STACKED AGAINST US

Armed with charts, vibes, and a fiscal policy from the '30s, Trump declares economic war on allies, enemies and islands inhabited by penguins—because nothing says "Trade War!" like tariffs on Vanuatu and a weakening dollar.

BY SEAN REYNAUD

According to the New York Times, President Trump's tariffs, intended to reduce trade deficits between the U.S. and the rest of the market, are a blunt "one-size-fits-all formula" that avoids complex calculations or nuance. The tariff formula, as explained by CNBC—revealed on "Independence Day" along with two charts—takes the trade deficit, divided by imports from the targeted country, and assumes that the number arrived at summarizes all the ways the United States is being cheated by said country. Or, more succinctly, the formula calculated the tariffs the U.S. would have to charge other countries in order to get a trade balance. Furthermore, a "White House Official," on April 2, 2025, stated: "The model (the Council of Economic Advisors) use is based on the concept that the trade deficit that we have with any given country is the sum of all the unfair trade practices, the sum of all cheating." But when looked at by economists, by those steeped in economic policy, the formula is unlike any traditional economic formula. So, if you're looking for a mathematically sound, universally applied formula for arriving at trade deficits that takes into account multiple variables, this ain't it.

BEGGAR THY WORLD NEIGHBOR

In a speech on April 2, 2025, President Trump stated, "Chronic trade deficits are no longer merely an economic problem. They are a national emergency that threatens our security and our very way of life." Regardless of hyperbole, these tariffs appear to be a "beggar-thy-neighbor" economic policy of protectionist measures that attempt to improve the U.S. economy at the expense of the economies of U.S. trade partners. Coined in the 1930s by Joan Robinson, the phrase describes policies intended to shift employment from foreign countries to the domestic economy, encourage consumption of domestic goods, and limit the amount of imports.

These sorts of policies are generally negative-sum for the world economy overall. Coined in a pre-globalization, Bretton Woods world, they are in no way beneficial in the short term, even for the United States. Tariffs trigger unnecessary trade wars with global partners, creating higher inflation and slower growth, not to mention distrust and animosity that may in time lead to a hot war. In addition, by weakening (intentionally or not) the dollar the U.S. is also weakening one of its greatest foreign policy tools. The days of wielding the dollar as a weapon may be coming to an end, as the world pivots toward a new standard currency for global trade, payments, and commodity markets.

The U.S. administration has veered toward an autarky which, according to Britannica Money, creates "a system of economic self-sufficiency and limited trade, which could be detrimental for economic growth." Real-world examples of autarkic regimes at various points in history include North Korea, Nazi Germany, Cambodia, and the Soviet Union—hardly economic success stories. An American autarky would require protectionist tariffs, a weakened dollar, and a central bank subservient to presidential control. These elements were all outlined in the 2025 Presidential Transition Project, authored by the Heritage Foundation in August 2024.

WHO'S A TARGET OF TARIFFS?

Quite a few countries were targeted in the first and second round of tariffs. Of course, China was number one on the list, but a few were surprising. Of the 90 or so countries targeted by the so-called "reciprocal tariffs" are a few that are likely to raise eyebrows. Among those receiving tariffs on their exports to the U.S. are: Lesotho (tariffs of 50%), Saint Pierre and Miquelon (50%) Vanuatu (23%) and the uninhabited Heard Island and McDonald Islands. We suggest you pull out a map and look up these great nation states. Go ahead, test your geographic knowledge. We'll wait.

Now that you've updated your world geography, let's have a look at our favorite country: Poland. Donald Tusk stated in early April that tariffs against the EU, and Poland, would cost an estimated PLN 10 billion (€2.3 billion), representing roughly 0.4 percent of Poland's GDP. The tariffs were aimed not directly at Poland but the entire European Union. Still, a 20% levy on exports of European Union goods, with a 25% tariff on vehicles, affects Poland's supply chain role. According to Reuters, Central European countries are the most reliant on trade with Slovakia's output ranging from 76.6% to Poland's 39.4%, which are above the EU average of 34.2%.

Poland doesn't export many vehicles directly to the U.S., but does export a large volume of auto parts to countries that do export to the U.S., like Germany. A reduction in the sale of cars from German and French autos could hit Polish manufacturing, according to economist Piotr Arak. Overall, Poland does maintain a trade surplus with the U.S., according to Forbes, with exports rising from $10.6 billion in 2022 to $16.5 billion in 2024. Machinery and mechanical equipment, especially turbojet and turboprop engines, are some of the main exports of Poland to the U.S.

The effects of the tariffs, according to the Polish Economic Institute, see a potential GDP loss ranging from 0.11% to 0.43%, depending on tariff severity, also noting that a GDP reduction between 0.38% and 0.43% would result if the a slightly higher tariff rate of 25% were applied to all goods. However, before you bury your head in the sand, realize that these tariffs are based on the whim of a transactional president who increases or decreases tariff severity depending on which way the political wind blows. As of 25 April, the tariffs are easing off a bit.

WHY CAN'T WE ALL BE FRIENDS?

Tusk, according to PAP, wrote on the X platform on 3 April that the tariffs were, "A severe and unpleasant blow, because it comes from the closest ally, but we'll survive," continuing, "Our Polish-American friendship must also endure the ordeal."

Meanwhile, the EU was a little more cranky about the whole tariff thing, approving a retaliatory tariff of $23 billion worth of U.S. goods. The targets of the tariffs included motorcycles, poultry, and various agricultural goods produced primarily in Republican led states; especially beef (Kansas and Nebraska), cigarettes (Florida) and wood products (North Carolina, Georgia and Alabama). So, no eating a hamburger while smoking a cigarette and sitting on a Georgia pine saw horse, it could get expensive.

U.S. based tech firms are also now squarely in the EU's sights for further tariffs with, according to the Guardian, a trade surplus of €109 billion in service industries. Frustration with U.S. trade policies triggered a response from EU citizens as well, with some suggesting homegrown alternatives to U.S. based tech products. Sights like goeuropean.org fill a need to strike back at the U.S.

Still, the EU's trade commissioner, Maroš Šefčovič, maintains that the EU is "not in the business of going cent for cent or tit for tat or dollar for dollar" in retaliation on goods. Diplomacy requires a measured response. In fact, Ursula von der Leyen, has proposed a "zero-for-zero" trade deal as a way to avoid tariffs altogether. This idea was originally proposed back in 2018 and was ignored by Trump at the time.

BLACK GOLD, TEXAS TEA… BUT GASSY

Following the Russian invasion of Ukraine, the EU struggled to find alternatives to the 2.2 million barrels per day (bpd) of crude oil, 0.7 million bpd via pipeline and 1.2 million bpd of refined oil products supplied by Russia once sanctions were applied. The "nightmare scenario" of a complete cut-off of Russian gas, outlined at the time by Germany's Economy Minister, Robert Habeck, in 2022, was something the EU wanted to avoid.

According to Owen Mathews in his book Overreach: the Inside Story of Putin and Russia's War Against Ukraine, by January 2022 Europe began importing just over 4 billion cubic meters of American liquified natural gas (LNG) a month. This trade with America, as well as supplies of crude from Norway and others, in addition to a surge in renewables, a pause on shuttering nuclear power plants in Germany, and continued use of coal, has helped maintain the EU economy.

Trump's tariffs do not directly target LNG exports to Poland, or the broader EU. However, LNG has become, according to Axios, a focal point in U.S.-EU trade discussions as Trump urged the EU, in January of this year, to purchase $350 billion worth of American oil and gas to "address trade imbalances." By 21 April, the EU was considering measures to facilitate greater LNG imports from the U.S., such as adjusting methane emissions regulations to accommodate American exporters, all of which fits into European Commission President Ursula von der Leyen's plan to quit Russian gas by 2027.

HOW DID THE MARKET'S REACT?

The WIG index fell from 97.963 on 2 April, the date of Trump's declaration of "Liberation Day" and the imposition of tariffs, to 87.727 by 7 April. This led to a temporary suspension of trading on all markets on April 7, because of "security and trading." Donald Tusk acknowledged that there were economic challenges posed by the tariffs, but that everyone should remain calm, emphasizing the resilience of the Polish economy. By 24 April the WIG had jumped to 100.115.

DON'T UNBUCKLE THAT SEATBELT JUST YET!

If the Trump administration truly is following the 2025 Presidential Transition Project, we are far from done with tariffs or a shaky world economy. So, keep that helmet on, fasten your seatbelt, and try not to get hurt in the next 1,359 days. ●

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