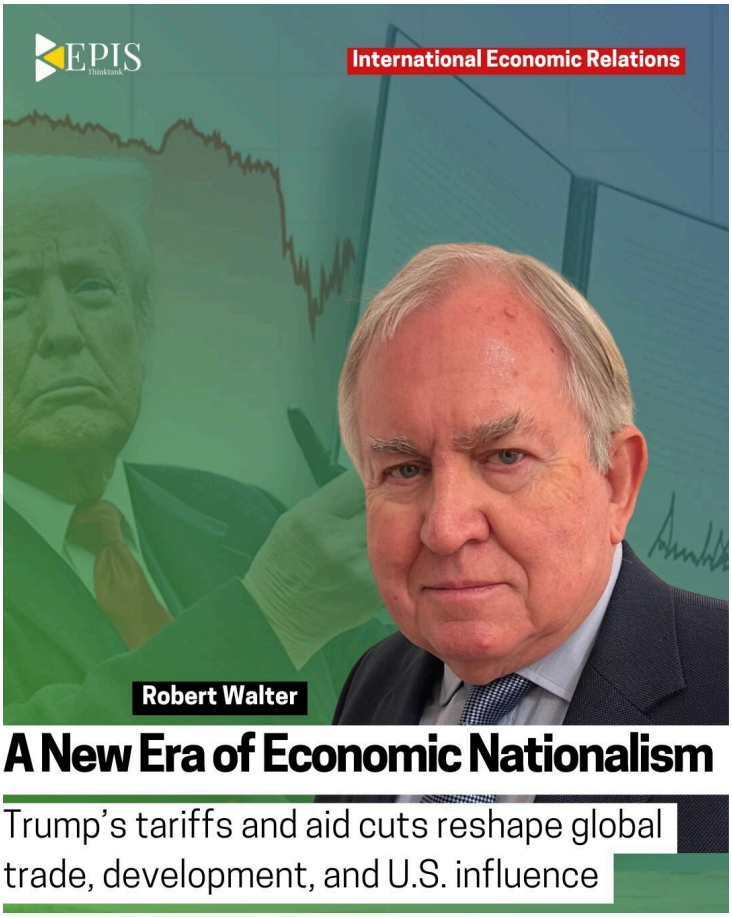
A New Era of Economic Nationalism

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There is something ironic in listening to the leader of the richest and most powerful nation on earth telling not only his friends in the industrialised world, but also some of the poorest nations on the planet that they are all "ripping America off". Whilst it is true that the United States runs a large trade deficit in goods by a substantial margin, President Trump fails to acknowledge that it earns significant surpluses in services and from foreign investment income that substantially offset the goods imbalance. But there is nothing new in this kind of rhetoric and the tariffs and quotas that follow to "protect" the domestic market and reduce imports.

The use of tariffs and protectionist rhetoric has long been a feature of international economic relations. From the Anglo-Dutch Wars of the 17th century to the Opium Wars in China, and the tariff battles of the 1920s and 1930s, history is replete with examples of nations using trade policy as a tool of power and leverage. In the 21st century, these themes have re-emerged with renewed force, most notably during the presidency of Donald Trump, whose aggressive approach to tariffs and foreign aid has reshaped both U.S. domestic economics and the global order.

Trade disputes have often escalated into open conflict. The Anglo-Dutch Wars, for instance, were triggered by English attempts to undermine Dutch dominance in global trade, leading to a series of naval battles. Similarly, the Opium Wars between Britain and China were rooted in disputes over trade restrictions and market access, resulting in military intervention and the establishment of colonial outposts like Hong Kong.

In the 20th century, tariff wars became a central feature of economic policy. The German Polish customs war of the 1920s saw both sides raising tolls and tariffs, disrupting trade and forcing economic realignment. In the United States, the Smoot-Hawley Tariff Act of 1930 and earlier measures like the Emergency Tariffs Act of 1921 and the Fordney-McCumber Tariff of 1922 raised average tariffs to 38%, contributing to a collapse in global trade and a sharp decline in U.S. corporate earnings and equity markets.

Donald Trump's presidency (2017–2021, and again in 2025) marked a dramatic return to protectionist policies. Trump argued that the U.S. was being exploited by unfair trade practices, particularly by China, Mexico, and Germany. His administration imposed tariffs on steel, aluminium, and hundreds of billions of dollars' worth of Chinese goods, sparking a tit-for-tat trade war with Beijing. China retaliated with tariffs on American exports, especially agricultural products, prompting the U.S. government to subsidize affected farmers.

Trump's approach was not limited to adversaries. Traditional allies such as the European Union, Canada, and Mexico also faced tariffs, often justified on national security grounds. These actions strained longstanding relationships and led to renegotiations of trade agreements, most notably the replacement of NAFTA with the United States-Mexico-Canada Agreement (USMCA), which updated provisions on labour, the environment, and digital trade.

The impact of Trump's tariffs has been profound. By 2025, the average effective U.S. tariff rate reached its highest level since 1934. According to Yale University's Budget Lab, these measures were projected to reduce U.S. real GDP growth by about 0.5 percentage points in 2025 and 2026 and shrink the long-term size of the economy by 0.4%. The cost to American households is significant, with estimates suggesting an average annual burden of $2,000 per family due to higher consumer prices.

Sectors dependent on global supply chains—such as electronics, apparel, and automobiles—are particularly hard hit. While some domestic manu-

facturing has seen modest gains, but advanced manufacturing, agriculture, and construction face contraction. The tariffs it is claimed will generate substantial government revenue, potentially as much as $2.3 trillion over a decade, but this comes at the expense of slower growth and higher inflation.

Globally, the ripple effects are substantial. The World Bank warned that every 10-percentage-point increase in U.S. tariffs could reduce global growth by 0.2–0.3 percentage points. Trading partners like Canada, Mexico, and China have experienced significant declines in exports to the U.S., with knock-on effects for their own economies and supply chains. Studies indicate that U.S. consumers will ultimately bear most of the tariff costs.

Simultaneously, the Trump administration has enacted deep cuts to U.S. foreign aid, particularly through the United States Agency for International Development (USAID). These reductions have dramatic consequences for global health, development, and humanitarian programmes. In countries like Lesotho, Malawi, and Ethiopia, the loss of U.S. aid has undermined health systems, agricultural productivity, and community resilience.

Lesotho provides a stark example. The imposition of a 50% tariff (later reduced to 15%) on textiles—previously duty-free under the African Growth and Opportunity Act— has devastated the country's manufacturing sector, leading to factory closures, job losses, and a state of disaster. Concurrently, cuts to health funding have resulted in the termination of over half of HIV/AIDS-related health workers, threatening public health in a country with one of the world's highest HIV prevalence rates.

Globally, the consequences of U.S. aid cuts are severe. A study from UCLA has projected over 14 million additional deaths by 2030 if the cuts persist, including more than 4.5 million children under five. Reductions in funding for HIV programs has led to declines in testing and treatment in countries such as Mozambique and Eswatini, with modelling suggesting millions of extra infections and deaths. The withdrawal of U.S. support has also destabilized multilateral institutions like the World Food Programme and eroded American credibility in the Global South.

The combined effect of tariffs and aid cuts has been to increase migration pressures, particularly towards Europe. As export-dependent economies in Africa and Latin America have lost access to the U.S. market and USAID development support, unemployment and poverty have risen, pushing people to seek better opportunities abroad. Europe, already challenged by previous migration crises, faces renewed risks as U.S. disengagement leaves a vacuum in global development leadership.

Trump's tariffs and aid cuts reflect a broader strategy of economic nationalism and inward-facing policy. While intended to protect domestic industry and raise government revenue, these measures have imposed significant costs on consumers, slowed economic growth, and weakened global development systems. The retreat from international engagement has undermined U.S. soft power and contributed to instability abroad, with potential knock-on effects on migration, trade, and security.

As policymakers and the international community grapple with these challenges, the legacy of Trump's trade wars and aid cuts serves as a reminder of the value of interconnectedness of the modern world—and the risks of unilateral action in what was an era of a rules based international order and global interdependence.

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