# Governments navigate uncertainty as Trump’s tariffs reshape global trade alliances



Hello and welcome to this edition of Trade Secrets. Governments around the world are navigating the complex and often confusing landscape of international trade, particularly in light of recent developments involving United States President Donald Trump’s controversially termed “reciprocal tariffs.” Initially announced on April 2, these tariffs were purportedly suspended for 90 days pending negotiations. However, the responses from various nations have ranged from tentative agreements to outright scepticism, reflecting the broader uncertainty in global trade dynamics.

As analysts and policymakers consider the implications of these tariffs, the response from the trade community has been notably muted. Many are questioning whether Trump’s threats carry any weight in influencing policy decisions. Biased by an overwhelming sense of uncertainty surrounding his administration’s trade intentions, decision-makers are hesitant to react decisively. For instance, while Trump proclaimed potential tariffs on various countries, trade experts and financial markets barely registered the announcement, indicating a deep-seated scepticism about the administration’s commitment to these threats.

The situation is compounded by the lack of a coordinated international response to Trump’s policies. Instead of a united front, countries appear to be pursuing their own interests in fragmented discussions. Recent dialogues among Asia-Pacific nations in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Association of Southeast Asian Nations (ASEAN) yielded non-committal promises of cooperation, highlighting a pervasive lack of trust in multilateral negotiations.

In the UK, the absence of adherence to multilateralism has raised eyebrows. The current government has accepted a trade agreement that contradicts the “most-favoured nation” principle, ultimately leading to ambiguous alliances against China. This precarious position has attracted criticism from both domestic and international observers. The European Union voiced concerns over the thinness of the UK’s trade arrangements, while Beijing cautionarily advised London against taking sides amidst escalating U.S.-China tensions.

In this volatile context, the broader economic implications of Trump’s tariffs deserve scrutiny. Historical parallels suggest that protective measures often result in unforeseen consequences for both the imposing nation and its trading partners. For example, renowned historian Harold James emphasizes that Trump’s policies risk undermining American consumer welfare and technological advancement while potentially fuelling a new wave of globalisation driven by emerging markets. As countries navigate these tumultuous waters, many economists argue that the long-term costs of tariffs may far exceed any short-term gains.

Governments are weighing their decisions carefully, with the EU, for instance, showing reluctance to hastily negotiate with the U.S. Brussels has resolutely indicated its refusal to accept the proposed 10 per cent baseline tariff without proportional retaliation. Analogously, Australia has expressed eagerness to strike a deal with the U.S. but remains wary of antagonising China—reflecting its significant trade dependency on the latter.

The relationship between costs associated with tariffs and consumer behaviour is also coming under increasing scrutiny. Recent assessments reveal that tariffs have a direct impact on American households, with estimates indicating an annual financial burden exceeding $2,300 for the average family. This situation has catalysed discussions among businesses regarding how the financial strain should be managed, with some retailers like Walmart feeling the pressure to adjust pricing strategies in light of tariff-induced costs.

Respondents to recent inquiries regarding the UK and China’s agreements with the U.S. exhibited a similar scepticism. Not only did many critics dismiss the viability of these deals, but they also suggested that the UK missed opportunities by not aligning more closely with the EU, while asserting that China could have extracted more favourable terms from the U.S.

As we navigate these complicated discussions, it’s essential to understand how global trade patterns could evolve. Economic relationships are increasingly interdependent, and the ramifications of policies framed in isolation—such as Trump’s tariffs—could lead to broader shifts in alliances and trade dynamics. Ultimately, countries must remain vigilant, balancing national interests with the emergent realities of global economic interconnectivity.

Charted waters portray a notable trend: the EU is currently experiencing a burgeoning trade surplus with Ukraine, a position paradoxically marred by intentions to restrict imports to protect its farmers, further complicating the narrative of global trade relationships.

In conclusion, as nations continue to recalibrate their strategies in response to shifting dynamics, it remains imperative to address both the practical and ideological considerations that underpin trade policy. As uncertainties pervade, the global economic landscape remains a canvas for new alliances, challenges, and evolving priorities.

### Reference Map

1. Paragraphs 1, 2
2. Paragraphs 2, 4
3. Paragraphs 4, 5
4. Paragraphs 5, 6
5. Paragraph 6
6. Paragraphs 6, 7
7. Paragraph 7

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.ft.com/content/45800e7d-ec1a-4713-9796-6dc63903d664> - Please view link - unable to able to access data
2. <https://www.ft.com/content/218123f5-8eb0-472a-9183-aca7599c1095> - An insightful discussion with historian Harold James examines the likely impacts of Donald Trump's trade policies on the global economic order. The dialogue suggests a shift from neoliberalism toward de-globalization and regionalization, potentially forming a tripolar world dominated by the U.S., Europe, and China. While recent trade deals have momentarily boosted market optimism, James warns these might trigger both supply and demand shocks. He notes that past negative supply shocks, like those caused by Trump's tariffs, often lead to more global interconnectedness, but the current U.S. measures could hurt American consumers and hinder high-tech development, paralleling the declines of past empires. Despite these U.S. challenges, other nations, particularly emerging markets, might benefit from a new wave of technology-driven globalization, opening opportunities for innovation and growth. James emphasizes the need for the U.S. to reconsider its strategy to avoid long-term economic decline, suggesting that the broader world may continue to progress even as America risks marginalization.
3. <https://www.reuters.com/world/uk/hold-britain-poised-reset-trade-defence-ties-with-eu-2025-05-18/> - On May 19, 2025, the UK and the European Union finalized a landmark trade and defence agreement, marking the most significant reset in relations since Brexit. The comprehensive deal includes a security and defence pact, reduced restrictions on British food exports, simplified travel for UK visitors to the EU, and a controversial 12-year fishing access agreement. Prompted by U.S. President Donald Trump's global policies, the agreement reflects a shift toward closer cooperation amid geopolitical instability. UK Prime Minister Keir Starmer hailed the accord at a joint press event with EU leaders, describing it as the start of a 'new era.' The pact could add nearly £9 billion to the UK economy by 2040, reduce trade barriers, enhance energy security, and allow UK firms to participate in a €150 billion European rearmament initiative. While enabling young people to work across borders and potentially restoring the Erasmus+ program, the agreement faced criticism from Brexit proponents like Nigel Farage and the opposition Conservative Party, who argued it undermines UK sovereignty. Despite not rejoining the EU, the deal aims to improve strained relations and restore economic and political stability, with Labour officials emphasizing practical gains over ideological purity.
4. <https://www.axios.com/2025/05/19/trump-tariffs-who-pays> - The longstanding debate over who bears the cost of U.S. tariffs has largely concluded with an acknowledgment that American consumers ultimately pay the price. The Trump administration, long resistant to this view, conceded amid rising prices and political pressure. Economists, businesses, and consumers had already recognized the financial burden tariffs impose domestically. Trump's tariffs, among the most extensive in nearly a century, are estimated to cost the average U.S. household more than $2,300 annually, according to the Yale Budget Lab. This week, Walmart announced price hikes, prompting Trump to claim the company should absorb the tariffs—an implicit recognition that someone within the U.S. must bear the cost. Despite earlier administration claims that America's market strength would shift the burden to foreign trading partners, rising consumer costs tell a different story. While Commerce Secretary Howard Lutnick recently dismissed consumer cost concerns as 'silly arguments,' even supporters now cite modest gas price drops as possible offsets. However, these savings, averaging $200 per car annually, fall far short of tariff-related expenses. Several key tariff deadlines loom between July and August, tied to U.S.-China trade relations, potentially affecting future costs.
5. <https://www.reuters.com/business/energy/lifting-us-sanctions-iran-could-crush-chinas-teapot-oil-refineries-bousso-2025-05-19/> - The potential lifting of U.S. sanctions on Iran's oil exports could significantly disrupt China's independent 'teapot' refineries that have thrived on discounted Iranian crude. Since the U.S. re-imposed sanctions in 2018, Iranian exports dropped but later recovered to about 1.65 million barrels per day (bpd) by 2025, with Chinese teapots previously importing up to 77% of these exports. These small, privately owned refineries in Shandong province rely heavily on cheaper, sanctioned crude due to their slim margins and underutilized capacity. If sanctions are removed, Iranian production may rise quickly by 500,000 bpd, increasing global supply and pushing oil prices down. This would erode the competitive edge of teapot refineries, possibly forcing many to reduce output or shut down. Larger, state-owned Chinese refineries would likely absorb the domestic market share. Globally, the return of Iranian oil presents broader implications for oil prices and competition, especially for countries like Saudi Arabia, but the fallout could particularly devastate China’s fragile independent refining sector.
6. <https://www.axios.com/newsletters/axios-twin-cities-92137800-324f-11f0-af18-6bfc6f004253> - Several Minnesota cities are cracking down on cryptocurrency ATMs amid a surge in scams. In 2023 alone, over 5,500 fraud cases linked to crypto kiosks resulted in losses exceeding $189 million nationwide, disproportionately impacting seniors. Cities like Stillwater have banned the machines, while others, including St. Paul and Forest Lake, are considering or enacting regulations. Critics argue the ATMs serve little practical purpose due to high fees and limited functions, while companies like Athena Bitcoin maintain they collaborate with law enforcement and contest municipalities’ regulatory authority. Officials expect legal challenges. In other news, state lawmakers continue budget negotiations, particularly on contentious issues like ending MinnesotaCare for undocumented adults. Meanwhile, Minneapolis Police Chief criticized local political dynamics, and the Court of Appeals is reviewing tribal jurisdiction in cannabis prosecution. On the lighter side, popular Minnesota baby names for 2024 include Liam, Charlotte, and culturally diverse picks like Abdullahi and Greta. Farmers like Ryan Mackenthun express cautious optimism regarding potential tariff relief amid stagnant soybean prices. Lastly, Melisa López Franzen has suspended her Senate bid, and the Minnesota Twins’ 13-game winning streak ended, leaving the 1991 team’s 15-game record intact. The newsletter also paid tribute to journalist Burl Gilyard and shared local community updates.
7. <https://www.ft.com/content/e6c958ae-4866-4df5-85a9-4845c19f8d68> - The FT News Briefing podcast on May 19, 2025, covers several major global developments. In the U.S., the Trump administration plans to roll back post-2008 financial crisis banking regulations, specifically targeting the supplementary leverage ratio. This would reduce capital requirements for major banks or exclude low-risk assets like treasuries from calculations. The intent is to boost liquidity in treasury markets and enhance trading capacity, but critics warn of increased financial system risk amidst current market volatility. Simultaneously, the UK and EU are attempting to mend relations post-Brexit by signing a defense and security pact, though contentious issues like fishing rights persist. On the geopolitical front, Trump is expected to engage in critical peace negotiations with Russian President Putin and Ukrainian President Zelenskyy, raising concerns among European leaders about potential compromises. In China, a dramatic shift toward electrification is underway, driven by a desire for energy security. With over half of new cars being electric and vast investments in grid infrastructure and resource procurement, China is establishing dominance in global clean tech—reshaping trade dynamics and creating challenges for other nations balancing decarbonization goals with technological independence from China.