# Why Trump's tariffs will actually damage manufacturing in the US



Before the latest escalation in the trade war, the United States was roughly on par with the rest of the world when it came to tariffs. Its average rate hovered around 3%—more expensive than some, cheaper than others, but broadly aligned. That’s no longer the case. Even the lowest of Trump’s new tariffs—set at 10% across the board—makes American import duties around 150% higher than the global average. What we now have is effectively two trading systems: one in which the rest of the world continues to exchange goods with minimal friction, and one in which the US has walled itself off under a self-imposed penalty regime.

China imports beautifully finished machinery from the United States, but what it exports is altogether more fundamental: components, intermediate goods, and, most crucially, the rare earth minerals that underpin everything from semiconductors and batteries to defence equipment and green tech. China controls between 80% and 90% of global supply and is now making it increasingly difficult for American firms to get hold of them. If that continues, or hardens into a formal export ban, then the effect on US manufacturing will be profound. It won’t just be more expensive to build things in America; in many cases it will be technically impossible.

So what Trump has engineered is a scenario in which it is now cheaper, and more viable, to manufacture just about anywhere other than the United States. If you happen to be in a country with favourable trading terms with both China and the US, you become the perfect conduit. You can import essential Chinese components tariff-free, assemble your high-value goods locally, and export them both to the US and to the rest of the world without penalty. Meanwhile, American firms will struggle not just with rising costs but with real supply chain uncertainty—shortages, delays, and sudden regulatory hurdles. That’s not the kind of climate that encourages investment.

Trump has described this course of action as a necessary medicine. The pain, he insists, will lead to a healthier future. But this isn’t medicine—it’s more like chemotherapy from the 1970s: broadly toxic, poorly targeted, and of questionable benefit. America’s economic malaise isn’t something that can be treated with blunt force or nationalistic hope. Investors want stability, not volatility. And right now, the only predictable thing about the US trading position is its unpredictability. Why would any global business choose to build factories in America when they could go to, say, Switzerland—where tariff rates are low, global relationships are intact, the workforce is educated, and the rules don’t change with every tweet?

Even if Trump were man enough to admit that this was a disaster and try to reset the clock, the damage is already done. China has gone from being seen as a closed, authoritarian regime—shutting out foreign investors, censoring social media, accused of pandemic mismanagement, and infamous for intellectual property theft and legal manoeuvres that quietly oust foreign business owners—to suddenly becoming the good guy. In one stroke, all of that has been washed away. And by comparison, the United States now looks like the erratic actor, burning bridges, slashing aid, and installing reactionary airheads and sycophants in vital diplomatic roles. Trump has dismantled decades of soft power in a matter of months. China now has three and a half years of clear runway—a full year and a half longer than they really need—to reset the world’s trading and diplomatic landscape. The timing could not be better for them, nor worse for the United States.

Ironically, this shift may be good news for Taiwan. While they’ve been hit hard by US tariffs—especially on everything outside of semiconductors—this moment presents a kind of forced alignment. Taiwan and China may now find themselves the lesser of two evils in each other’s eyes, drawn together by the shared task of navigating around a hostile and increasingly isolated America. And if Beijing is now focused on its image as the world’s rational trading partner, the last thing it will want to do is squander that goodwill by invading Taiwan. Such an act would instantly flip the narrative and hand the Americans a moral high ground they are currently squandering. Having won the role of global grown-up, it’s unlikely that China will want to give the golden chalice back.

## References

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* <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/market-updates/on-the-minds-of-investors/which-countries-would-be-most-impacted-by-reciprocal-tariffs> - This piece examines the impact of reciprocal tariffs, particularly between the U.S. and EU, and how they might affect global economies and trade relationships.
* <https://www.bis.doc.gov/index.php/forms-documents/> - This site provides information on U.S. regulations and export controls relevant to the discussion of trade restrictions and tariffs.