Trump lays out blueprint for global economic war

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While he did not announce immediate tariff increases on his first day in office, US President Donald Trump issued a sweeping executive order setting out an agenda for a full-scale economic war against the rest of the world, "friend" and foe alike.

The order, under the title America First Trade Policy, is aimed at trying to overcome some of the problems with tariffs, so far as boosting the economic position of the US is concerned.

Despite Trump's repeated "snake oil salesman" claims that tariffs are an impost on foreign companies and bring billions of dollars into the US, and may even be a mechanism for paying off government debt, the reality is that they are paid for by American companies importing goods and ultimately by consumers in the form of higher prices for those goods if the tariff hike is passed on.

The only impact on the foreign company is that its market position in the US is worsened if the tariff is passed on. The Customs and Border Protection authority does not receive a single dollar from a foreign entity.

Recognising this to be case, the executive order announced the establishment of a new agency called the External Revenue Service (ERS). It is being tasked with investigating "the feasibility of establishing and to recommend the best method for designing, building and implementing" the ERS to "collect tariffs, duties and other foreign trade-related revenues."

Speaking to reporters after his inauguration, Trump indicated the new measures could be directed against the entire world, saying he "may" impose a universal tariff on all imports because "essentially all countries take advantage of the US." But the key issue, necessitating the establishment of a new agency, is how to make foreign corporations pay, rather than US firms.

As he stated in his inaugural speech, instead of taxing "our citizens … we will tax and tariff foreign countries to enrich our citizens. … It will be massive amounts of money pouring into our Treasury coming from foreign sources."

The America First trade declaration contained a raft of measures which, if implemented, threaten to completely upend what remains of previous trade regulations, already disrupted by the previous Trump measures and those implemented by Biden, involving restrictions on the export of advanced computer chips from the US.

The first item in the order was to launch an investigation by the Treasury, the Commerce Department and the US Trade Representative into the causes of the persistent US trade deficits in goods and services and the national security implications—the risks arising from such deficits. It is to "recommend appropriate measures, such as a global supplemental tariff or other policies, to remedy such deficits."

Another investigation by a range of departments will review and identify so-called "unfair trade practices by other countries" and recommend action.

The United States agreement with Mexico and Canada will be examined in preparation for its review in July 2026.

A possible currency conflict is also in preparation with the Treasury Secretary instructed to review the policy of the US, with respect to the rate of exchange between the US dollar and the currencies of its many trading partners, and recommend appropriate measures. The Treasury already has the power to name what it deems to be "currency manipulators." But the new order goes further and points to the "misalignment" of currencies.

In line with the objective of raising increased revenue from foreign corporations, as seen in the collection of tariffs, the order announced a review of tax policy with regard to foreign corporations and individuals.

It is being conducted under what has been described as an “obscure” provision of the US tax code—Section 891. The executive order called on the Treasury Secretary to “investigate whether any foreign country subjects US citizens or corporations to discriminatory or extraterritorial taxes.”

Section 891 says that when the president declares there is such discrimination, the tax rates should be “doubled in the case of each citizen and corporation of such foreign country.” Congressional approval is not required.

Such a declaration appears virtually certain because the details of the executive order have been the subject of discussion and preparation by the Trump transition team. There is an old adage in government circles around the world that you do not launch an investigation until you know the result.

The international tax rules drawn up by the Organisation for Economic Cooperation and Development (OECD), yet to be adopted, appear to have been thrown into disarray.

In a separate policy memo, Trump said the US was withdrawing its support for the OECD tax pact. The memo said that the US would investigate “whether any foreign countries are not in compliance with any tax treaty with the US or have any tax rules in place, or are likely to put tax rules in place, that are extraterritorial or disproportionately affect American companies.”

The *Financial Times* reported the comments of an unnamed European Union official who said Trump’s turn to the tax issue reflected the pressure from high-tech firms who want Trump to move on this area, rather than trade, because this is “where fortunes are at stake and big tech has an interest.”

Trump did not immediately order tariff hikes against China—he has threatened a 60 percent impost—but announced in the executive order that the Trade Representative should review the existing US-China trade agreement, determine whether China was acting in accordance with its provisions and recommend appropriate actions “up to and including the imposition of tariffs or other measures as needed.”

Threats by Trump to impose a 100 percent tariff on Chinese goods, unless Beijing agreed to the sale of at least 50 percent of the TikTok app to a US firm, were intended to send a message about the intent of the new administration.

The executive order also made clear the Trump administration intends to intensify the controls on the export of advanced chips to China, and others considered to be “strategic adversaries,” introduced under Biden. The secretaries of state and commerce were tasked with making recommendations “regarding how to maintain, obtain, and enhance our Nation’s technological edge and how to identify and eliminate loopholes in existing export controls.”

In language resembling that of a Mafia boss, it said the review should assess and make recommendations regarding export control practices to “incentivize compliance by foreign countries”—the phrase “make them an offer too good to refuse” comes to mind.

There was a series of other investigations launched by the order, covering such issues as intellectual property rights, import of drugs such as fentanyl, government procurement policies, anti-dumping measures, and aluminium and steel from the standpoint of national security.

No tariffs have been implemented as yet, but Trump said actions against Mexico and Canada, because they were allowing a mass number of people to come into the US as well as fentanyl, could be put in place by February 1.

There was a slight sigh of relief in the EU when no immediate actions were taken. But Trump made clear he has Europe in his sights. In an outburst on Monday evening, he said: “They don’t take our cars, they don’t take our farm product, they don’t take almost anything. And yet we take their cars and we take their farm product, we take a lot from them. So we’ll figure that out with either tariffs or they will have to buy our oil.”

The investigations ordered by Trump have, in the main, to report by April 1. But even before that deadline, all indications are that the global economic war he has set out will be well advanced.