TierOne

Trump's Trade Doctrine - The Blueprint for Global Realignment

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Stephen Miran has been a key economic figure in both of Donald Trump's presidential administrations. During Trump's first term, from 2020 to 2021, Miran served as a senior advisor for economic policy at the U.S. Department of the Treasury. Following Trump's re-election in 2024, Miran was nominated and confirmed as the Chair of the Council of Economic Advisers (CEA), officially assuming the role on March 13, 2025. In this capacity, Miran provides the President with analysis and advice on economic policy, playing a pivotal role in shaping the administration's economic strategies. Importantly, he supports the implementation of high tariffs and a weaker U.S. dollar to promote domestic manufacturing and reduce trade deficits, which are central themes in Trump's economic agenda. Miran wrote a significant paper last year – "***A User's Guide to Restructuring the Global Trading System" – developing the theory around Republican Tariff policy*** which offers investors a sobering and strategic preview of what could be the most consequential shift in international economic policy in a generation.

The Dollar Dilemma

At the heart of Miran thesis is the structural flaw of the U.S. dollar's global reserve status. To supply the world with reserve assets, the U.S. must run persistent trade deficits. This dynamic inflates the dollar, undermines U.S. manufacturing competitiveness, and hollows out industrial employment.
The administration view is that the trade deficit is no longer just an economic issue; it is a national security concern. An overvalued dollar weakens the U.S. industrial base, complicates defence readiness, and, politically, has fuelled the backlash against globalisation that powered Trump's rise.

Tariffs Reimagined

Tariffs, the report argues, will be the lead economic tool and contends that, contrary to conventional wisdom, such measures need not be inflationary **if accompanied by currency depreciation**. The 2018–2019 U.S./China trade war offers a precedent. Tariffs rose nearly 18 percentage points; the yuan fell 13.7%, neutralising most price effects. Inflation remained contained. The U.S. Treasury collected substantial revenue, effectively funded by China's reduced purchasing power. Miran envisions a similar strategy in 2025. Tariffs would be tiered by country, rewarding strategic partners and punishing adversaries. Access to the U.S. consumer market, in this view, becomes a privilege tied to trade reciprocity and security alignment.

Currency Policy: The Quiet Catalyst

Beyond tariffs, the report sees dollar policy as the true implement of change. While Trump has often praised the dollar's dominance, he has also criticised countries that manipulate their currencies to undercut U.S. industry. The tension may be resolved through policy that maintains the dollar's reserve role while forcing others to share the burden, so engineering dollar depreciation to rebalance trade without triggering a monetary crisis.

Strategic Integration of Trade and Security

What sets this analysis apart is its recognition that trade and security policy are now inseparable. A second Trump administration would likely bind them explicitly. Countries benefitting from the U.S. defence umbrella will be asked to pay more, either through military outlays or trade concessions.
Tariffs would be linked to factors such as NATO contributions, cooperation on sanctions, and alignment on China. Miran envisions a tiered system where allies can "earn" lower tariff rates through policy alignment. He argues that this is not isolationism, but a recalibration of burden-sharing in both economic and security domains.

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Market Implications: Volatility, Repricing, and Opportunity

For investors, these scenarios raise several flags. If currency offset occurs, the inflationary impact of tariffs may be limited to 0.3%–0.6% on CPI—a manageable shock. If not, inflation could rise, and the Fed may be forced to tighten, raising recession risk. Moreover, large FX adjustments, particularly a yuan devaluation, could trigger capital flight from China, destabilising Emerging Markets and global supply chains. But the administration appears to fanatically believe that Domestic U.S. manufacturing, infrastructure, defence, and reshoring-linked sectors will benefit. Tax reform—financed by tariffs rather than labour or capital—could stimulate investment.

Conclusion: Not Isolation, But Rebalancing

So the administration anticipates a world in which the U.S. uses its market muscle and financial architecture to shift the terms of engagement—economically, diplomatically, and militarily. For retail investors, this means reassessing exposure to currency risk, multinationals with China-linked supply chains, and rate-sensitive equities. The global economic consensus is shifting—from multilateral liberalism to managed competition. The Miran report provides the playbook.

The Global Impact

A unilateral tariff regime would effectively act as a tax on global trade. While Miran argues that **currency depreciation by affected countries** could offset much of the inflationary burden on U.S. consumers, the impact on **trade volumes globally** would still be significant.

- **Emerging markets** that rely heavily on exports to the U.S. (e.g., Mexico, Vietnam, Bangladesh) would face reduced demand.
- **China** would likely suffer the steepest impact, both from tariffs and from capital outflows if the renminbi were forced to devalue.
- **Multilateral trade agreements and institutions** like the WTO could face further erosion or outright irrelevance.

Bottom line: Global trade, already slowing post-COVID and amid rising protectionism, could contract materially—particularly in goods sectors.

How will tariff policy, the global economy and markets evolve? It's impossible to see how the impact on markets, in particular, can be good. The great risk is that the obstacles to trade and the confusion created by U.S. policy and behaviour causes recession. The lessons of history tell us that the underlying momentum in stock markets is upwards but we may have to be patient to see confidence return.

Today marks "Liberation Day". Tariffs may offer the US the illusion of strength, but true resilience lies in building bridges, not walls. We will comment further as the dust settles.