat to its economic influence is coming from; that is why it appears that the Asian countries received some of the highest tariffs. In a scenario where South Korea, Japan, and China, despite their differences, form a unified front against the US, the trade war will escalate significantly. The US also wants to renegotiate its alliance with Europe as it no longer sees it as a geopolitical and economically formidable partner.

However, the US bit off more than it could chew. The comfort and relaxing stage of this failing global structure is that which has moved away from real commodification, or real resources, to venture capital, speculation, stocks, futures, and extreme financialization, which the Western system has been symptomatic of. Hence, the introduction of tariffs sent shockwaves through these financialised systems in the US economic landscape, leading to a fall in stocks, ventures, markets, and market capitalization. These are exactly what Trump wants to correct, but unfortunately, it would take a much bolder implementation of a massive infrastructure reinvestment, redirecting manufacturing back to the US economy (one of the aims he wants to achieve with the tariff), and a departure from some global commitments. Additionally, the maintenance of the sphere of influence policy that the United States was known for before the First World War would perhaps serve the US well now. This would mean the outright acknowledgement of the failure of the globalisation project, which I don't think even the most pro-American politician is ready to commit to, not even Trump. Hence, the present tariff policy is the United States trying to get the world to subsidise globalisation or the global liberal system while it repurposes from within, something that I fear the world may not be ready for at this time. But much is still to unfold. In the global trade war, especially with China, it appears that the United States has softened its stance by lowering its tariffs on Chinese goods to 30% from 145% for an initial 90-day period after negotiations with Chinese officials. This is akin to waving an olive branch at China to ease tensions and arrive at a deal beneficial to the US. This is suggestive that Trump has shown some level of flexibility in his approach to the trade war.

However, this is still unfolding. Of course, there is a crack in the transatlantic economic and geopolitical alliance that supports the current liberal system of global trade and exchanges. Yes, globalisation is receding, and the end may be near, but more must happen before we can conclusively reach this outcome.

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