

Tariff Flip-Flop: A Symptom of Systemic Madness in US Politics

Donald Trump just broke a lot of China—but not the one he was actually targeting. The level of trust and good-will the US threw over board in the last week will hurt Washington for years to come, even if the political leadership should get back on track and try to be a more reliable partner again. If the goal of the Trump administration was ever to send a big middle finger to the entire world, then this did the trick, and the World has certainly seen it clearly. This begs the question, what's next? The sad answer: more uncertainty. Erratic foreign policy making is not anymore a "glitch" in the US system, it has become part and parcel of the system.

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So Donald Trump walked his tariffs back, telling everybody that, oh, he didn't mean it and that actually only 10% is going to apply, except for China, which he signaled he was very angry and mad about because apparently, by retaliating against the United States, China, in Donald Trump's mind, disrespected the United States. So, doing to the United States what the United States does to others is disrespecting the top dog. On the other hand, the turmoil in the markets was so large, and the blowback against Donald Trump from within his own circle of confidence, especially Elon Musk, was so strong that apparently he was now forced to take back a lot of his tariffs.

Now some people are wondering whether this was done intentionally or if this has been the point of his strategy all along, if this was just another time in which he starts shocking the world and his potential negotiation partners with a shake-up strategy, only to then take a lot of it back and actually have a completely different goal from what he originally intended. And let's remember here that Donald Trump has done this repeatedly over the last three months since he came back to office. He was talking about owning Gaza.

He was talking about expelling all the Palestinians in different wording. But this entire rhetoric that he had, he was giving Mr. Zelensky a huge dressing down. He's talking about the minerals deal with Gaza and Ukraine, although that one he still seems to be somehow serious about. But all of these approaches are, in one way or another, maximalist approaches—negotiation tactics, right? You come in, you break down the door, and you actually then serve the other one, or whoever you are imagining is the other one, a fantasy document, just an invoice. You know, you just write an invoice to somebody and tell them, this is my claim.

And when they say, like, I don't want to pay that, then you say, like, okay, let's start negotiating. And this seems to be the way that he did business in the real estate world, where apparently you start with a complete fantasy number and a fantasy claim. And then if the other one obviously

rejects that, you go down from there, but you stay within fantasy land, right? You just make it smaller and thereby force others to reason from within your framework. You are pushing your own framework on others. And it seems that Donald Trump has been trying to do that again with his entire tariff approach.

Now, a lot of people were wondering, is Donald Trump after this tariff issue because he wants to have protectionist policies in place in the United States? Protectionist policies would aim at preserving, preventing, or even building up strategic industrial sectors. On the other hand, this reciprocal tariff idea is a completely different thing. That one would have as its underlying logic the idea of hurting other countries' economies by imposing US tariffs, which are basically a weaker form of sanctions, but they are sanctions. And these two approaches—hurting other economies in order to make them feel the squeeze, or protecting your own industry—are two different things that you might want to achieve.

But if you combine those, then you are setting yourself up for quite a bit of failure because they are not complementary. If you do a Russia approach, you know, you put sanctions on a country, then the ultimate goal there is to achieve a change in policy in the other country, even though sanctions often miss that mark quite a bit. On the other hand, protectionist policies are not uncommon. I mean, a lot of states are doing it. Actually, even in the 70s, 80s, and 90s, the Asian tigers, the ones that managed to develop the most, like Taiwan, Singapore, and a little bit later Thailand, managed to build their economies to a large extent by ignoring some of the IMF, World Bank, United States, and so on, free trade discourse, and saying, like, no, no, no, we have certain industries that we want to protect.

Japan did so too, by the way. Japan still, to this day, has protectionist policies, especially when it comes to agricultural imports. Why? Because Japan wants to protect its own farming sector. And why do they want to do that, you might ask? Well, because farmers traditionally vote very strongly for the LDP, the party that has been in power for the longest time over here in Japan. It's an important electoral base for them. And hence, the LDP in power makes sure that especially rice farmers and vegetable farmers and so on are protected from foreign imports, especially rice farmers. Vegetables, not so much because they're quite perishable, but rice farming, right? And the rice price has always been a very pivotal price inside Japan. So the Japanese government protects this one as much as it can.

Although, as we see right now, this can also backfire, and then the price of rice goes up because the supply is too low. Other countries like Thailand would be happy to export to Japan, but once tariffs are in place, especially in a bureaucratic country like Japan, it's difficult to undo this overnight. Now, the United States at the moment doesn't seem to have any such strategy. The tariffs that were announced by Donald Trump last week on Liberty Day or Liberation Day are a coercive strategy to bring everybody else to the United States and make them beg not to use these tariffs, thereby extracting some form of probably monetary concessions, as an article posted on the White House homepage actually confirmed.

Donald Trump seems to seriously think that other countries are ripping the U.S. off. You know, the U.S. being the largest in nominal terms, the largest economy in the world in pure raw nominal GDP terms, that for some reason, being the provider of the reserve currency and, of course, the beneficiary of having a reserve currency and having all of these military bases all around the world, is some form of global good that the United States is providing to the rest of the world. The rest of the world should actually thank the United States and pay them for it. Now, the payment is what they wanted to extract, and apparently, the gratefulness is what they were testing, what Donald Trump was testing.

And this now seems to have backfired so hard because trillions of US dollars were wiped out in the stock market, which makes not only Donald Trump and some of his wealthy friends very angry, but it also raises the serious risk of a recession. Not so much from the stock market wipeout, but much more from the real-world impact that these tariffs would have had if they had come into effect the way they had been planned on these large scales. The fact that Donald Trump is now reducing these tariffs to 10%, except for China, tells us that he's still after punishing and decoupling from China through this tariff narrative. This is a rather large problem because the United States, for its internal market, still relies on Chinese imports quite a bit, and you can't just overnight change all of these supply chains.

So if this over 100%, around 140% tariff on China isn't lifted soon, there will be real-world inflation, not just based upon the fluctuations of the oil price or the thinking of the financial markets, but based upon the additional costs that producers and manufacturers in the U.S. face. These manufacturers produce lots of parts of their goods in China and then import them into the U.S. At some point, these additional costs will have to be passed on to the consumer, and that is going to make everything more expensive, from iPhones to cars and whatever else you can think of that is somehow integrated into a global, China-included supply chain. The ironic part of this is that the United States will bear the largest part of this cost because, for U.S.-produced goods that are sold outside of the U.S., this is going to be a different story.

The iPhones that Apple produces, a good part of which is assembled and produced in China and then imported into the U.S. to be sold in the U.S. markets, will go up significantly. Apple and many other companies, like Nike, when they produce their goods, don't bring them back to the U.S. to then sell them abroad. The goods they sell abroad on foreign markets are shipped directly from abroad. Apple ships all of its iPhones and MacBooks to Japan from China.

They don't pass through the United States. So the U.S. tariffs will not apply to these foreign-sold U.S. products, even if they are manufactured in China and other states. So now, basically, what we've got here is a situation in which these U.S. companies can still cooperate with China, can still afford a world market, produce in China and India and abroad. But for the U.S. market, this isn't going to

work anymore. And this must be a large, large headache for many of the big manufacturers. But what they will do, the most straightforward thing for them to do, is to actually focus on these separate streams.

Now you have one stream of sales for Germany, the world market. We have one stream of sales for the United States, and you might have different streams of manufacturing. So even by imposing 140% tariffs on China, you're not necessarily breaking all trade links with them. You're not necessarily breaking all links between U.S. manufacturers and China. What you're doing is forcing your own manufacturers to rethink their manufacturing and assembly strategy in order to be able to serve two streams. Even if the goal of all of this is to weaken China, the retaliatory idea of these tariffs is not going to go down very well.

And the other thing, by the way, that the United States achieved, even after imposing these tariffs, or even more so maybe, is that all trust in the United States as a predictable and trustworthy trading partner is now definitely gone. The ASEAN, the Association of Southeast Asian Nations, put out a statement recently saying that they do not appreciate these tariffs at all, but that they will not retaliate. ASEAN chose the most pragmatic way, basically admitting that the U.S. market is just too important and they will not retaliate, but they do really, really, really not appreciate any of what is going on. And as an entire trade bloc, they put out a statement. So not just Singapore or Vietnam or Indonesia and Malaysia, but as an entire bloc.

And you can see how this tariff issue is bubbling up, of course, to the highest levels. This is another one of those international, global moments when the entire world is actually perceiving something, right? It is difficult to have different countries and different populations all at the same time taking note of the same fact. But right now, over the last 10 days, the last week, everybody took note that the United States is behaving like an erratic little kid and that you don't know where the U.S. is going to go. All of the agreements that you make with the United States, including, of course, the most important ones, treaties, can be worth nothing tomorrow because the United States has now made it clear, its executive branch has made it clear, that it doesn't only disregard them, it just takes the right to outright ignore them.

This is even different than just exiting an agreement, right? The way that the first Trump administration exited the agreement with Iran, the JCPOA agreement—the agreement, the treaty that was actually working on making sure that Iran keeps its nuclear fissile material below a certain threshold and would let in international observers to control and check the nuclear program and make sure that Iran wouldn't have the ability or the capacity to produce nuclear weapons. Donald Trump exited that agreement during his first term, but he did so by just using its exit clause and saying, like, we regard this, we are now officially leaving.

And that was bad enough, especially because later on, the United States, the same administration, still demanded that Iran behave, that Iran actually keep its promises under the JCPOA. Mike Pompeo did that, saying, like, okay, we exited, but since this multilateral agreement is still valid with

European states and others, you are still bound by it. And if you don't behave according to it, then we will put additional sanctions on you. You know, this kind of bullying behavior was already there before, but the bullying behavior is now getting much worse, also in the way that you cannot trust that anything coming from Washington anymore will have any kind of long-term value. The shelf life of Washington pronouncements is now very short.

So, in a sense, the United States did manage here to smash quite a lot of china, but the proverbial one, not the actual country. The country that actually put its foot down and said, "No, I mean, if you put tariffs on us, we're going to put tariffs on you. It takes two to tango, and we can both play this game. Yes, it will hurt us, but we can survive. We have a 1.4 billion people market, three times the size of the United States." So, you know, if this is a game of chicken, it's not a very intelligent one. It's not one where the United States starts with a strong hand. It's one where it at best has a marginal chance of success.

But this entire spiel is, of course, highly dangerous because it just shows again that it's almost impossible to see who really makes decisions in the US, who comes up with these plans. I mean, who came up with this plan? And it's obvious now that this is a relatively small group of people that come up with all kinds of ideas and float all kinds of ideas, and the president then picks and chooses what he wants and does something that the US Constitution tried to prevent. It tried to prevent a strongman leader from just taking erratic decisions, which is why most policy decisions are actually up to Congress. Donald Trump here, again, installed a very, very dangerous precedent.

Actually, the precedent was not set by him. Previous administrations did that, but he's expanding it, which is declaring an emergency and then using emergency powers to override Congress or to just assume, to usurp the powers of Congress, because the power to levy tariffs is actually vested in Congress. It's not the president. The president only claims that he has these rights because currently there's a so-called economic emergency. Now, with this trick, the US president can, of course, basically take any kind of lawmaking rights into his hands and then decide at will. So this is just as much an internal US crisis as it is a foreign and trading crisis.

And the reaction of the markets, although not so much concerned with the legal aspects of this, is now a reflection of the insecurity. Because after the markets also bounced back yesterday, quite a bit after Donald Trump announced that the tariffs are off again, or largely off again, the markets then fell again. Right now, it's very, very hard for anyone to make any kind of sensible predictions. Volatility is something that is definitely good for some speculators, the ones that bet correctly, but it is very bad for long-term investors, especially for pension funds, any kind of serious fund managers, and so on, who have to try to invest the capital of their trustees over the medium-term horizon.

So all that this does is create more turmoil in a world that is already in quite a bit of turmoil, because let's not forget the Ukraine war is also still ongoing, so Donald Trump has not achieved his promise of getting to peace there. I must say, and I said so before, the fact that the Trump administration is willing to talk to Russia and actually have high-level talks and work on a peace process is a very,

very good thing. It's a very promising thing, but it is one that is not completed. Mr. Trump and Mr. Netanyahu were again talking about Iran.

They were talking about the Middle East, West Asia, and the warfare there. And there is now the threat, Trump's threat, that Iran has 60 days, and those 60 days, I guess, almost half of them have now passed already, in order to give up all of its nuclear weapons and missile programs and so on. I mean, a real catalog of demands, of which even if Iran said, fine, we're not going to create a nuclear bomb, but we're going to give you all of our fissile material, the United States would say, oh, but your missile program too must be dismantled.

And that is obviously something that Iran cannot and will never do, because the next demands from the United States and so on are going to be to completely demilitarize. I mean, you can see right now how the U.S. is taking one maximum-demand approach after another. And so far, what we understand from the U.S. is that while it says it doesn't take no as an answer, it very much walks away from a lot of them later on. And this is inherently dangerous. I mean, the way to deal with such an erratic situation back and forth, not just of Donald Trump, but of this entire team and the way that the United States as a country at the moment is behaving, is going to create really, really strong incentives for the rest of the world to actually get together and try to figure out alternative routes, alternative ways of dealing with each other even faster than they already did.

And let me just show you, to finish this little talk, an article that came out just the other day in Foreign Affairs. Most of you know that I really don't like Foreign Affairs because it is one of the neocons' most prestigious outlets. Foreign Affairs used to be good. They used to have important articles by important observers, and they used to carry, you know, very, very important articles like those by George Kennan and so on. They used to be good. And by now, they are just the, you know, high-power neocon mouth—not a mouthpiece, because Foreign Affairs doesn't publish itself, right?

They don't have journalists themselves. They publish what academics like me and others are writing. And here in this case, you know, they have another, this is another neocon publication. It's an article, but it's a noteworthy article by one of the chief neocons, Kurt M. Campbell. That guy here used to be the United States Deputy Secretary of State last year, actually, until Donald Trump came in and brought his entire crew with him. He was serving under Biden, I mean, under Secretary Blinken, right? As running part of the State Department. So he's that kind of neocon crowd, the Blinken type of neocon crowd.

And then the other guy who wrote this, Rush Doshi, is somebody I've never heard of before, but he's apparently a much younger empty suit working for the Council on Foreign Relations, also one of the chief neocon think tanks, actually, and working as an assistant professor in the Security Studies Program at Georgetown's Walsh School. And, you know, the fact that you have such a junior neocon

/academic then writing together with such a top dog in the hierarchy means that this article was largely penned by this guy, 80, 85%, or 90%. And then this dude basically also put his name there and added two or three sentences or framings.

And then it was published in this piece here. I mention this because, while the whole craziness of the Trump approach toward breaking down all the China in the world, not just the one, but all of it, is going on, you have the other side, the neocon faction, that is now lying in wait, just licking its wounds from the last election and preparing all of the scheming of what should be done strategically, right? Because these people will, of course, attack the Trump administration for not having a plan and for being, as I said, erratic and so on. They would love to implement something much more structured, but their structures are also looking toward domination of everybody else and not toward some form of sensible global politics and global balance in which everybody can thrive.

It won't surprise you that one thing will surprise you, which is that this article actually is quite realistic in terms of its analysis of the capabilities of China. This article argues not to underestimate China, right? China has a lot of economic, military, population, and knowledge advantages, even over the United States. In order to approach this iceberg, this huge elephant in the room, what the US needs to do is change its strategy with its allies. These people here are arguing that the United States needs to achieve closer alliance integration.

Washington must transform its alliance architecture from a collection of managed relationships to a platform for integrated and pooled capacity building across the military, economic, and technological domains. I'm not going to go through the whole article. I just want to show it to you. It's currently not paywalled for some reason, so you can even read the whole thing if you want. But the basic argument is that the United States needs to integrate its allies more closely, especially in the economic realm, and basically create a big bloc. So these people want to go back straight to the Cold War and have, you know, not just U.S. trade restrictions on China or trade restrictions like tariffs.

They want collective West tariffs on China. And from Japan, South Korea, over Taiwan, the Philippines, and, you know, probably these people are looking at all of Asia, Southeast Asia actually, as these kinds of implementation partners. And Europe, you know, everybody should just trade within the same bloc. It's literally the idea, you know, just trading within the same bloc because if you combine all of the US allies or the countries that they count as allies here, if you combine all of them, then you're bigger than China. You have more than 1.4 billion, right? If you integrate all of ASEAN and Japan and Australia and the US and Europe, then you land somewhere around the 2 billion mark or so of people, roughly, right?

But it's bigger than China. Oh, India. India, of course. They're thinking of India as well to implement all of this. And then you're quite a bit bigger than China. And together you can, like, you know, you can... they actually don't say what they want to do to China. They're just making it clear they want

to dominate. They want to dominate China, and they want to be bigger. It's really, you know, the tone that these people use is quite fascinating. And you can see how this faction of the United States is thinking mostly of how to now use coercive means in order to make the U.S. allies work with it. Let me see if I can find the passage that fascinates me quite a bit.

Here it is, like the global strategy of the US should be... something, you know, you need to have a decentralized central system in a way, right, where the US is the top dog, but the top dog has its minor little dogs that then all do policing. And the article literally talks about a strategy that would empower regional states, what former Australian Prime Minister John Howard called deputy sheriffs. The US is going to nominate deputy sheriffs: Australia and the Pacific Islands, India in South Asia, Vietnam in continental Southeast Asia, Nigeria in Africa. Those are going to be the United States' deputy sheriffs that are going to make sure that their region behaves according to the plan from Washington and that everybody is on course in order for US domination.

And then, yeah, you create a common market with all of them, and thereby you basically checkmate China, right? And even if China works with Russia and so on, they're still checkmated because you're bigger. This is incredibly dumb. Of course, this is dumb. But this is the level of scheming that the people who oppose Trump's current approach are thinking about in the back chambers of the military-industrial-think-tank-media-academia complex and so on. These people are now, of course, angry that Donald Trump is basically making the U.S. allies angry by putting sanctions on the allies and threatening them and so on. And you can see by now that the U.S. is not under central control, and it is zigzagging quite fantastically. But these kinds of people here can come back into power.

I mean, on top of the fact that the Trump administration itself is quite erratic, in four years, we might have this bunch of loons back in the White House. And I think by now it must be clear, and I hope it is clear to more and more people around the globe, and especially decision-makers, that this type of erratic United States is something that is here to stay for a long time. I mean, it has been already here for the last eight years at least. Ever since... I mean, you can argue that whatever you think about the Obama administration and its foreign policy, the succession and the foreign policy approach was more or less on course. But ever since Trump won and then again Biden, and now again Trump too, it has become almost impossible to predict anything that the United States will do in the short or medium term. And it has to do with the political system of that country.

Not just with the leader, but by the way the political system works. And this will continue. So, in my view, the most logical thing to do, especially for countries like Japan, is not to follow the advice of these neocon outlets, but to actually start diversifying. I mean, work more closely with the Europeans, work more closely with the Koreans, work more closely with China, because one thing that the United States constantly misunderstands is that Japan has no interest and no appetite for any kind of escalation with China. Japan, at best, is afraid of China, but they are trying to manage that relationship and also manage a relationship with South Korea, with whom they have a much worse relationship than it could be, but for different historical reasons, they have a bad relationship.

So the way that now one camp, the Trump camp, seems to think of everything as part of a grand negotiation and a grand scheme to make more money, the other part of the spectrum still thinks of US foreign policy as geared toward domination. Because believe me, this article in Foreign Affairs doesn't ask once the question of why the allies should do that or if this is beneficial to the allies. It takes it as granted that US foreign policy strategy towards China is automatically beneficial to everybody else, and everybody else will understand that. Therefore, everybody else will cooperate if just the United States tells them what to do and tells them so clearly. It's a lunatic moment, you know, and reading such articles in respectable journals, previously respectable journals, or watching the US president announcing new tariff policies on the lawn of the White House gives the impression that some people are under control, you know, and everything is, you know, this is just normal, a normal part of how international relations work.

But no, this is definitely not a normal way of how global diplomacy used to work. I wonder how long this is still going to go on. My feeling is that it's going to take quite a while until things get calmer again, maybe with some learning experience from the side of Donald Trump that he needs to take more time to implement, to run after some strategies. But even then, in three and a half years, everything might be different again. This is just the nature of how the US system works. And this is the insecurity that we are working with now in a multipolar world. It kind of also makes sense, right? In a unipolar world, it's easier for different politicians from different parties and different trajectories to actually come to the same conclusion of what needs to be done because the course ahead is just more clear.

And now, as the course for the United States, the way forward gets very murky, and the disagreements about what is best for the United States and what is best also for the constituents, especially the rich, large bourgeoisie class in the United States, start to diverge, you're going to have more zigzagging of their foreign policy approach. The world needs to just accept that as a new fact of how this early beginning of the multipolar era is working and deal with it. To me, the biggest question is how will other states, state groups, and trade blocs approach this loose cannon—a loose cannon on a ship that might turn and take down the ship? We wouldn't want that; we would want to make sure that this cannon, at some point, is secured again, right? So the question is how to secure the United States in order for the world to survive. And with these words, thank you very much and have a good weekend ahead.