

The Big Read Trump tariffs

How Trump has turned tariffs into diplomatic shakedowns



The US president is increasingly tying trade policy to geopolitics, using economic might to bend countries to his will

James Politi and Aime Williams in Washington

Published YESTERDAY

In the Oval Office on Wednesday afternoon, Donald Trump basked in the perceived success of his new era of higher tariffs on imports from much of the world.

“We really just started. This is just in its infancy,” the US president said of his radically protectionist trade policy. “We have a country that is going to be very rich.”

While Trump has been relishing the moment, early August has been a moment of trepidation for America’s largest trading partners and the global economy. Some, like the EU and Japan, won a partial reprieve after their negotiators reached late agreements with Washington to shrink the planned levies on most of their products.

But others, including Brazil, India and Switzerland, were left out in the cold to face higher tariffs that have left them irate and unsure how to react.

The uneven outcome of the latest round of trade talks has highlighted how the 79-year-old president is increasingly using tariffs not only to meet economic goals but also to advance geopolitical and diplomatic interests, in effect wielding the might of the US economy as a weapon against any country that declines to bend to his will.

“Trump is not fundamentally about policy,” says Robert Zoellick, a former US trade representative under George W Bush and former World Bank president. “He’s about dealmaking and transactionalism and he has recognised that the United States has tremendous economic power and that tariffs are leverage and a way of showing dominance.”

In Brazil’s case, Trump motivated his punitive levies of 50 per cent by citing judicial decisions in the country, including the prosecution of former president Jair Bolsonaro and the Supreme Court’s regulation of social media.

With India, Trump increased planned US tariffs from 25 per cent to 50 per cent in response to New Delhi's purchases of Russian oil, just as he is trying to broker a peace deal in the Ukraine war.

This week, Trump said Canada's move to recognise Palestinian statehood in the Middle East would make it "very hard" to resolve outstanding trade talks, as he has boosted tariffs on Canadian goods outside the USMCA regional trade pact to 35 per cent.

"We've settled at a point that's determined by raw transactionalism . . . with tariffs as the main cudgel," says Kimberly Clausing, an economist at UCLA and former Treasury official under Joe Biden.

Many trade experts and officials around the world say the explicit tying of economic policy to political outcomes will increase the uncertainty around Trump's trade policies, since he could raise or reduce US levies unpredictably depending on his objectives of the moment, whether or not an agreement has been sealed.

"This raises questions about all the 'deals' that have been reached," says Douglas Irwin, an economics professor at Dartmouth University. "OK, they'll hold for a few weeks. But can some new rationale pop up by which the Trump administration would justify higher tariffs against you or undoing the deal? You just don't know, right?"

Trump had shown an inclination to deploy tariffs as a diplomatic negotiating tool in the past.

During his first term, he threatened Mexico with high tariffs to force it to curtail migration flows, and early in his second, he vowed to place tariffs on Colombian imports unless it accepted US deportees.



Donald Trump's willingness to impose commercial punishment on countries for strictly non-economic reasons has

increased dramatically during the first six months of his second term © Shawn Thew/EPA/Shutterstock

But Trump's willingness to impose commercial punishment on countries for strictly non-economic reasons has increased dramatically during the first six months of his second term.

The additional levies on India and Brazil come on top of Trump's move to place extra tariffs on China, Canada and Mexico — America's top three trading partners — on the grounds that they each were not doing enough to curb the fentanyl trade. In late June, Trump railed against Spain for resisting higher defence spending, warning that they would have to "pay twice as much" on trade because of that stance.

And while post-second world war global trade rules have historically given countries latitude to impose trade restrictions based on national security considerations, trade experts fear that Trump's moves are especially brazen and could further break down the international trading system.

"The idea that Trump is judge and jury with respect to the sins being committed is highly provocative," says Marc Busch, a professor of international business diplomacy at Georgetown. "This might even be the more likely means by which we end up with retaliatory tariff strikes against the United States."

New Delhi and Brasília have reacted defiantly to being stuck with some of the highest US levies in the world. "India will never compromise on the wellbeing of its farmers, dairy [sector] and fishermen. And I know personally I will have to pay a heavy price for it," Narendra Modi, the Indian prime minister, told reporters on Thursday.

Lula Inácio da Silva, the Brazilian president, told Reuters he wouldn't hesitate to speak to Trump, "but today my intuition says he doesn't want to talk. And I won't humiliate myself."





Narendra Modi and Luiz Inácio Lula da Silva. India's prime minister said he will not bow to US tariffs and that 'I know personally I will have to pay a heavy price for it', while Brazil's president said he doesn't think Trump is interested in negotiating, 'and I won't humiliate myself' © Evaristo Sa/AFP/Getty Images

He added that a response should be co-ordinated with other Brics nations, referring to the group of large developing countries including Brazil and India, but none have suggested a new escalation against Washington.

For Trump administration officials, the economic motive for the tariffs — to reshape America's commercial relations with the world — still remains paramount.

In the little over six months since taking office, Trump has set US tariffs at their highest effective rate since the 1930s, sometimes tearing up existing free trade deals in the process. In early April he described it as America's "declaration of economic independence".

Scott Bessent, the US Treasury secretary, this week framed the tariff regime squarely in economic terms, as an attempt to "rebalance trade in America's favour".

Trump administration officials believe that tariffs imposed based on economic considerations are distinct from those made for political or diplomatic reasons, which may fluctuate more. "Tariffs are an economic tool that can serve multiple purposes in different contexts," a White House official said. "In the case of India and Brazil, they're also to effectuate various foreign policy ends and national security ends."

Trump officials have also been buoyed by the tepid market reaction to the tariffs unleashed by the president in the past few weeks.



A cargo ship sails past people on Copacabana beach. Trump motivated his punitive levies of 50 per cent on Brazil by citing judicial decisions in the country © Bruna Prado/AP

In April, Trump was forced by a global stock market rout and a sharp sell-off in US Treasuries to temporarily suspend the levies. But equity indices have since recovered, though the value of the US dollar compared to other currencies has dropped. Conversely, however, there are signs that Trump's tariffs are now starting to hit the economy more broadly, with job growth slowing sharply in the US.

“Over time, this will add costs, add price increases and slow productivity. And it will continue,” says Zoellick.

While the fresh reciprocal tariffs imposed this week are broadly lower than the aggressive duties set in early April, trade experts warn that the deals reached may well be fragile.

Trade agreements are normally legally enforceable documents, running into tens of pages, and often agreed by politicians in each of the countries party to the deal. But some of Trump's recent deals have been described with little more than a social media

post.

“None of this stuff is enforceable; there is no higher authority you can appeal to,” says Ted Murphy, a trade lawyer at US law firm Sidley Austin. “What happens when President Trump stops abiding by your trade deal?”

Some of the most sophisticated deals struck recently by Trump — including with the UK and Indonesia — have produced joint written texts. But even then, portions of the agreements remain unimplemented.

In the case of the US-UK deal, for example, the two sides agreed that the UK would be given a lower-tariff quota for its steel. Months after the deal was struck, however, no more details have emerged and the UK is still paying a 25 per cent tariff on its steel.



A worker takes dresses at a garment factory in Noida, India. Trump has increased planned US tariffs from 25 per cent to 50 per cent in response to New Delhi's purchases of Russian oil © Adnan Abidi/Reuters

Most of the deals have not produced a joint written text, sometimes leading to both sides having differing interpretations of what they agreed.

In the days after Trump's trade agreement with the EU, French diplomats insisted the US might spare wine and spirits from tariffs. US officials, however, were adamant that the US would apply tariffs to all European wines and spirits, including French

champagne and cognac.

Other countries have walked away from their trade deals with different accounts of the investment pledges and commitments made to the US.

Trump said that Japan had pledged \$550bn worth of investments to the US, and that 90 per cent of the profits from the projects would go to the US. Japanese officials, however, said the US would only accrue 90 per cent of the profits if it took on a proportional amount of the risk and financing.

The question is whether such disagreements will lead to further conflict down the road. The White House official says he would not expect Washington to “renege” or modify the deals just struck and only a major change in circumstances would lead to a reversal. “We like these deals, we think they’re great deals,” the official says.

But the lingering possibility of such a reversal will inject permanent uncertainty into the global trading system, says Murphy.

“If I were a US trading partner, my question would be: what is stopping President Trump from saying it’s not \$600bn, now it’s \$700bn, or \$800bn?” he says. “How do you stop the goalposts from moving?”

Additional reporting by Michael Pooler

[Copyright](#) The Financial Times Limited 2025. All rights reserved.

Follow the topics in this article

Trump tariffs

Global trade

Global Economy

US politics & policy

FT Edit