Funding the Future

Trump's tariff wars have begun - and will not end well

Published: January 12, 2026, 10:11 pm

Trump has declared trade war on the world, as he said he would.

Mexico and Canada have been subject to a 25% tariff, except for Canadian oil, which will only be subject to a 10% tariff. China has a 10% tariff on top of anything already charged on US imports from there.

The people of the USA are waking up to seriously inflated prices for some goods and services that they have customarily bought this morning. Inflation in that country will rise, and so might interest rates. The flow of fentanyl, which it is claimed this is all about, will not change at all.

Meanwhile, Canada, which makes the vast majority of its exports to the USA, will take a massive economic hit. To add insult to injury, Trump's order requires that if Canada or Mexico respond in any way (and both already have), then the tariff rates will increase.

That this will reduce the well-being of US citizens, increase US inflation, seriously harm the earnings of US companies and reduce US growth is something that Trump has refused to recognise, but all of those outcomes are likely.

Will it bring jobs back to the US? Not for a long time. Contrary to the assumptions of the neoliberal economists who, no doubt, promoted these tariffs, adaptation can take a long time in the real world. Supply chains built up over extensive periods cannot change overnight, and that is precisely why everything I have noted is likely.

And let's also be clear that the US can make its own fentanyl.

So, why has Trump done this? Firstly, because he can, and for him, that's good enough.

Secondly, he and those advising him very clearly do not know what they are doing here. While tariffs can have an economic role in a small, heavily single-industry-dependent state at an early stage of development, large economies with long supply chains—which is what the US is—can only lose from them.

Third, he thinks he will enrich the US because I believe he has persuaded himself that these taxes will be paid by the exporters to the US when that is not true. They suffer a loss of trade, undoubtedly. But they never pay the US tariff, which can only be paid within the USA. It is a domestic tax.

I stress that I am not saying all tariffs are automatically wrong. I am saying these are. They harm US citizens. They will severely disrupt world trade with decidedly unpredictable consequences, which could be harmful here in the UK. They could easily reignite inflation—although we will not need interest rate rises to counter that (in fact, the opposite might well be true). They increase international aggression and disorder, which is not what we need.

Nothing about what is happening will have a good outcome. But it proves that he will do what he said he would—however harmful it might be, and that is an even deeper cause for concern.

This is going to end in tears and, very often, things that are a great deal worse. The Age of Aggression is not going to be an era that the survivors will look back on with any pleasure.