

MACROCOSM

## What is the Tariff Endgame?

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After the Supreme Court, tariffs will be high, but markets will think they are low. Trump wins.

[“90 deals in 90 days.”](#) That, from Senior Counsel for Trade Peter Navarro, is our favorite promise of all the trade deals to come, ever since “Liberation Day’s” so-called reciprocal tariffs were announced (see [“Are We Feeling Liberated Yet?”](#) April 2, 2025). Supposedly giving the Trump administration bargaining leverage, there have been endless promises of deals from [President Donald J. Trump’s](#), [Treasury Secretary Scott Bessent](#), and [Commerce Secretary Howard Lutnick](#). *But the promises are getting embarrassing at this point with the number of deals standing now at zero.*

What has gone so terribly wrong, and where does Trump go from here?

- To be generous, we could concede that the closest thing to a deal is the United Kingdom, only our 27th largest trading partner, and one of 16 with whom we run a trade surplus to begin with. Trump and UK Prime Minister Keir Starmer [announced it at the G7 in June](#) – sort of. Trump signed [an executive order](#) there, ordering implementation of what he called the [“General Terms”](#) of an “outline” for a “prosperity deal.” Starmer said, “I expect that to be completed very soon.” As of this writing a month later, the UK government’s Department for Business and Trade and Department for International Trade [do not list it on their website](#) as a trade agreement in force, signed but not in force, or being negotiated. *It’s simply not there.*
- To the extent that it exists, virtually all that it contains is removal of US tariffs on British aerospace components, reduction of the 25% US sectoral tariff on automobiles to 10% (applying to a quota of 100,000 British vehicle exports), and reduction of the US steel sectoral tariff from 50% to 25%. The US “baseline tariff” of 10% announced on “Liberation Day” remains. Other than the US backing off of some of its *own* tariff rates (which were the US hurting *itself*), it’s hard to see what concessions the US got. The [US Trade Representative’s memorandum](#) about it lists nothing except that the two countries will “work together.” And the USTR is “disappointed” that the UK did nothing on its Digital Services Tax. But the USTR says this is “an Historic Trade Deal.” Perhaps what they mean is that all the other trade deals have existed. This one is historic in that it doesn’t exist.
- Vietnam? Trump [announced on Truth Social](#) on July 2, “It is my Great Honor [sic] to announce that I have just made a Trade Deal

### Update to strategic view

#### US MACRO, US STOCKS, ASIA MACRO:

After months of extravagant promises from the Trump administration, no trade deals. Trump has weakened his bargaining position by negotiating against himself with delays and other concessions. What deals he claims have been done, such as the UK, Vietnam and Indonesia, show no reciprocity that would attract others to come to the bargaining table. Vietnam, by Trump’s own admission, has completely opened its economy to the US, but Trump will still tariff US imports at 20%. And why would any nation do a deal when the Supreme Court is likely to strike down the IEEPA tariffs soon? Trump will come back with smaller and narrower tariffs, which will be high by historic standards but will seem low to markets. Trump will impose more trade restrictions against China, which will cause China to dump exports on other wealthy nations – which will have no choice but to protect themselves with trade barriers. Trump can form his “coalition of the unwilling” against China with or without deals.

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[sic] with the Socialist Republic of Vietnam.” Under the deal, he says,

“Vietnam will pay [sic] the United States a 20% Tariff [sic] on any and all goods sent into our Territory [sic], and a 40% Tariff [sic] on any Transshipping [from China] [sic]. In return, Vietnam will do something that they have never done before, give the United States of America TOTAL ACCESS to their Markets [sic] for Trade [sic]. In other words, they will ‘OPEN THEIR MARKET TO THE UNITED STATES,’ meaning that, we will be able to sell our product into Vietnam at ZERO Tariff [sic].”

- By the way, among the many “[sic]” markers in that quotation, the first is substantive and worth noting. *Vietnam will not “pay” any tariffs at all. US importers will pay the tariffs.* Ultimate tax incidence is still unknown, but this Trump reframe is too sweeping and speculative to be used with such certitude, and so frequently in the administration’s discourse. Be that as it may – our persuader-in-chief has *everyone repeating it*, which makes it seem true. His team is even *bragging about all the revenues* the Treasury is collecting thanks to what can only be understood as a tax hike. Who, in the end, is paying?
- *But all that aside, the deeper problem with Trump’s announcement is that no actual deal has ever been written down and signed.*
- *Indonesia?* Trump *announced on Truth Social* on July 15,

“Great deal, for everybody, just made with Indonesia. I dealt directly with [sic] their highly respected President. DETAILS TO FOLLOW!!!”

- Except no details have followed!!!
- *How about China?* There’s never been a deal with China, though two non-deals have been announced as deals. *The White House claimed the first one* May 12. As we wrote at the time, that was merely a mutual climbdown from the tit-for-tat retaliations in the wake of “Liberation Day,” leaving all the original “Liberation Day” tariffs in place (see *“The China Not-Reset”* May 14, 2025). *The White House claimed the second one* a month later, but it was the same one as before – it’s just that China didn’t honor it the first time, and the second time they pinkie-swore they really would (see *“Chinese Water Torture on Trade”* June 11, 2025).
- The latest development last week is that *Trump has reversed himself* on restricting exports to China of Nvidia’s advanced AI chips. As far as we know, China gave nothing in return for this concession, although *Lutnick reassures us* it is in the context of ongoing trade deal negotiations.

We said early on that any trade deals emerging from “Liberation Day” would be insubstantial at best (see *“On the April Jobs Report, and Liberation from ‘Liberation Day’”*) May 2, 2025). Check. And we said that Trump would announce them as big wins. Check. *How did it come to this?*

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- Trump delayed implementation of the so-called reciprocal tariffs [on April 9](#), a week after they were announced. He delayed it [again on July 7](#). From the first delay, it was obvious he'd neglected to read the chapter in his own book, *The Art of the Deal*, where it says *you must never negotiate against yourself. That is, don't make concessions first.*
- At the same time, it would seem that *Trump isn't really offering anything* in order to make a deal happen. Setting aside the complication that the Vietnam deal doesn't exist, consider its substance: in exchange for what Trump himself says is "TOTAL ACCESS to their Markets" at "ZERO Tariff," Vietnam will still face a US tariff of 20%. We thought reciprocal tariffs were supposed to be reciprocal – that's how they were initially advertised (see ["Tariff the World. Save the World."](#) February 14, 2025).
- *For that matter, why would any nation make a deal with Trump now that his tariffs imposed under the International Economic Emergency Powers Act of 1977 were struck down in the Court for International Trade* (see ["You Heard It Here First: Court Strikes Down Trump's Tariffs"](#) May 28, 2025) as we said they would be the very day they were first imposed (see ["They Called His Bluff on Tariffs"](#) February 2, 2025)? That ruling is now on appeal, and whatever the result of that, *it will go to the Supreme Court where we are highly confident the lower court will be upheld unanimously and the tariffs will be gone* (see ["Video: TrendMacro conversation with Jeffrey Schwab and Sara Albrecht of the Liberty Justice Center, the legal team overturning the Trump tariffs"](#) July 17, 2025).

What does all this reveal about Trump's true motives in this trade war?  
And where is it likely to go?

- *It would seem that Trump wants tariffs, not reciprocity – and therefore, not deals.* The Vietnam non-deal is a perfect example. Vietnam reduced its tariffs to zero, and Trump himself admits there are no non-tariff barriers when he says "TOTAL ACCESS." But still we impose a 20% tariff.
- *It's not like he's been hiding it – he says often* "'tariffs' is the most beautiful word to me in the dictionary." *He says* tariffs as high as 20%, 30% or 50% would be a "Total victory... the country will be making a fortune." *No wonder we don't have more trade deals – Trump doesn't want them.*
- By the way, let us point out that the US is the wealthiest nation in the world, and it is the nation that has historically had the lowest tariffs and other trade barriers. Other nations with higher tariffs and other trade barriers are doing worse than the US at "making a fortune." Seems odd we want to imitate the strategy of the losers.
- What are the guardrails here?
- First, we can say confidently now that Trump cares what the stock market does. After a 21.4% bear market in the S&P 500 over the six weeks from late February to early April when Trump's radical approach to tariffs was revealed step by step, the bottom came when Trump delayed the implementation of the so-called reciprocal tariffs. We don't know if he literally cares about the stock market

itself or whether he – or those around him – care about it as a barometer of future business conditions. For now, with stocks at new highs, we expect Trump will keep the tariff-talk at a high volume until they're not.

- And what happens if – when! – the Supreme Court strikes down his tariffs? As when it struck down President Joseph R. Biden Jr.'s sweeping forgiveness of student debt, and he came back with reduced versions of the same thing, Trump will come back with reduced versions of his tariffs.
- But by the time Biden did what he could under legal frameworks that would survive the courts, we'd moved on – forgiving \$100 billion of student debt wasn't important, in the grand scheme of things, when we'd been terrified that Biden would forgive more than \$1 trillion. So it will be with tariffs – lower and more targeted rates that for decades would have seemed horrifyingly high will feel like nothing, and we'll move on, never knowing how much growth opportunity we have foregone.
- Remember the relief you felt when the China non-deal was announced (again, see [“The China Not-Reset”](#)), and the two nations stepped back from the mutually assured destruction of 145% tariff rates imposed against each other? Today's US tariff on Chinese exports of as much as 55% would have seemed the stuff of global recession – if only Trump hadn't conditioned your cognition to contextualize 55% as wonderfully smaller than 145%.
- His subsequent tariff tantrums, such as the [threat to impose a 50% tariff on Brazil](#) – another country with whom we run a trade surplus – because of its lawfare against former president Jair Bolsonaro, would seem to fit into this. Perhaps he thinks such things establish his good intentions, and give him scope to say, “Well, I tried, but the courts thwarted me.” But more likely, we think he wants us – markets – to happily accept sectoral tariffs in the name of national security under Section 232 of the [Trade Expansion Act of 1962](#), or industry-protective tariffs under Section 201 or country-specific countervailing tariffs under Section 301 of the [Trade Act of 1974](#) – or even a universal tariff limited to 15% for 150 days under Section 122 – because they will all seem like nothing. Trump will have found a new way to boil a frog.
- Trump's fallback position after a loss at the Supreme Court will include unbounded powers to punish China for real and alleged violations of fair trade practices, using Section 301 (that was the basis for the China tariffs in 2018), and we think that may be his ultimate irreducible mission here. If he does that, and if it results in fewer exports from China to the US, then China will have to dump those exports somewhere – say, the European Union.
- European Commission President Ursula von der Leyen is already on-board. Last month at a lunch at the G7 summit, she was [reported as saying](#),

“On this point Donald is right—there is a serious problem... China has focused on undercutting intellectual property protections, massive subsidies with the aim to dominate global manufacturing

and supply chains. This is not market competition – it is distortion with intent.”

- This shocking admission from a European official that “Donald” – first name basis! – is “right” about anything was scrubbed from [the EU’s official transcript](#) of her lunch statement. But even the official version says,

“We are seeing a new ‘China shock.’ As China’s economy slows down, Beijing floods global markets with subsidized overcapacity that its own market cannot absorb.”

- She goes on to propose that Europe, the US and other aligned nations band together to create a “metals club” and “the same thing for pharma.”
- *This sounds a lot like what we have always said Trump’s endgame really is for global trade – to coerce a “coalition of the unwilling” to gang up against China (see [“Is There a New US Risk Premium?”](#) April 14, 2025).*
- You’d think it would be easier, then, for Trump to get a trade deal with the EU – that is, it would be easier for him to accept terms from them provided that they aligned with his goal to isolate China. But no. [Reportedly a deal was on the table](#) two weeks ago, but Trump won’t take it – he’s looking for higher “baseline” tariffs. [And reportedly](#), now the EU is considering using it’s “non-coercion instrument” as retaliation if Trump won’t make an acceptable deal (that puts us in mind of the [Holy Hand Grenade of Antioch](#)).
- Maybe Trump thinks he can hold out for more – but the EU will just hold out for the Supreme Court.
- In the end, after the Supreme Court rules against Trump, he can still ramp up pressure on China, which will only accelerate von der Leyen’s “new China shock” in the EU and elsewhere – and they’ll end up joining Trump’s coalition, deal or no deal.

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## Bottom line

After months of extravagant promises from the Trump administration, no trade deals. Trump has weakened his bargaining position by negotiating against himself with delays and other concessions. What deals he claims have been done, such as the UK, Vietnam and Indonesia, show no reciprocity that would attract others to come to the bargaining table. Vietnam, by Trump’s own admission, has completely opened its economy to the US, but Trump will still tariff US imports at 20%. And why would any nation do a deal when the Supreme Court is likely to strike down the IEEPA tariffs soon? Trump will come back with smaller and narrower tariffs, which will be high by historic standards but will seem low to markets. Trump will impose more trade restrictions against China, which will cause China to dump exports on other wealthy nations – which will have no choice but to protect themselves with trade barriers. Trump can form his “coalition of the unwilling” against China with or without deals. ▶