

Decoding Trump's trade strategy: The historical pattern beneath the headlines

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SPECIAL TO THE GLOBE AND MAIL

PUBLISHED MARCH 14, 2025

UPDATED MARCH 16, 2025

[Opinion: Decoding Trump's trade strategy: The historical pattern beneath the headlines - The Globe and Mail](#)

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U.S. President [Donald Trump](#) loves throwing opponents off balance. This unpredictability makes foretelling his administration's policy priorities all the harder. Nowhere is this more evident than in trade policy. Three distinct interpretations have emerged: the Bluff Thesis, the Reckless Driver Theory and the Geopolitical Realignment Strategy.



The Bluff Thesis (once popular in as diverse circles as [Le Monde](#) and [John Authers at Bloomberg](#) but stubbornly current in U.S. business circles, as evidenced by stock market bouncebacks after each tariff rumour) dismisses Mr. Trump's protectionist rhetoric as mere negotiating posture. Proponents hope that rising costs for American businesses and skyrocketing prices for consumers will extract too high a political toll. Such complacency

is shortsighted. Mr. Trump's first-term trade war with China demonstrated that, once he finds his footing, he acts decisively on tariffs and willingly overrides opposition from laissez-faire business groups. His administration has found its feet much quicker in his second term. We should expect action rather than mere rhetoric.

The Reckless Driver Theory championed by a large contingent of opinion writers (particularly from the left), from [Nicholas Kristoff](#) to [Robert Reich](#), instead portrays Mr. Trump as steering the economy toward full isolation and calamity. Tariffs will indeed have negative effects on growth and exert upward pressure on prices. But this analysis overlooks America's economic resilience. The U.S. has a large domestic market to soften the blow, and Mr. Trump, as a businessman, remains attuned to the economic costs of excessive isolation. Past experience shows he understands the importance of open capital markets, even if he is inward-looking on trade and migration. Alternative buyers or suppliers will invariably emerge, and American businesses will adapt.

The Geopolitical Realignment Strategy (exemplified by Cambridge historian [Helen Thompson](#) and Stanford's [Niall Ferguson](#)) sees the President engaged in a global power play. In this story, trade policies serve to weaken U.S. adversaries. The geopolitical thesis is partly correct: What we're witnessing is a rebirth of economic statecraft – the deliberate use of economic tools to achieve broader national security and foreign policy objectives. A recent [Rabobank analysis](#) aptly notes that Mr. Trump's moves are comparable to those seen during the Second World War, with intensity matching Cold War measures.

The administration's deployment of economic statecraft extends beyond tariffs. Mr. Trump has invoked the 1977 International Emergency Economic Powers Act, expanded oversight of foreign investment and eliminated longstanding customs exemptions. His allies have even floated the revival of 18th-century "letters of marque" concepts for policy enforcement. Perhaps most tellingly, his team has proposed replacing income taxes with tariffs – a direct echo of 19th-century fiscal policies predating the modern income tax.

The historical resonance at work is striking. The administration's trade policies echo recurring patterns from America's past, and Mr. Trump's team has deployed historical narratives and precedents to legitimize their approach. This interweaving of economic traditions with deliberate historical framing represents a fusion of instinct and strategy that many analysts have overlooked. The administration isn't merely repeating history – it's mining it for tactical tools and strategic legitimacy.

Yet while the Geopolitical Realignment Strategy correctly attributes rationality to Mr. Trump, it misunderstands his objectives. Mr. Trump's America has been toughest on its closest allies – notably Canada and the European Union – while showing relative accommodation to China and Russia. His external economic priorities are driven less by geopolitical calculation than by political divisions within the U.S.

For Mr. Trump and MAGA supporters, the most enduring divide is between a “globalist” coastal elite and the “real” Americans of the interior. They believe elites have amassed wealth by wheeling and dealing on the global stage, while “real” Americans have trudged in the domestic economy. Commercial isolation is an attempt to punish MAGA’s domestic opponents by cutting them off from their “foreign” sources of wealth. The administration’s sharpshooter, JD Vance, perfectly articulates this worldview as he berates domestic and European establishments on the dangers of globalism. This ideological stand explains why Mr. Trump’s trade policies target the “globalist” European Union more aggressively than “nationalist” China and Russia.

For this, too, there is historical precedent. For Juan Perón, Argentina’s flamboyant postwar president, inward-looking trade policies were one way of punishing export-oriented elites. Similarly, domestic divisions have often shaped U.S. trade policy. Plantation owners of the Antebellum South saw pro-tariff coalitions among Northeastern and Midwestern states as attempts to weaken the free-trading Southern states politically and economically.

Mr. Trump’s vision does not imply complete isolation, but it does imply nation-states, particularly the United States, choosing the level of engagement with the world economy that corresponds to their domestic divisions.

For business leaders and policy makers, the challenge is to understand the deeper patterns at work. Those who recognize these recurring cycles of economic statecraft will be better positioned to navigate a world where economic nationalism isn’t an aberration but a recurring feature.