The Maritime Executive
INTELLECTUAL CAPITAL FOR LEADERS

Unfair Trade

Trump's tariffs don't signal the end of globalization. They're intended to level the playing field.

Container ship at the Port of Long Beach, April 2025 (AP Photo / Damian Dovarganes)

Published May 7, 2025 11:45 PM by Erik Kravets

(Article originally published in Mar/Apr 2025 edition.)

Esperanto. The Maginot Line. Feudalism. Tariffs. What do these things have in common? They were all clung to despite the tide of history, even after it had become obvious that the water was coming in and had no intention of making a halt.

The idea that public policy can override social and economic forces is, in its way, comforting. We would surely all like to imagine that we are masters of our fate. But Sophocles knew better: "…what is fated, no one can flee, neither by chariot nor by ship."

Take note, mariners. The Greek is saying that you had better rise with the tide.

So far, globalization has been unstoppable. Then and now, trade tensions and arguments about tariffs indicate globalization's continuing strength, not its failure.

I wrote about tariffs in 2020 ("Tariff Follies," Sept./Oct. 2020), in the waning days of the first Trump Administration. Back then, the oracles were prophesying that globalization would perhaps grind to a halt. One panicky prediction went so far as to suggest global trade volume could collapse by 17 percent, an apocalyptic number that would drag down global shipping along with it.

So, how did that go?

I'm happy to report that my five-year-old advice weathered the test of time. "The hot air blowing around tariffs and trade and the intensity of the arguments they engender do not nearly match with the reality," I wrote. That reality turned out to be "business as usual." Instead of shrinking, global trade volume grew by a satisfying six percent vis-à-vis 2020. Global container volumes also set a new record, reaching 74 million TEUs in 2024. All good signs.

Now it's 2025. Trump and tariffs are on the agenda. Again, people are concerned.

WORD ON THE STREET

But before we delve deeper, what's the word on the street?

According to Citibank, an undifferentiated 10 percent tariff could cut European GDP by 0.3 percent over two years. The Institute for the German Economy projected that the already shrinking German economy could suffer further losses in the 2025-29 timeframe equal to 180 billion euros. Italy's economy could contract by 1.2 percent, according to the French Center for International Economic Studies. Tottering Europe would be easy to push into a recession.

Divestment from tariff-afflicted manufacturing sectors may lead to difficulty in obtaining credit and a one or two percent price drop for equities. So would you like to buy the dip?

The machinery and automobile sectors will be hurt the most. They make up 41 percent of Europe's exports to the U.S. Europe sells America a surplus of 102 billion euros of machinery and automobiles each year.

BMW, the German automaker, is expected to take a 400-million-euro hit to its earnings. Other carmakers, however, like Volkswagen, remain unconcerned, remarking that its "North American assembled VW-brand vehicles meet the USMCA rules of origin and are exempted from the 25 percent tariffs." USMCA stands for the U.S.-Mexico-Canada Agreement, a free trade treaty.

Italian-led Stellantis, known for its Jeep and Dodge brands, has gone further. It's not only using the USMCA exemption but planning to expand its U.S. operations, aligning with Trump's goal to compel investment in American car manufacturing and provide jobs for Americans. Under USMCA, any vehicle with 75 percent of its parts originating in North America is tariff-exempt.

Europe has few options when it comes to retaliation. Europe mostly imports oil, coal and natural gas from the U.S. These fuels are not likely to be taxed further by European governments because energy costs are already so politically dangerous.

This illustrates how some can, and will, rise with the tide, while others will struggle.

SHIPPING'S RESPONSE

It's not only globalization that continues despite headwinds. Indeed, in the words of William Arthur Ward, "the pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails."

Let's see how shipping companies are responding.

First Maersk, the Danish titan. Charles van der Steene, its North America President, acknowledged that "the shortterm effect of any tariff clearly is inflation." But the bigger cost driver is a duty on Chinese-manufactured cargo vessels of $1-1.5 million per port call. Seventy-nine percent of Maersk's orderbook is for Chinese freighters, so worry is justified.

Depending on the vessel size, the additional cost per container could work out to around $100. The freight to move a container from Shanghai to Los Angeles sits at roughly $2,650 presently, so while this seems disruptive on its face, the new duty is only a drop in the bucket. Supposedly, this fee will boost purchasing of newbuilds from South Korean and Japanese shipbuilders.

Next, CMA CGM, the French shipping giant, which is proving itself agile. Rodolphe Saadé, CMA CGM's CEO, pledged a $20 billion investment in the U.S. including $8 billion for up to 30 new U.S-flagged containerships, $7 billion for logistics, encompassing new logistics hubs and warehouses, $4 billion for new port facilities and $1 billion for air freight hubs and aircraft. These investments will create approximately 10,000 American jobs.

And, finally, Hapag-Lloyd, the German container giant, whose CEO, Rolf Habben, is perhaps my kindred spirit. In February, he suggested that "it is too early to push the panic button" and counseled patience. Then, he pragmatically noted: "The U.S. President also wants the U.S. economy to grow. They will need more goods for that." And that means ships will be moving cargo.

IMPACTS

Now, let's take a moment to examine the strategic situation in more detail.

At the end of Trump's previous term, in 2019, the U.S. was bringing in $71 billion per year in tariff revenue. By 2024, that number had grown to $97 billion, which is more, but not so much more that it would be significant relative to America's $29 trillion economy. Even if Trump's hyped-up new tariffs enter fully into force, they would only make up about 2.5 percent of U.S. tax revenue, which is about the average from 1974-2023.

In value terms, the picture is similar and doesn't appear to be especially shocking.

For decades, on average, the U.S. levied tariffs of 2.71 percent against imported goods. The rest of the world imposed tariffs more than twice as high, 6.7 percent on average, on American products. Putting aside rhetoric, the Trump Administration's tariff adjustments will likely address this longstanding disparity rather than create a new trade paradigm.

A sampling of the rhetoric from the Trump administration suggests that the tariffs are more for domestic posturing than an effort to rework globalization. Commerce Secretary Howard Lutnick's remark exemplifies this neatly: "These countries have used us and abused us. That is going to change. It's unbelievable the way we get ripped off around the world, and Donald Trump is going to level set it, make it reciprocal and make it fair."

It isn't that the system needs to go. It needs to be "level set," to be made "fair."

LEVELING THE PLAYING FIELD

And, in truth, there's surprising merit to that argument.

Gilberto Garcia-Vazquez, Chief Economist at Datawheel, agrees that "the world imposes tariffs more than twice as high as those applied by the U.S. on imports," which also fails to take into account the rich tapestry of non-tariff trade barriers that are conspicuously common abroad but not in the U.S.

I detailed this in my 2020 article, but the situation is worse now. The U.N. Council on Trade and Development estimates that 70 percent of world trade is subject to what it calls "technical barriers," with climate change a major policy driver.

If the U.S. moves its economic policy in line with the rest of the world's protectionism, it's certainly a bad decision, but it's hardly a paradigm shift. A wise mariner knows that the tide will roll in and that it will eventually roll out. Only a fool would try to resist it.

The opinions expressed herein are the author's and not necessarily those of The Maritime Executive.