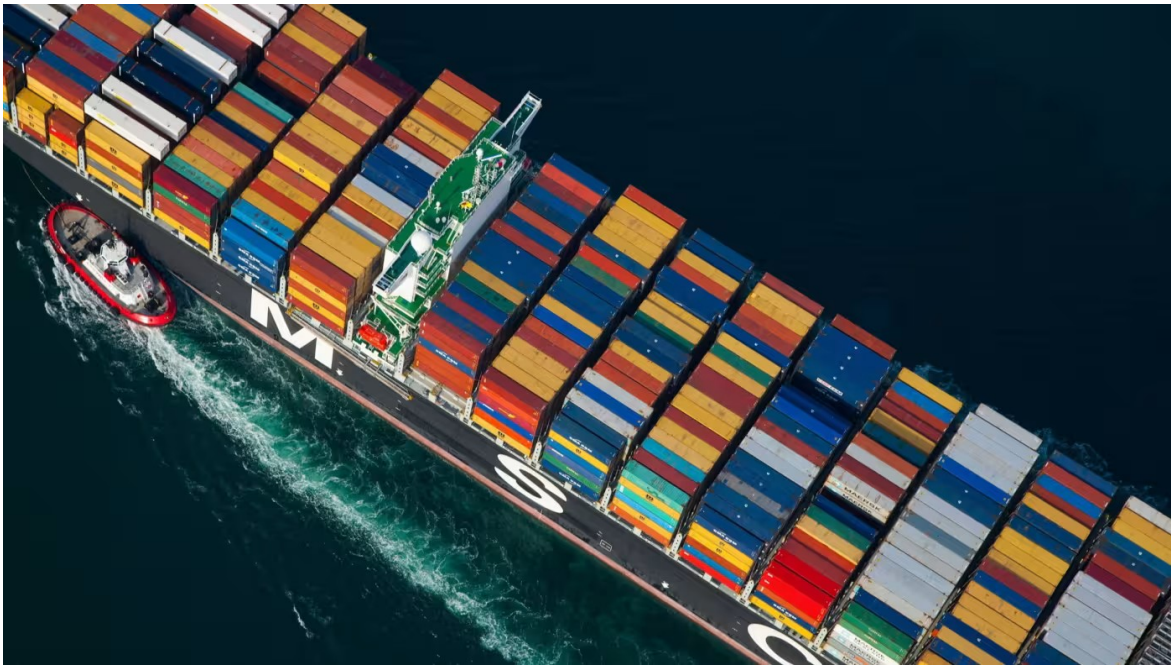


Opinion **Global trade**

The world is moving on to trade without the US

Many nations have been responding to Trump tariffs not by retaliating but by courting other trade partners

RUCHIR SHARMA



Since 2017, Trump's first year in office, trade has held more or less steady at just under 60 per cent of global GDP. But there's been a decline in the US share of trade flows © Tim Rue/Bloomberg

Ruchir Sharma 7 HOURS AGO

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While Donald Trump has yet to act on his [multiple tariff threats](#), it's likely he will. So the fear lingers that the US president's aggressive trade posture will sow global disorder, depressing growth and roiling markets, particularly if targeted nations retaliate.

But retaliation is not the only or even the most likely response to Trump, no matter how broadly he finally delivers on his threats.

The US has wielded tariffs as a weapon for eight years now. Those imposed by Trump in his first term were mostly continued or — in the case of China — expanded by Joe Biden. Some nations retaliated; others offered concessions or challenged them before global trade arbiters. But most just quietly moved on, seeking trade with countries other than the US.

Since 2017, Trump's first year in office, trade has held more or less steady at just under 60 per cent of global GDP. But there's been a decline in the US share of trade flows offset by an increase in other regions, particularly the nations of Asia, Europe and the Middle East. Trump 2.0 seems likely to bring more of the same: trade

without America.

Over the past eight years, more than four of every five nations — developed and developing — have seen trade rise as a share of their national GDP. Gains of more than 10 percentage points have been chalked up in more than a dozen major nations, from Japan, Italy and Sweden to Vietnam, Greece and Turkey. The big exception is the US, where it has dipped to around 25 per cent of GDP. The US has been growing faster than most of its peers — but with no boost from [trade](#).

America may be increasingly dominant as a financial and economic superpower but not so much as a trading power. Its share of global equity indices has exploded to almost [70 per cent](#). Its share of global GDP has inched up to more than 25 per cent. Yet its share of global trade is under 15 per cent, and has declined significantly in the last eight years.

Many of the warnings about Trump's impact focus on how new tariffs could hurt exporting nations that rely on the US as their main customer. But during Trump's first term, before the pandemic and despite his tariff offensive, developed nations saw stable growth and developing ones saw a strong acceleration in exports of both goods (led by tech products and commodities) and services (led by transport and digital services).

Global trade talks had fallen apart after 2008, as tensions stirred up by the financial crisis that year made vast multi-nation deals too difficult to conclude. But many nations continued to pursue smaller deals. The number of bilateral and regional agreements rose steadily, with fresh impetus after Trump first took office, and soon styled himself “tariff man”.

The US became an outlier, looking on as others cultivated the art of the trade deal. Since 2017, the US has abandoned talks on partnerships with the EU and Asia, and cut not a single new trade deal. Meanwhile, the EU has negotiated eight agreements and China has concluded nine, including a landmark 15-nation partnership in Asia.

By late last year, dealmaking picked up anew as the start of Trump's second presidency approached. The EU rushed to finish the outline of a difficult agreement — 25 years in the making — with members of the Mercosur alliance in South America, followed by one with Mexico. Now, Mexico is hurrying to widen trade ties with fellow nations in Latin America, in part as insurance against what Trump might do next.

The result: over the past eight years, as the locus of global trade shifted away from the US and towards the Middle East, Europe and Asia, nations registering big share gains included the United Arab Emirates, Poland and, above all, China. Of the 10 fastest-growing trade corridors, five have one terminus in China; only two have a terminus in the US.

Trump says tariffs will command respect, and help restore US power. But there's another risk worth considering. The new president's brand of populism vows to free the US from heavy government intervention through taxes and regulations, but tariffs are another form — and equally subject to the laws of unintended consequences.

To date, the “America first” tariff regime has done less to damage its prime target, China, than to compel US allies to look elsewhere for trade. So the risk of even broader tariffs may be less about triggering trade wars than undermining US relevance as a trading power, and eventually sapping its economic prowess.

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