

How many countries will Trump bankrupt with his tariffs...

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I have yet to see any comment in the media about one vital dimension to the new tariffs that Trump is imposing on many countries in the global south, including India, Bangladesh, Vietnam, South Africa, Lesotho and others.

A common feature of almost every country in the global south is that their debt is denominated in US dollars. This is partly because commercial banks impose this upon them. It is also because the World Bank has done so as well. The result is that these countries have to heavily promote their export activities to earn the dollars to make repayment of their loans, and the interest due on them. It is, as a consequence, inevitable that they must run trade deficits with the USA. Given the way in which Trump's backroom idiots have constructed their tariff charges, it follows that some of these countries are going to suffer some of the highest tariff rates as a consequence.

There are two ways of looking at the issues arising from this. Firstly, it is almost inevitable that US interest rates are going to rise, partly as a consequence of the collapse in the value of the dollar that is now being seen, and more certainly because of the increase in US inflation that is going to be evident very soon, to which I expect the Federal Reserve to react by increasing interest rates. This will, almost inevitably, have a severe impact on these countries that owe their debts in dollars, with interest often being charged at a variable rate.

Secondly, and at least as importantly, if these countries can no longer export to the USA, the chance of them earning dollar income to find the currency that they need to make settlement of their loan obligations is dramatically reduced. They may, as a consequence, have little choice but to default on their debt obligations, whether to commercial banks or the World Bank.

The result will be catastrophic for the credit rating of the countries in question, which will get even worse than they already are.

As a result their costs of borrowing will rise.

Their access to credit might also be removed.

They will then encounter even more difficulties than they do at present in securing the funds that they require to make the investments that their population so desperately need.

In combination with the withdrawal of funding for many of them by USAid, they are likely to head into crisis, with the possibility of debt rescheduling being on the agenda. When there is no formal arrangement for international insolvency, the likelihood is that vulture funds, who buy up the debts of these countries very cheaply and then enforce full repayment against the countries in question through court action, will also escalate enormously.

By universal economic consent, Trump is an idiot. He may, however, be much worse than that. He is at the very least a very dangerous idiot, and the consequence of his idiocy is that there may be hundreds of millions, if not billions, of people in this world who will face the risk of deeper poverty as a consequence of his actions and the denial to their states of the credit which they need.

I can, and do, worry about the impact of tariffs on the UK.

I can, and do, worry about the likely incompetence that our politicians will display in response to those tariffs, and the chance that they will make terrible decisions with regard to our future international relationships.

We are, however, a wealthy country, even if the benefits of that wealth are grossly distorted as to their distribution. That is why I worry even more about the consequences of what Trump is doing for countries in the global south, who are going to suffer to a much greater degree than we are as a consequence of what Trump is doing.

I have already mentioned that I think there is a need for many of the trading nations in the world to react to what Trump is up to by creating a new form of world trade organisation which embraces an entirely new approach to trade.

At the same time we might need to do something else, which is to reimagine the roles of the World Bank and the International Money Fund, and how they might provide necessary debt relief for the countries who are going to be severely impacted by Trump, his tariffs, and their ability to repay their debts. They might need to have active involvement in purchasing their debt, and then cancelling it, or at the very least deferring obligations arising upon it. These actions are absolutely vital if these countries are going to have any chance of surviving the impact of Trump.

I look forward to David Lammy talking about these issues, but I very much doubt that he will do so. Unfortunately, it does not, at present, appear that our politicians have the imagination to take the lead on these issues just at the time that they should.