Part 1

Trump’s tariff and trade war has massively turbocharged the rise of protectionism and state intervention to further national economic interests, which had gone hand in hand with the end of neoliberal globalization. The overall US tariff rate is already above 18%, the highest since the 1930s and around six times higher than in January, and could still increase

A distinct feature is the US administration’s use of economic and military might to coerce countries into trade deals more favorable to the US, to rebalance trade relationships and reshore manufacturing as well as to further their ideological and geopolitical goals.

Although Trump claims and boasts about initial successes—income from tariffs, investments in and deals favorably to the US—likely negative economic consequences domestically as well as the reshaping of supply chains and possible formations of new alliances without the US can bring sharp changes. Thomas Piketty sees the root of the Trump administration’s aggression to extract wealth in “the US's unprecedented financial fragility” (huge levels of external debt as US’s overseas assets don’t generate sufficient income to offset the trade imbalances); one element next to capitalism becoming increasingly a zero-sum game (increasingly weaker growth and shorter growth cycles).

Following the 1 August deadline, countries that have a trade deficit vis à vis the US pay now a “universal” tariff of 10% (unchanged from April 2), for around 40 countries with a trade surplus the new baseline is 15% and around 12 countries face higher tariffs. Deals have been reached with the EU, UK, Japan, South Korea, Philippines, Indonesia, Vietnam, Cambodia, Pakistan and Thailand. The deadline for negotiations with China has been extended to 12 August and Mexico received a 90-day extension. Sectoral tariffs of 25% apply for cars and car parts and 50% for steel, aluminum and copper wires and pipes. On chips and semiconductors Trump announced a 100% tariff and pharmaceuticals could face up to 250%. Companies that have pledged investments in the US receive exemptions.

However, despite those decisions, uncertainty and the risk of sudden “surprises” at the will of horror game show master Trump remain significant. Contrary to the other sides’ understanding, Trump claims the investment commitments from Japan, South Korea and the EU are “gifts”, threatening retaliatory tariffs if investments don’t materialize. Switzerland got hit with 39% out of the blue and India now faces 50% tariffs for buying Russian oil (China not yet). In addition, sectoral tariffs for critical minerals, and commercial aircraft and engines are still looming.

The immense uncertainty has compounded the negative consequences, especially for Global South countries. Lesotho faces devastating mass layoffs in the textile industry—triggered by the threat of a 50% tariff (now down to 15%, which is still crippling)—that come on top of extremely high youth unemployment of 48%. Women are hit hardest. They make up around 82% of the workforce in the sector that relies on low wages and foreign investments and accounts for roughly 90% of manufacturing exports. Related sectors such as transportation, catering, and housing also suffered greatly from the slump.

South Africa faces, together with Libya and Algeria, Africa's highest tariff rate of 30%. 100,000 jobs are expected to be lost with the agriculture and automotive industries hit hardest, which will exacerbate high unemployment, slow growth, and persistent inequality. This contains a punishment element for South Africa's foreign policy (closeness to Russia and Iran, ICJ case) and its Black Economic Empowerment Framework. Ideological and geopolitical reasons are also central to punishment tariffs against Canada, India and Brazil and a Thailand-Cambodia ceasefire was put as a condition for trade deals.

The mad king's new tariff regime may spur new alliances and trade deals excluding the U.S. and will shift exports to new markets. Contrary to the Trump administration's intention, China could benefit from both dynamics.

For example, bullying India to more clearly align itself with US imperialism and open its market for US products has not only backfired so far, it is also reflective of an approach that tries to cover up the crisis of US capitalism with ever more aggression, while revealing its impotence to stop the Ukraine war.

The ongoing chaos and uncertainty "is causing a delay on investments and could have an impact on global growth and global demand" according to Maersk CEO Vincent Clerck. Bloomberg expects a $2 trillion hit to world GDP by the end of 2027 relative to the pre-trade war path.

Another consequence is a fundamental transformation of global supply chains with massive shifts and increased diversification, which in turn will cause further impacts. Southeast Asian countries face large uncertainty in that regard, as a 40% tariff on transshipments undermines the 'China Plus One' manufacturing model, and China threatens countermeasures in case trade deals with the US go against its interests. Moreover, we can expect increased monopolization trends as small and medium enterprises will often not have the capital to diversify their supply chains or to absorb higher tariffs.

In the realm of consciousness, the tariff war has led to rallying around the flag effects where heads of government have pushed back (Canada, Australia, Mexico, Brazil) and general nationalism could grow.

Imperialist tensions: US-China geopolitical rivalry

In July 2025, Trump reinstated the reciprocal tariff program with a 50% tax on most Brazilian exports — the highest for any country — saying it would end only if Brazil's Supreme Court dropped investigations into Jair Bolsonaro and his allies over the 2023 coup attempt. This economic blackmail targeted Brazil's judiciary, the main focus of far-right attacks, but instead deepened divisions inside the right and left Bolsonaro more isolated. Trump also seeks to push Brazil closer to the United States, since it maintains strong trade and diplomatic ties with China, especially through BRICS.

A central goal of the US is to harm China: Trump has demanded that countries reduce trade with China and block key exports; South Korea's lower tariffs depend on supporting action against Chinese shipbuilding, and BRICS members face extra tariffs. With stronger trade and energy cooperation, new currency systems, and efforts to build alternatives to SWIFT, BRICS (Brazil, Russia, India, China, South Africa, and more recently, Egypt, Ethiopia, Indonesia, Iran, and the United Arab Emirates) increasingly threatens U.S.-controlled global institutions. However, while many in the Global South see BRICS as an alternative to Western power, it also reproduces capitalist and imperialist dynamics, with China exploiting resources for its own bourgeoisie and worsening conditions for workers everywhere, including in China. The U.S. response has been tariffs and sanctions to slow this shift.

Mexico and Canada have also been hit. Goods that don't meet U.S. standards under the US-Mexico-Canada Agreement now face tariffs of up to 35%. In July, Trump declared the United States "doesn't need Latin America," confirming a foreign policy based on threats and pressure. This isn't just about economics – they aim to block countries in the region from building independent policies or partnerships with China and groups like BRICS.

This strategy goes beyond trade. On July 4, Trump signed into law the so-called "One Big Beautiful Bill Act" (OBBBA), which cuts food, health, and tax support for immigrant families, while sending $45 billion to expand immigration detention through 2029. The law removes basic rights from millions of migrants and quadruples the U.S. detention budget, adding more cruelty to a system already marked by abuse and neglect. At the same time, the United States pressured Panama to leave China's Belt and Road Initiative, after saying in his inaugural speech that "Above all, China is operating the Panama Canal. And we didn't give it to China. We gave it to Panama, and we're taking it back," and instead accept being used as a holding zone for deported migrants. What is called border control is, in practice, a regional plan to impose dominance through force and displacement.

Economy of genocide

From the Democratic Republic of Congo (DRC) to Gaza, capitalist economies are more and more openly showing their true nature as machines of war, extraction, and extermination.

In the DRC, a humanitarian disaster is unfolding with little international attention. More than 7,000 people have been killed in recent months, and 7 million displaced. Armed groups, particularly M23, have taken control of key mining areas and are sending more than 120 tonnes of coltan each month into Rwanda. These minerals (coltan, cobalt, lithium) are essential for the global tech and weapons industries. The DRC is estimated to hold $24 trillion in untapped mineral wealth, yet it remains one of the most violently exploited places in the world. While China dominates many mining operations and the United States pushes infrastructure projects like the Lobito Corridor (a railway project connecting Angola, the DRC, and Zambia), the region has become a battlefield, not just of armies, but of minerals, contracts, and corporate competition.

In June 2025, Rwanda and the DRC signed a peace agreement mediated by the United States and Qatar, during a meeting at the U.S. State Department. But the deal has had no real impact on the ground: violence continues, and armed groups remain active. Far from acting out of concern for peace, the United States — alongside other European imperialist powers, it has long supported Rwanda as part of a strategy that forces the region's people to "pay" for interventions meant to end violence those same powers have helped sustain. Trump made this explicit during the signing, boasting: "We're getting, for the United States, a lot of the mineral rights from the Congo as part of it. They're so honoured to be here. They never thought they'd be coming." Rwanda also became the third African country, after South Sudan and Eswatini, to agree to accept non-citizen deportees from the U.S.

In Gaza, a long-standing occupation has turned into a full-scale war economy as presented by Francesca Albanesa in her report to the UN. Gaza's economy has been almost completely destroyed: 80% of its factories are gone, farmland is unusable, and fishing and trade have been shut down. Over 1.9 million people have been forced to flee their homes, many of them, more than once.

This destruction is built on coordination between the Israeli state and capitalists. Arms manufacturers like Lockheed Martin, Elbit Systems, and Israel Aerospace Industries have expanded their production and profits. Elbit, for example, embedded its staff inside the Ministry of Defense and received Israel's top military award in 2024. Tech companies like Microsoft, Amazon, and Google have also played a central role, providing cloud and AI services through deals like Project Nimbus, worth $1.2 billion and paid mostly by Israel's defense budget. These tools are used for surveillance, targeting, and running the occupation itself.

Far from being isolated, these companies are part of a growing cycle of profit built on permanent war. Israeli arms exports grew by 24% in 2024. Drones and urban combat tech are now sold worldwide as "battle-tested." Investments in military-tech startups are up, and major investment funds in Europe and the United States hold shares in the companies supplying the war as part of the general militarization and turn to "warfare not welfare". Logistics firms profit from the blockade, and new business models have emerged around destruction and control.

Part 3

The world economy is being undermined by Trump's tariff policies and the reversal of the most important elements supporting US growth (government stimulus of consumption, deficit spending of 6 to 7% partially on industrial policy, migration of poor workers and their families lifting economic growth, but often at the cost of severe exploitation). At the same time the eurozone is experiencing stagnation. Its growth prospects are being hit by Trump's tariffs of 15% - more than 10% higher than before the tariff hike.

The German chancellor Merz declared that the EU trade agreement with the US would cause "considerable damage" in Germany, the eurozone's most important economy.

China is mired in a deflationary spiral of lower prices, as businesses hold back on investment due to overcapacity and lower profits. Parts of the Chinese working class are experiencing cuts in wages and a fall in living standards, while the youth faces record unemployment rates. These are the signs of a depressionary phase now also threatening Chinese state capitalism.

From coffee planters in Brazil to the garment industry in Bangladesh or Cambodia, to workers in the car industry in South Korea, Japan, Germany, or the US itself: jobs and wages will be in danger from this new and deeper phase of world capitalist crisis.

All the contradictions of decades of crisis prone capitalist development have prepared the current volatile situation. In the US the weakening of the economy – only 5 years after the previous recession - led to a shocking revision of job creation for May and June: from around 140.000 newly created jobs each month to small gains of 19.000 and 14.000 respectively. The estimate for July is +73.000, but it's not excluded that the final figures will show a loss of jobs. If Trump doesn't mask them, as he immediately moved to fire the head of the Bureau of Labor Statistics after the publication of the recent revisions.

Trump is also putting pressure on Powell of the Fed to cut interest rates and stimulate the credit system. But low and middle income families have already reached the limits of their spending - revolting against slower, but still intolerable price rises after the pandemic shock.

The effect of higher tariffs in the US was delayed for months due to companies filling up their inventories and the delay of the tariff hikes. Most of the burden of the tariffs is not borne by exporters, but by American importers. Now that higher tariffs have become policy, this will be felt by the consumer too, as many companies have made clear. While inflation has come down, there can be a temporary rise again leading to a form of stagflation. Economic slowdown and a possible recession could create downward counterpressures of a kind that could make a deflationary dynamic eventually dominant though.

“Discretionary spending” on tourism and travel is down compared with a year ago. Existing home sales are down and the housing market is going into a crisis. Small businesses in the US are being hit by higher interest rates and a part of them by higher tariffs, while they already have lower profit margins and are more in debt than bigger companies. A new crisis could hit the zombie companies hard: about 40% of the Russell 2000 index for smaller companies is unprofitable.

The S&P 500 in the US, representing big multinationals, regained its peak after the initial tariff shock in April. Driven by retail investors – among them also a younger layer – “buying the dip”. The broader participation in US society in the stock market casino, Bitcoin and other digital currencies,... represents an element of looking for individual solutions, instead of relying on the struggle of the working class and youth. The likelihood of a serious stock market correction – if a US recession would be on the agenda during the second half of 2025 – could have a big negative wealth effect and would further drag down consumption.

The Magnificent 7 of tech giants are – for most of them – still riding a wave of high profits, expectations about AI,... But the other 493 companies on the S&P 500 were expected to see profits contract by 0,1% during the 2nd quarter. Stock market euphoria, as many analysts of capital have noted, is in extreme bubble territory.

In Europe, Germany has thrown the debt limit of the government overboard for spending on the military and infrastructure. But the Merz government is still preparing big cuts in social welfare. The military Keynesianism of the German ruling class – stoking up militarism among the population – is projected to lead to 1% of growth yearly from 2026 until 2029, according to the government itself. This after several years of negative growth. It’s not excluded that there will be an effect on growth and job creation for a period. But the slowdown and maybe a new crisis in the US and China could cut across this government stimulus and lead to a deeper crisis.

The European Central Bank predicts meagre growth of 0,9% for the eurozone in 2025. Germany expects zero growth this year, in the UK a contraction of the economy and job losses have already developed. The right-wing French government proposes to cut 2 national holidays as part of an austerity package, which excludes defence spending. A UBS strategist stated that "a tariff factor" would undermine profits in the eurozone for the next 6 months. Spain is an exception partially with regard to policy and growth - based on government stimulus and migration - but under crisis prone capitalism such exceptions are brief and temporary.

The Chinese state capitalist system made several attempts at stimulus in the recent period, but didn't succeed in overcoming deflation. The official growth figures should be taken with more than a grain of salt. Exports to the US slumped by 34% in May and industrial profits by 9,1%. The property and housing sector are still experiencing the effects of a slump. 42% of big US companies in China stated that they were hit by overcapacity in a survey. Overcapacity is pushing down prices and affecting profit margins.

The crisis in China will be reinforced by the enormous demographic crisis, with births in 2024 dropping to halve the level of 2017. Due to the privatization of the economy raising a family has become very expensive - an indictment of Chinese capitalist development.

Governments at national and local level are trying to stimulate production of "new quality productive forces". This leads to desperate competition for exports - to more diversified export markets - by private companies producing EV's, batteries, solar panels, AI, robots,... The "old" economy is much bigger than the "new economy" though. An academic from Stanford summed it up: "About 50% of China's economy is dysfunctional, and about 5% is going remarkably well." This 5% depends on the rest of the world not experiencing slowdown and deeper capitalist crisis - an unlikely perspective.