



# Ego dissentio

**US trade tariffs: for or against...**

Update

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**Kepler Trust Intelligence**

## In defence of Tariffs. Thomas McMahon

What sort of person would agree to defend tariffs at a time like this? Only someone pathologically committed to having an argument, surely? Well, one Christmas, apropos of nothing, my brother-in-law once declared my family's motto should be 'ego dissentio': 'I disagree'. So, I feel like I am the man for the hour. Thanks go to Grok for the visualisation that adorns the masthead, by the way.

If you found yourself chuckling at the Chinese-made DeepSeek videos of fat, balding white men guzzling coke while stitching trainers on an assembly line, perhaps you should take a pause for thought and ask yourself what the equivalent video would be if aimed at other ethnic groups. As we now win political arguments by presenting Netflix series like Uno players dropping wild cards, I propose we all watch Painkiller again. Painkiller is a series about the opioid epidemic that has devastated communities across the United States. Drug dependency, obesity and ill health have soared in the Rust Belt as working-class jobs have been outsourced abroad. The same has been seen in the north of England too, with life on benefits for working-class communities being the price we have paid for greater wealth in the southeast. If you don't see a political problem here, then I suggest you have lost sight of your moral compass.

Neo-liberal fundamentalism leads to a problem it shares with other forms of utilitarianism: proponents end up having to argue that a boost to the degree of happiness of some already well-off people is worth the same as providing a minimally satisfying life to the poor. Either that or telling working-class people that living in a toilet is the price they will have to pay for rising living standards in the third world. All this is to say that there are other social goods we need to consider beyond maximising corporate profits. The hard-line neo-liberals who claim that happiness will all sort itself out if the economy is ordered rationally are saying nothing that a Marxist wouldn't say and are wrong for the same reasons.

There are other reasons for thinking protectionism is a necessary part of any good economic policy. Just like the Marxists, the free trade fundamentalists can end up arguing that if the world adopted their economic policies, war would be a thing of the past. This is dangerously naïve, and we have all had a recent

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reminder of the real threat of kinetic warfare. Indeed, in the UK we have been debating the fate of the last steelworks in the country. Steel production is critical for armaments production and so ending domestic production of steel means being reliant on other countries to be able to arm ourselves. What's the solution? Should we just accept this strategic risk for the benefit of saving money? Should we pay hundreds of millions a year to a foreign company to persuade it to keep the steelworks open? Or should we simply nationalise it? Now consider how little fuss the takeover of ARM Holdings by a Japanese company caused. ARM is one of the critical companies in the smartphone supply chain; a true global leader, British-born and run. Are there other strategic and economic goals that would be better served by keeping its ownership and listing in this country? Before Trump stood up to unveil the scores on the doors, there was already a vociferous debate in this country about how to reverse the decline in UK companies listing here and measures that could be taken to boost domestic investment in UK equities.

All this justifies, in my view, tariffs and other protectionist measures as a tool of a balanced approach to the economy. Tariffs are a useful instrument for protecting and promoting the other interests of society and constitute one of the ways a government can steer the economy away from



imbalances that have serious social impacts. Trump is very much swimming with the tide in proposing a more protectionist approach to trade.

Now, does all this justify presenting immediate, revolutionary changes to trade terms on a gameshow scorecard with the markets open? Does it justify casually dropping in punitive tariffs calculated on some hare-brained formula which are so wide-ranging they will inevitably devastate multiple business models with unforeseeable consequences? Does it justify unveiling changes so broad and wide-reaching that it seems inevitable they will at least in part be walked back, meaning no business or investor knows what to expect and has a real basis for making an investment decision? And does it justify messaging so wild and gyrating that nobody can be sure whether these are real plans or designed to be diluted as a negotiating tactic? What about singling out the countries closest to yours for terrible treatment upfront, such as Canada and Denmark in this case? Will that help your strategic interests in the long run? I'm afraid even I won't try to justify Trump's approach to tariffs. We only have to hope that this fiasco doesn't discredit the attempt to solve the imbalances of globalisation that are needed.



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## Can you feel it too? Alan Ray

On Saturday 12 April 2025, the UK parliament passed a law taking British Steel into public ownership. Its Chinese owners declined further funding to keep the furnaces alight and as we all know, once the furnaces go cold, they are likely gone forever. Many opposition MPs didn't bother to turn up to the debate, and what dissent there was largely about tactics, not strategy. Instinctively, we know that being the only G7 nation without a domestic steel industry is a VERY BAD THING.

We don't even have to subscribe to the theory that this was a deliberate strategy by the Chinese owners to curtail the UK's steel-making capabilities for their own national interests. Even if this was a straightforward commercial

decision, it's still a powerful symbol of the limits of globalisation. And it's not really about facts and figures. We feel it, don't we? As my colleague Thomas notes, we perhaps didn't feel the same way about ARM Holdings a few years ago, and maybe that shows a mood shift, or maybe it shows we still have an irrational attachment to traditional industries that we don't for more ephemeral ones. Or, more likely, a little of both.

A few years ago, the BBC made a short series documenting the return of the Royal Navy to the big league with its new aircraft carrier. For those that missed it, it's not hard to imagine the impressive shots of unfeasibly large drive shafts contrasted with heartwarming tales of young sailors 'made in the Royal Navy'. Two things struck me though. First was the 300 or so US Marines on board, providing most of the aerial firepower. Second was the mission. To cruise the South China Sea to show 'Britain is back'. Again, we all feel it, don't we? The US Marines weren't there to cement a decades-old unbreakable alliance but to fill a huge gap in capability that only very recently has become OK to talk about. Second, what message exactly did all of this send to China that couldn't be said in a simple memo: 'We don't want you to reclaim Taiwan, it's too important as a hub for semiconductor manufacturing. We hope that's clear'. Both gestures are about as useful, and we could have saved a lot of time and money just by writing the memo and sending the aircraft carrier for a Caribbean cruise. One can only imagine the US's formal assessment of this little adventure and what it said about the UK's capabilities as a reliable partner.

Contrast this to the United States. Yes, the only credible power able to give China pause for thought on its intentions to Taiwan. But perhaps the only country with the dynamism to say 'OK, let's build our own semiconductor manufacturing capability rather than fight a war'. This is a vast endeavour, will take years and it seems vanishingly improbable that it will result in a completely domestic manufacturing base. But it might, and this is one of the reasons why, as investors, we treat the US as exceptional. Sometimes the ambition is breathtaking.

Speaking of breathtaking, while of course for us Brits the standard version of the conversation about US politics these days involves some brief eye-rolling and gestures to indicate 'don't ask me' I think that on a less superficial level, our readers know that the US administration hasn't just come from nowhere. Many, many Americans really feel it. Globalisation has been, for stock market investors, an extraordinary tailwind for at least two decades. But the lives of many ordinary people in America are worse, not better as a result and the peculiarities of the American election system have given them a voice. A failure to listen to those voices has left the Democratic party reeling and unleashed a very different administration. Very different even to 2016's Version 1.0.



My two examples above aren't the whole story of course but both serve a purpose. British Steel shows that like those American voters, we feel it. I know there may be free-market purists who are comfortable with letting our steel industry fail but I'm going to say that this is not a majority view in the UK and parliament has called it about right in terms of the national mood. We really do feel it. Second, I've picked our aircraft carrier to show that if you want to be part of an alliance, sometimes you have to turn up properly equipped and think about how you look to your partners.

My opposition to tariffs then is because it seems very clear to me that the US has an enormously strong hand to play, and it's decided instead to play an incredibly weak and divisive one which I would describe as the clickbait strategy. It's got our attention, and everyone suddenly wants to talk. But no one, including the US administration, really knows what they want. At least, not in the sense that it is going to improve the lives of those people who are left behind by globalisation. We know with quite high certainty that a number of GREAT DEALS FOR AMERICA will be signed in record time but that, in all likelihood, these won't withstand any detailed scrutiny beyond an ALL-CAPS social media post. This is incredibly bad for America because it will likely result in many people believing this is a good way to negotiate with friends and allies. It may take many years to unlearn that. I also feel China's response so far is not the end of the story. We think of China as a command economy, but politics at home does matter, and a rapid response was required for the domestic audience. But I think China has a stronger hand still and is yet to play it.

I think this is the consequence of multiple failures across US administrations to recognise the strong hand they hold and to use it wisely. I also think it's a failure of the US's allies to recognise that the global leadership role the US has played since World War II, including the WTO rules that are so irksome to the current administration, was, up to the end of the 20th century, living history for the folks in charge. Today's US president, whose great age is often a talking point, was born a year after World War II. The 'deal' the US made with the world then is no more real to him than it is to my children. As a result, the momentum on that deal ran out some time ago and no one seems to have noticed.

While markets are likely to be jittery and volatile while this all plays out, and inflation and recession are real risks, my own conclusion is we need to move on from our angst about tariffs. Yes, the US administration has failed to recognise the common ground between us. We feel it too. And others have been slow to nurture the relationship with their most important ally. But the genie is, as they say, out of the bottle and it's time to think about what's next, rather than what's just happened.

I think though that for investors the US remains exceptional in many respects. The dynamism I refer to above remains, the natural resources and the scale of a continental economy bound by a single language are not reproduced anywhere else. But I don't think it's hyperbolic to discuss the end of the US as the ultimate safe haven for investors, although perhaps too soon to definitively call it. My optimistic side says that however badly these feelings have been expressed, calmer heads among the US's friends and allies will process them and act upon them. One notable feature of the wall of commentary on this topic is how few voices are arguing that we should just return to the status quo. The tariffs were a terrible hand to play, but change is inevitable. We all feel it.



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