

Trade wars & foreign affairs - Brochure

Cross contraction

On August 7, 2025, Donald Trump's long-delayed tariffs came into force, signaling a decisive shift from decades of U.S. free trade as the average import tax rose from 2% to 17.3%. While most of the 69 affected countries, including the EU, face 15%, some Southeast Asian nations and countries like India and Brazil endure higher rates or additional retaliatory measures, illustrating a mix of economic and political motivations. Tariffs remain highly unpredictable—Trump imposed 100% duties on foreign chips unless firms invest in U.S. factories, prompting massive tech commitments. Negotiations continue with China and Mexico, and exceptions with the UK illustrate ongoing bargaining. Economists warn Americans will bear most costs, while Trump frames tariffs as boosting revenue and domestic industry. Short-term U.S. growth appears stable, unemployment low, but slowed job creation, potential inflation, and trade uncertainties highlight the risks of this protectionist turn.