

The global trade system in peril

Robin Harding, Asia Editor
12th August 2025

“The most beautiful word in the dictionary”



Donald Trump's tariff blitz brings US levies to highest levels since 1930s



The spirit of global trade

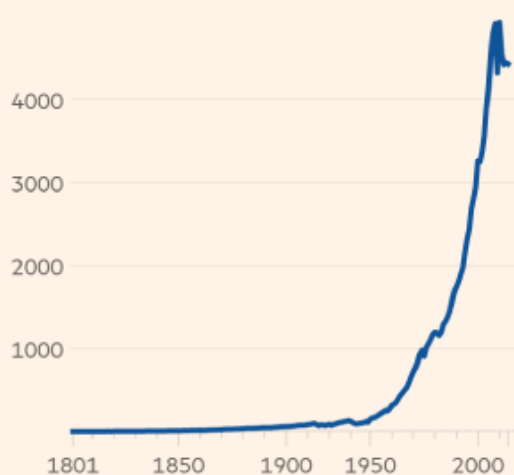
“Recognising that their relations in the field of trade and economic endeavour should be conducted with a view to **raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand**, developing the full use of the resources of the world and expanding the production and exchange of goods;

“Being desirous of contributing to these objectives by entering into **reciprocal and mutually advantageous** arrangements directed to the **substantial reduction of tariffs and other barriers to trade** and to the **elimination of discriminatory treatment** in international commerce...”

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Global export growth

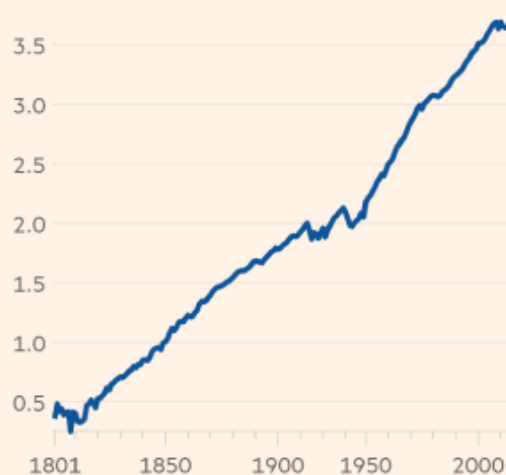
Indexed to 100 in 1913



Source: Federico and Tena-Junguito (2016)

Growth in global export volumes

Log scale



Source: Federico and Tena-Junguito (2016)

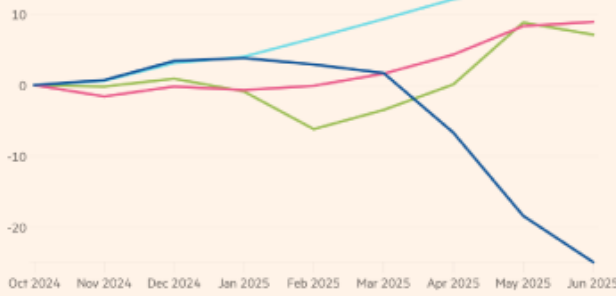
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Significant trade disruption; modest growth impact so far

China's cumulative export growth by destination

Change since Oct 2024 (%)

United States European Union Asia Rest of world



Evolution of 2025 growth forecasts

IMF World Economic Outlook

Oct-24 Jan-25 Apr-25 Jul-25



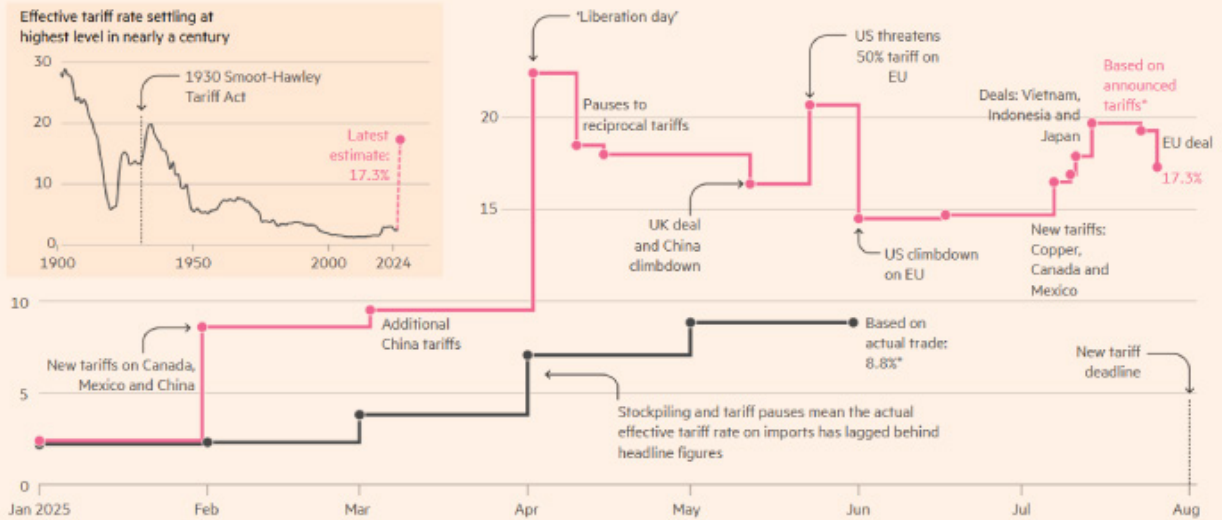
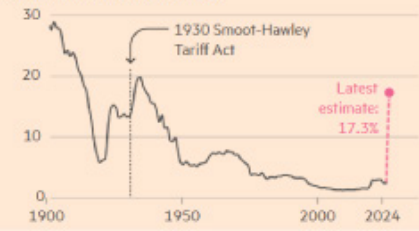
IMF World Economic Outlook update July 2025

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Trading up: the progression of Trump's tariffs

Effective US global tariff rate (%)

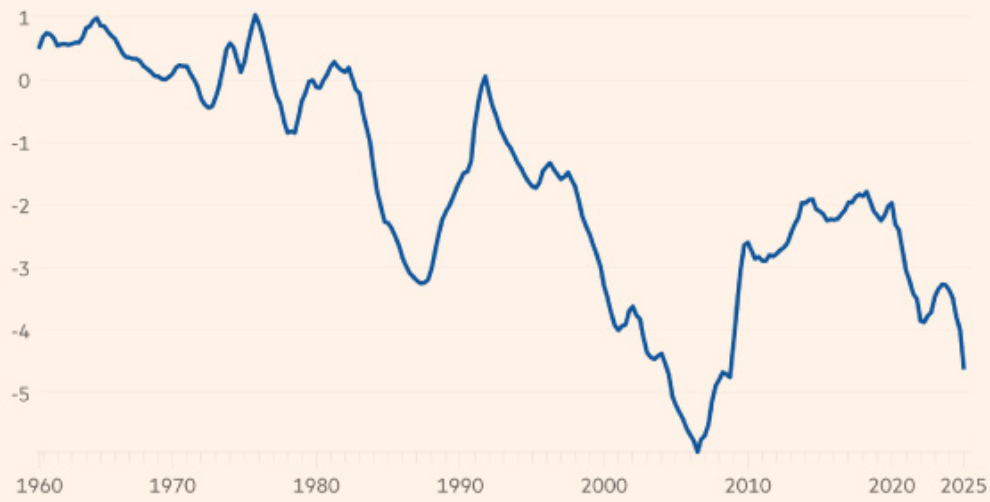
Effective tariff rate settling at highest level in nearly a century



Sources: Yale Budget Lab; US Census Bureau • *Actual trade* rate is customs duty revenue as a % of value of goods imported. *Based on announced tariffs* is the estimate of the long-run effective tariff rate based on current announced policy, after accounting for consumption shifts

The return of global imbalances

US current account deficit (% of GDP)

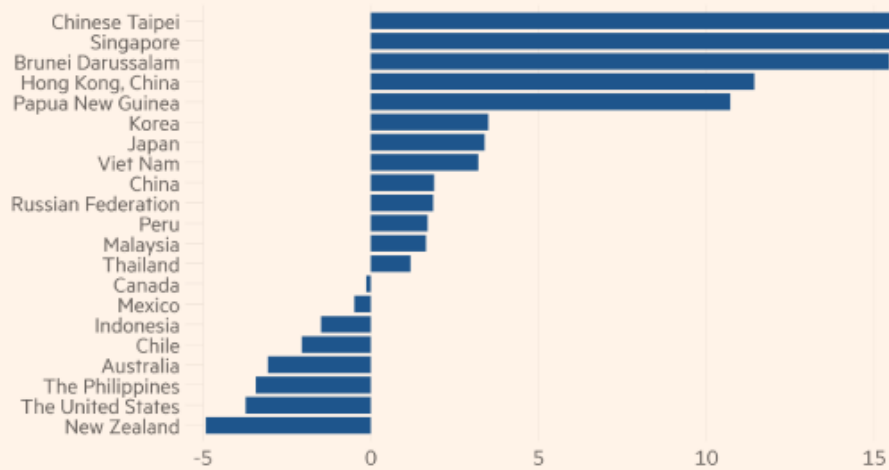


Source: Bloomberg

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Trade within APEC is unbalanced

Current account (% of GDP)

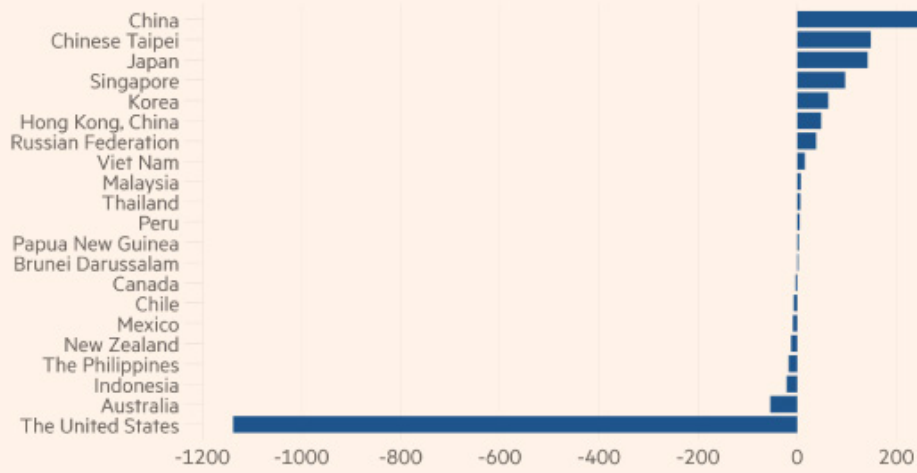


World Economic Outlook estimates for 2025
Source: IMF

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Driven by the United States deficit

Current account (\$bn)

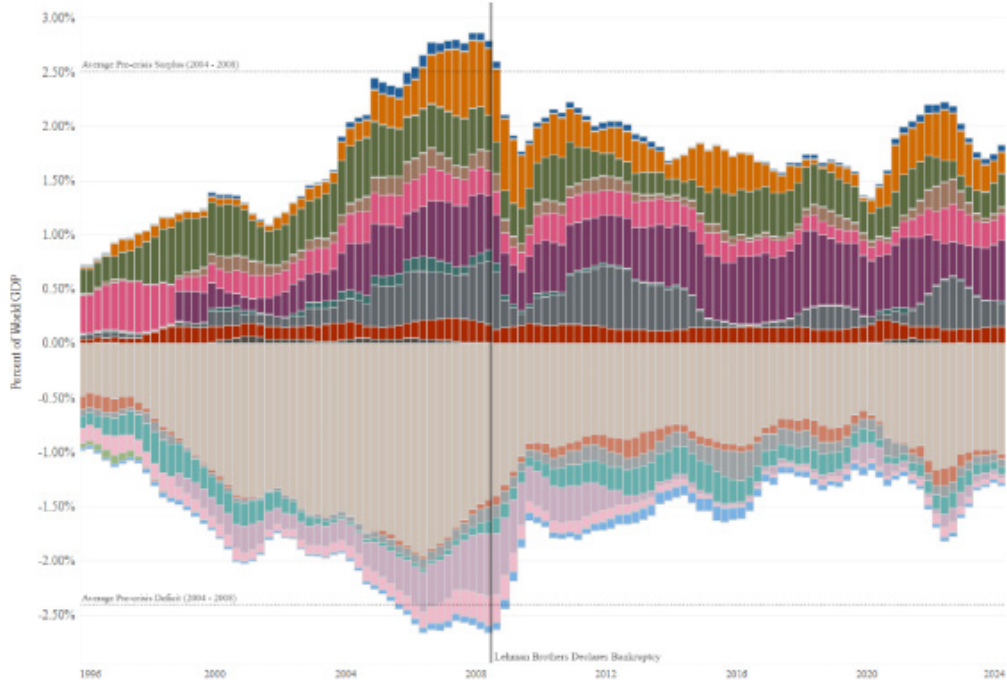


World Economic Outlook estimates for 2025

Source: IMF

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Global Imbalances Index



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The challenge of trading with one industrial giant...

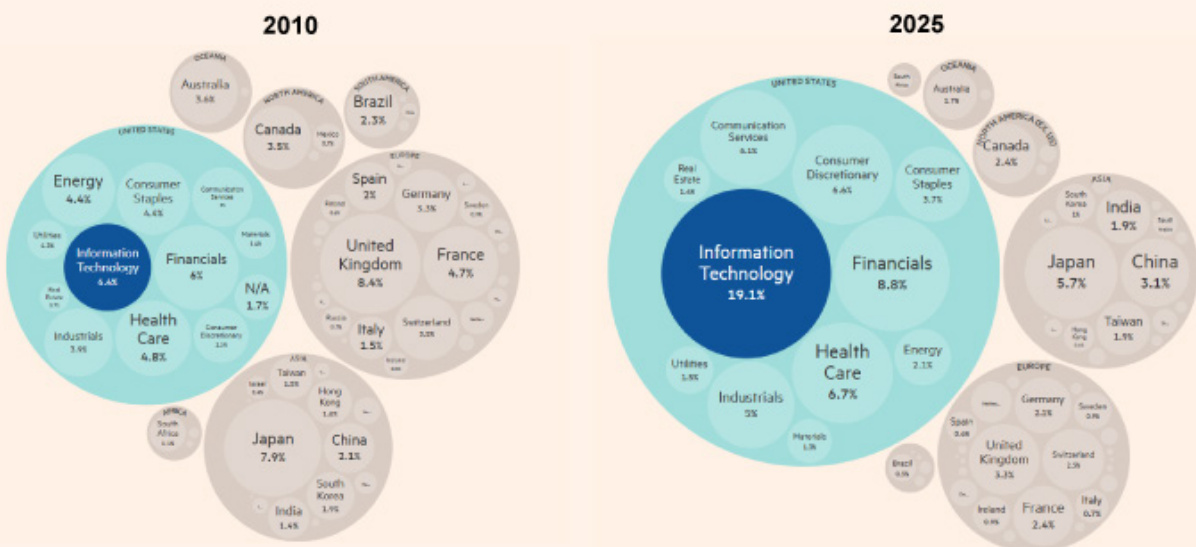


animation.html

With thanks to Stefan Angrick, Moody's Analytics

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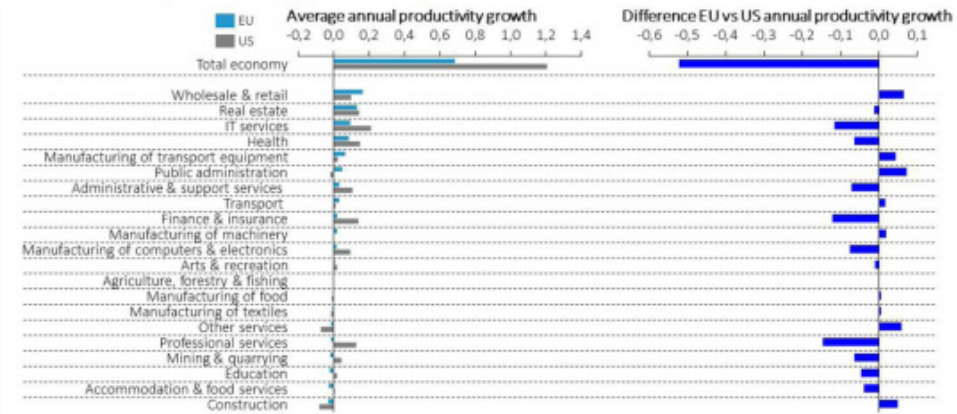
...and one technological giant



While others fall behind...

FIGURE 2

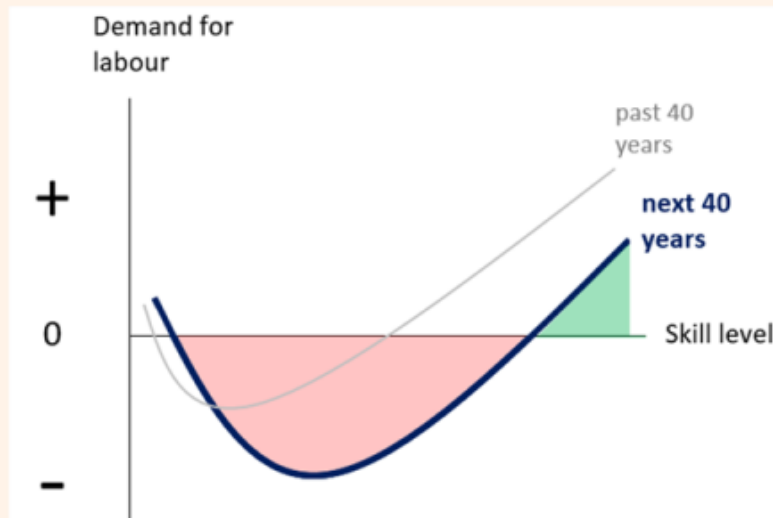
Decomposition of average annual labour productivity growth Selected sectors, US and EU (pp, 2000-2019)



Note: EU is the GDP-weighted average of AT, BE, DE, DK, ES, FI, FR, IT, NL, SE. The values are the average annual labour productivity (GVA per hour worked) growth contributions over the period 2000-2019.

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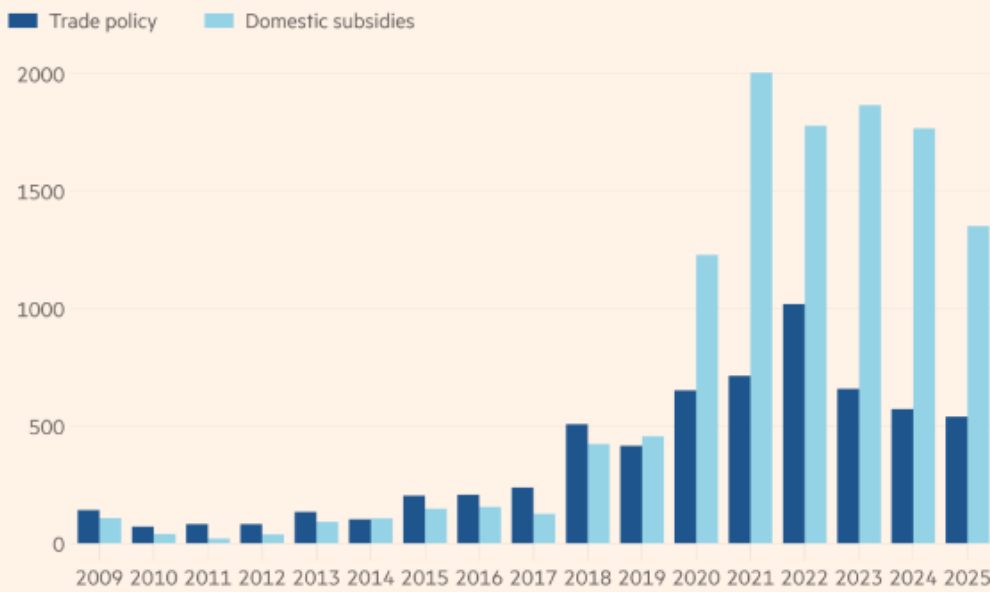
...in an environment where good jobs are hard to come by



With thanks to Eurizon SLJ Capital

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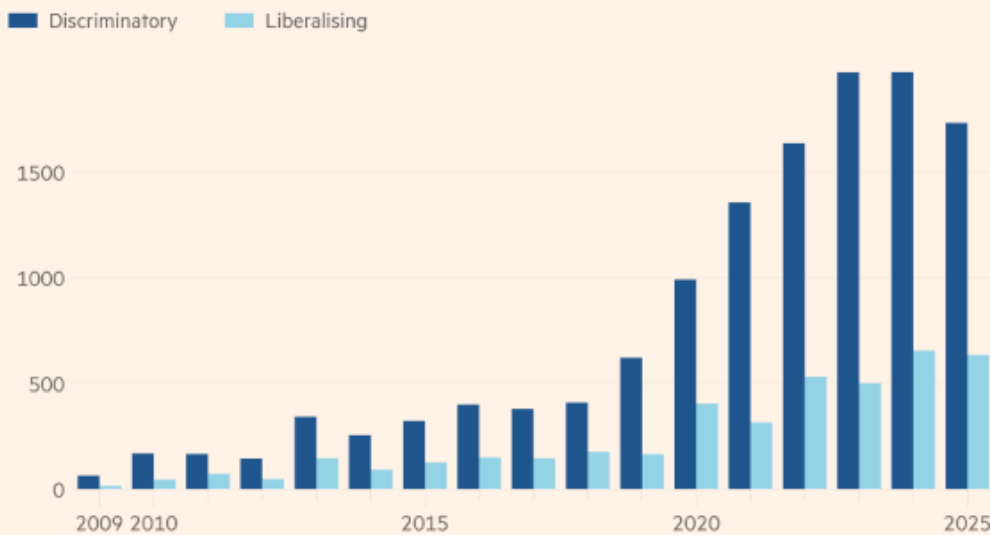
Net harmful new trade-restrictive measures, 2009-2025



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The news on trade is not all bad

Number of new policies



Global Trade Alert

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New trade agreements in 2025

- Australia-UAE
- China-Maldives
- Pacific Alliance-Singapore
- UK-India
- MERCOSUR-EFTA
- EFTA-Malaysia
- China-ASEAN v3.0
- ...and more to come



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Trade has shown a long-term rise, but with significant interruptions

World exports as a % of GDP, 1827-2023



FINANCIAL TIMES

Source: Fouquin and Hugot (CEPII 2016) to 1979, then IMF from 1980 • Dates key: 1 WW1 2 Great Depression 3 WW2 4 GATT agreement 5 Deng Xiaoping reforms in China 6 Fall of the Soviet Union 7 WTO agreement 8 Financial crisis 9 Covid pandemic

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Thank you

If you require any further information, please contact:

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