

## Global Macro Report, 3<sup>rd</sup> April 2025: **Trump's Tariffs –> Back to the 1800s!** a.k.a. A Few Quick Thoughts (& Charts)

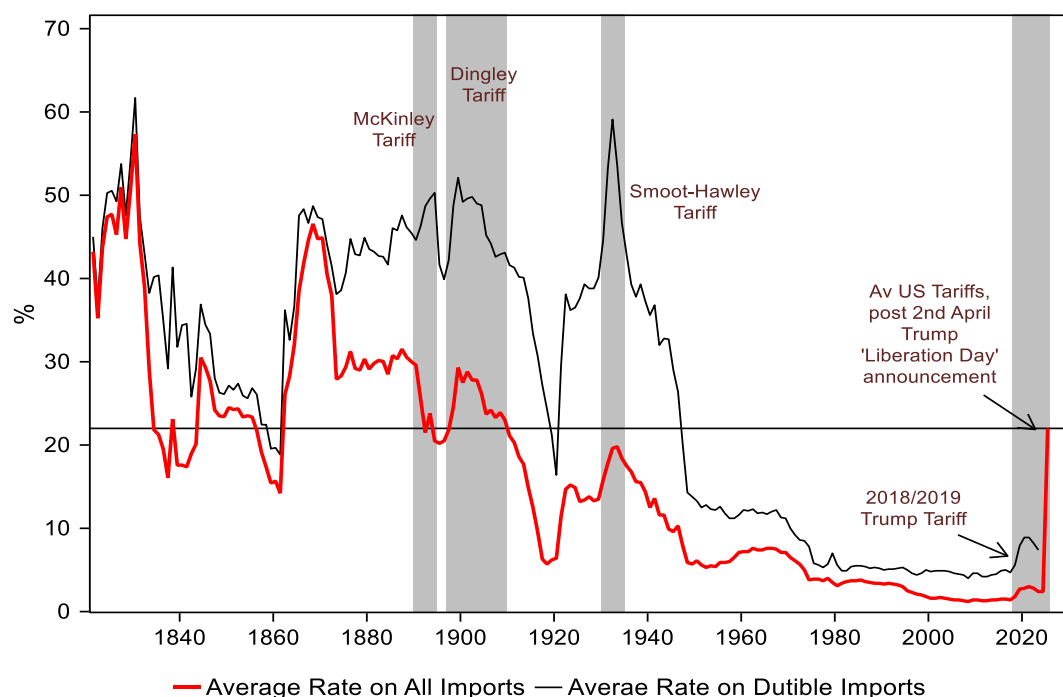
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### Summary & Conclusion

“Foreign countries have looted, pillaged, and raped” America by imposing unfair trade practices, Trump said. “This is one of the most important days in American history. It is the declaration of American independence,” Trump added. “Jobs and factories will come roaring back, and America will be wealthy again.”

**Source:** President Trump, 2<sup>nd</sup> April 2025, Liberation Day speech as quoted in Foreign Policy, <https://foreignpolicy.com/2025/04/02/trump-tariffs-liberation-day-reprisals-expected-china-vietnam-europe/>

**Fig 1: US Average Tariffs rates (1830 to present, including yesterday's update)**



Source: Longview Economics, Macrobond

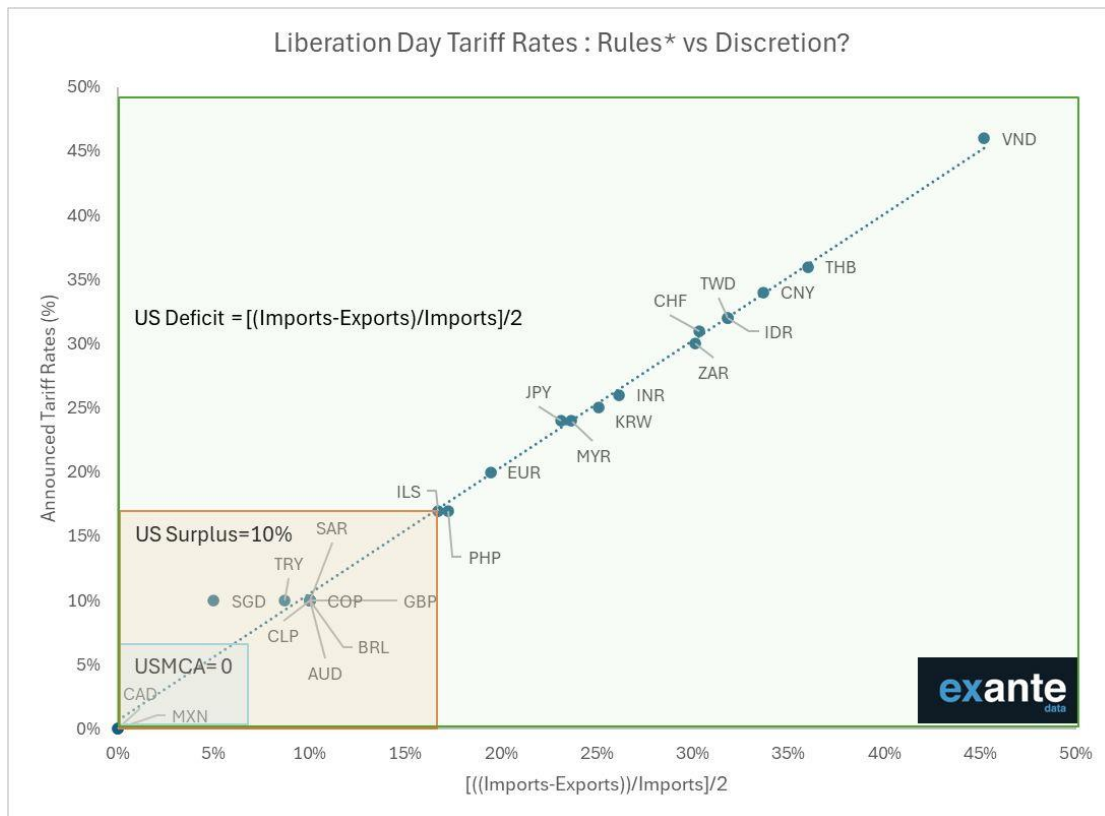
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- Yesterday, Trump announced across the board tariffs for America's trading partners.
- As fig 2 shows (source: Exante) the tariff level is designed to reflect the size of the trade deficit each country has with the US. Those countries without deficits (like Australia/UK) got hit with only a 10% tariff. The UK also hopes to strike a trade deal (which is in negotiation) and therefore reduce that 10% rate.
- Retaliatory measures are expected to be announced (at least) by the EU and China, potentially others.

**Fig 2:** Announced tariff rates vs. countries' deficit with the US



Source: Exante

- The historical context of Trump's action is evident from FIG 1. The chart shows average US tariff rates back to the 1830s. Trump's announcement yesterday takes average US tariff rates back to levels that were last seen around 100 or so years ago.
- Part of the Administration's 'rationale' is: i) to level the global playing field for trade; & ii) to raise taxes to 'fund the government/fund Trump's planned tax cuts (expected to be agreed by year end)'.

- In the 1800s, though, when tariffs were the key form of taxation, US government spending was a small share of the economy (i.e. sub 5% of GDP, see FIG 3). At the time, tariffs were the largest tax raised (NB there wasn't a US income tax until 1913). In contrast, at the end of last year, the US government was a large share of the US economy (36% - FIG 3), and "Individual Income Taxes were 49.3% of total government revenue (according to IRS data)".

### Key Consequence of Tariffs

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- The heavy tariffs regime is likely to reinforce the recent drive in China and the EU to generate more domestic growth (& reduce dependence on foreign trade). Both economic regions have high household savings ratios. Both have the potential to generate strong trends in domestic consumption growth (at least from a cyclical perspective). Policy has begun to move in that direction (e.g. China's renewed focus on domestic consumption, while the EU is also trying to unlock domestic growth drivers, e.g. in Germany/EU wide defence spending plans etc. – see latest Quarterly macro assessments for China and Eurozone for detail).
- Critically, yesterday's announcement reinforces the drive for deglobalisation. It's a dramatic change in the global trading system and a marked move away from global free trade. Comparative advantage and gains from trade are one of the few policies that almost all economists agree upon. Protectionist policies drive inefficiencies in supply chains, higher prices and less real growth (lower productivity growth).
- We continue, though, to expect a US mid-cycle slowdown and not a recession (as outlined [HERE](#) – see our latest US Quarterly publication).
- The key question now is whether this is the **start of a negotiating move** by Trump and his team. That is, is this the '**Mar A Lago**' **playbook** (see Longview on Friday 21<sup>st</sup> March 2025 for analysis); Or will these levels be the final (or close to) the final levels of tariffs.
- There is strong evidence that the US dollar has entered into a cyclical (if not secular) bear market.
- Our latest tactical views on equity markets were updated yesterday (see [HERE](#)).
- White House press release available [HERE](#)

**Fig 3: US government spending: 1800 to 2023 (as a % of GDP, IMF data)**



Source: IMF data, <https://www.imf.org/external/datamapper/exp@FPP/USA>

### Key Reciprocal tariff rates

Reciprocal Tariffs		
Country	Tariffs Charged to the U.S.A. <small>(Including Currency Manipulation and Trade Barriers)</small>	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

**Among the highest tariff rates announced were included:**

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Cambodia: 49%  
Vietnam: 46%  
Sri Lanka: 44%  
Bangladesh: 37%  
Thailand: 36%  
China: 34% (in addition to existing 20% levies)  
Taiwan: 32%  
Indonesia: 32%  
Switzerland: 31%  
South Africa: 30%  
Pakistan: 29%  
India: 26%  
South Korea: 25%  
Japan: 24%  
European Union: 20%

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