

# Trump's Great Global Trade Reset

## *Trump's Global Trade Overhaul: Redefining Economic Balance*

*Global trade, long a pillar of economic growth, is undergoing a major upheaval. U.S. President Donald Trump's "reciprocity" tariffs have disrupted global markets, forcing nations to reevaluate alliances and economic strategies. With a new wave of tariffs set for April 2, concerns about inflation, economic stability, and shifting global partnerships are growing.*

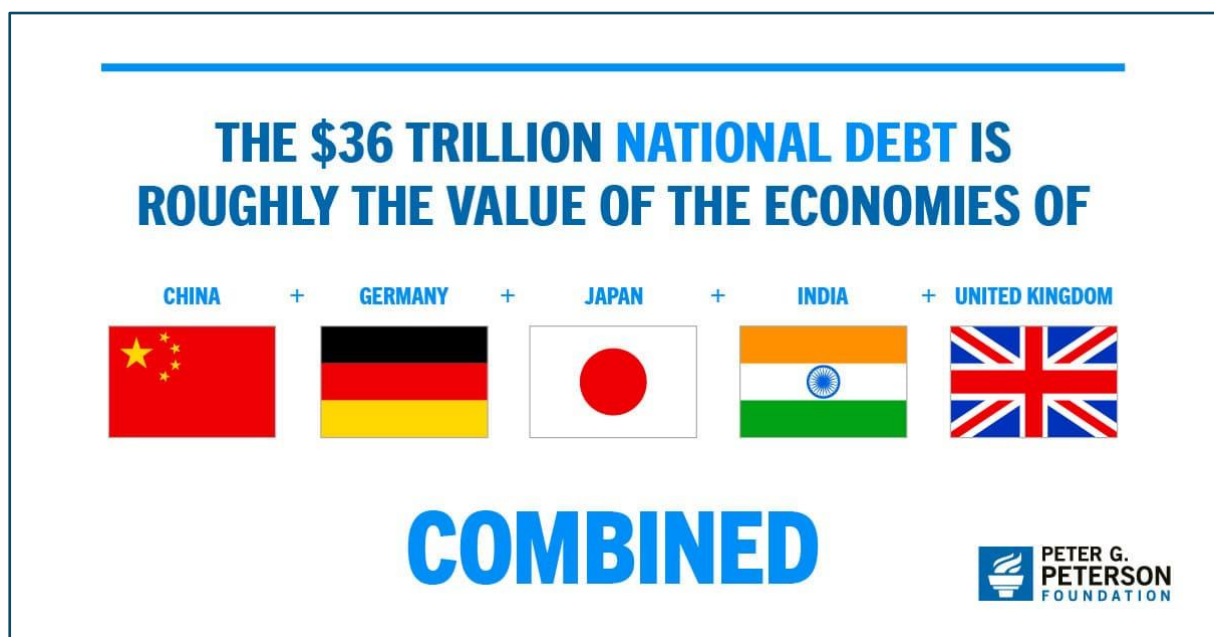


**TARIFFS**

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# U.S. Deficit Pressures

The U.S. faces a staggering \$36 trillion federal deficit, with annual interest payments reaching \$1 trillion, on par with the entire defence budget. To combat this fiscal strain, the US government has embraced policies like import tariffs, government restructuring through DOGE, and reduced foreign aid, all aimed at addressing the deficit and boosting domestic revenue.



## The Ripple Effects of U.S. Tariffs

President Trump's tariffs target not only China but also longstanding allies like Canada, the UK, the European Union, Japan, and South Korea. This strategy, intended to rectify trade imbalances and support U.S. industries, has heightened tensions and sparked fears of a global trade war reminiscent of the 1930s.

In the US, the immediate impact includes rising costs for imported goods like steel, aluminium, cars and car parts, fuelling inflation and burdening consumers. Disrupted supply chains are compelling nations and corporations to rethink their trade approaches, while analysts in the US warn of potential interest rate hikes by the Fed, further straining US businesses and households.

# Expansionist Aspirations

Trump's policies hint at a bold, colonial-style vision, including ambitions to annex Greenland and integrate Canada as the 51st state. These moves have strained relations with many historic allies. Canada has already declared a rethink of its historic friendship with the U.S., citing economic harm from tariffs.

## Canada's Pivot to Europe

Amid strained U.S.-Canada relations, Canada is leveraging its Comprehensive Economic and Trade Agreement (CETA) with the EU to mitigate risks and access Europe's vast consumer market, reducing its dependency on the U.S.

# Evolving Geopolitical Landscapes

In response to U.S. protectionism, nations are forging new trade partnerships. Emerging markets like India, Africa, Southeast Asia, and the Gulf Cooperation Council (GCC) are becoming attractive hubs due to their growing middle classes and youthful populations.

## China's Manufacturing Prowess

China exemplifies this shift; the US is no longer China's primary export market. China is diversifying its trade relationships with ASEAN, the EU, and nations in Africa, alongside strategic ties with Russia and India. By strengthening economic partnerships across multiple regions, China is reducing reliance on American demand while asserting itself as a dominant global player.





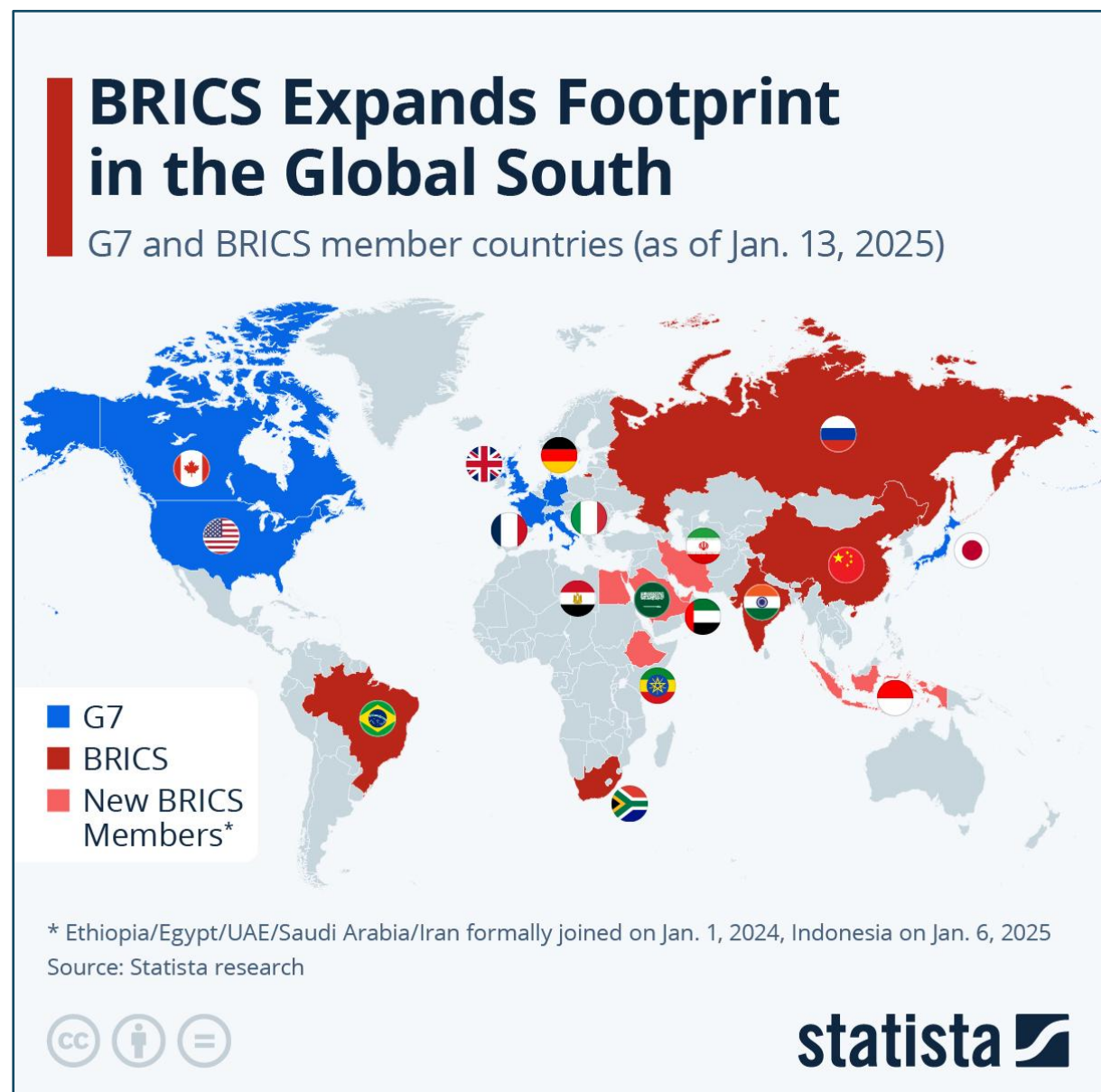
# Key Geopolitical Flashpoints

The world is at a crossroad in which the primary superpower for the past 80 years, the US, is re-focusing its energy on “America First” and withdrawing itself from decades of international obligations and co-operations which will reshape the world. A number of key geo-political flashpoints are further dividing the relationships between the US, Russia, China and the EU.

- **Russia-Ukraine Conflict:** The war has profoundly reshaped global trade and security dynamics. It has heightened concerns across Europe, prompting NATO members to increase defence spending significantly. The EU has committed over €800 billion, with Germany alone pledging €500 billion. This surge in spending reflects Europe’s push for strategic autonomy, impacting transatlantic relations and reducing reliance on U.S. military equipment.
- **China’s Belt and Road Initiative (BRI):** China’s BRI connects Asia, Africa, and Europe through major infrastructure projects, boosting trade but raising concerns over debt dependency and strategic influence. While fostering development, it also draws criticism for increasing China's geopolitical leverage.
- **Taiwan’s Semiconductor Industry:** Taiwan, home to TSMC, dominates global semiconductor production, essential for industries worldwide. Geopolitical tensions involving Taiwan, the U.S., and China risk disrupting supply chains, with far-reaching economic consequences.
- **Panama Canal Tensions:** The Panama Canal, a crucial trade route, highlights U.S.-China competition in Latin America. BlackRock’s recent acquisition of key port operations underscores the strategic importance of controlling global trade hubs.

# The Rise of BRICS

The BRICS alliance (Brazil, Russia, India, China, South Africa) is reshaping global trade by promoting alternatives to Western-dominated systems. Key efforts include the New Development Bank for funding infrastructure and de-dollarization initiatives to reduce reliance on the US dollar. BRICS has expanded and recently welcomed new member countries. Together, BRICS+ countries represent over 45% of the world's population and approximately 36% of global GDP, underscoring their significant economic and demographic impact. Despite challenges, the alliance plays a pivotal role in advancing a multipolar world order. In contrast, the G7 group of wealthy democracies amount to just 29% of global GDP.

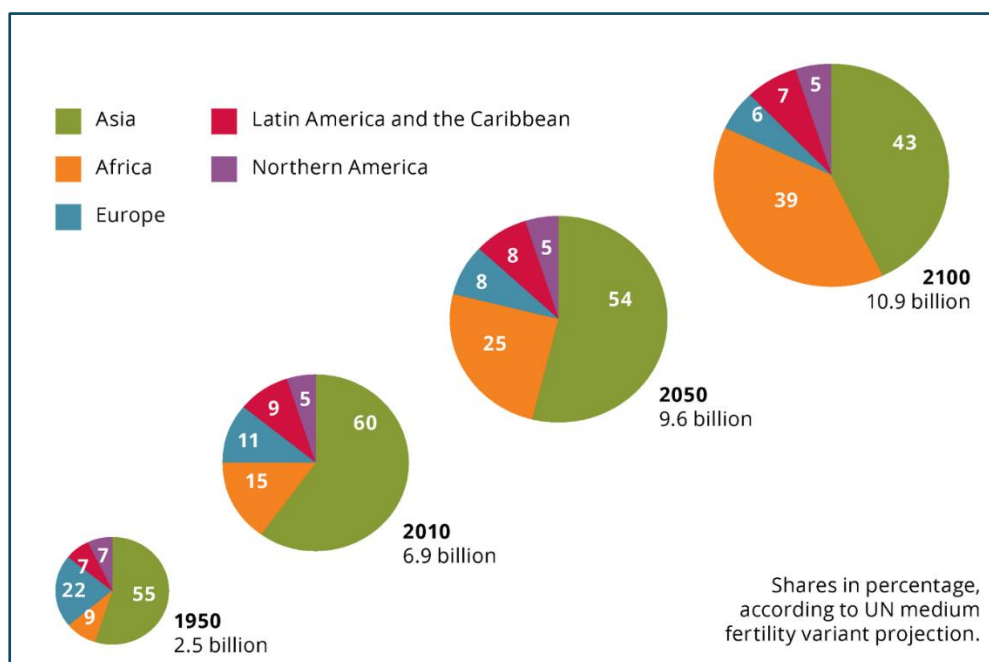


# Demographic Shifts and Trade Dynamics

Demographic shifts are profoundly influencing trade patterns and global economic growth. Mature economies like Japan, the EU, the U.S., Russia, and China face significant challenges due to aging populations, leading to stagnant consumption and slower economic expansion. With fewer younger workers entering the labour force, these economies are grappling with declining productivity and increasing financial pressures from pension and healthcare obligations.

In contrast, youthful nations such as India, Nigeria, Brazil, Indonesia, and Pakistan are emerging as vibrant economic players. These countries boast expanding middle classes, abundant labour forces, and dynamic consumer markets. For instance, India, where just 7% of the population is over 65, is positioned as a high-growth market, attracting foreign investment in sectors like technology, manufacturing, and retail. Similarly, Brazil, Nigeria, and Indonesia are leveraging their demographic advantages to foster industrialization, attract investment, and enhance global trade.

As businesses and governments recalibrate their strategies, these demographic contrasts underscore the need to tap into the growth potential of youthful economies while addressing the economic constraints of aging populations. Industries that adapt to these shifts by exploring new markets, embracing local manufacturing, and innovating supply chain solutions will be better equipped to thrive in the evolving global landscape.





# Trade Opportunities with GCC Countries

As the world comes to terms with Trump's great global reset, especially as it related to trading with the US, other regions present interesting markets and opportunities. This report briefly examines the Gulf Cooperation Council (GCC) region for our clients and consulting activities.

The GCC region, including the UAE and KSA, presents significant trade opportunities due to its high GDP per capita and ongoing economic diversification efforts. Economic growth between 2025 and 2030 across the region is expected to be around 5% p.a. The GCC in 2023 had a population of 57.6 million.

Most GCC nations are investing heavily in port and logistics infrastructure to enhance trade connectivity. Additionally, they are building diversified domestic manufacturing sectors focused on food production, healthcare, tourism, and retail. These initiatives create robust demand for international partnerships, offering opportunities for businesses to tap into a thriving market.

The GCC's strategic location, coupled with its commitment to fostering a diversified economy, positions it as an attractive destination for global trade and investments. Furthermore, the UAE and KSA present themselves as regional gateways from which to trade with the larger region.





# Investing in the Future: The Expanding Influence of GCC Sovereign Wealth Funds



## GCC Sovereign Wealth Funds

GCC sovereign wealth funds (SWFs) are among the most influential in the world, managing a significant portion of global assets. Here are some key highlights:

- **Scale and Influence:** GCC SWFs collectively manage approximately \$4.9 trillion in assets, with projections suggesting this could surpass \$5 trillion by early 2025 and reach \$7 trillion by 2030. They account for around 40% of global SWF assets.
- **Major Players:** The leading funds include the Abu Dhabi Investment Authority (ADIA), Saudi Arabia's Public Investment Fund (PIF), Qatar Investment Authority (QIA), and Kuwait Investment Authority (KIA). These funds are pivotal in driving regional and global investments.
- **Investment Strategies:** GCC SWFs have diversified their portfolios, investing in sectors such as technology, infrastructure, renewable energy, and healthcare. They are also increasingly focusing on high-growth markets in Asia, including China and India.
- **Economic Diversification:** These funds play a crucial role in reducing the region's reliance on oil revenues by supporting economic diversification initiatives.
- **Global Impact:** GCC SWFs have been active in global deal-making, deploying billions of dollars annually in strategic investments across various industries and regions.

# The Road Ahead for Global Trade

The global trade landscape is transitioning to a multipolar system, with emerging markets and BRICS nations playing increasingly pivotal roles. Countries must navigate tariffs, geopolitical tensions, and demographic trends to foster a resilient global trading system.

Businesses seeking to adapt can explore emerging markets and localized manufacturing to offset risks in mature economies. As nations recalibrate their trade strategies, President Trump's policies have undeniably initiated a global trade reset, leaving both opportunities and challenges in their wake.

Many companies in the US, Canada, and Europe have traditionally prioritized accessible and established distribution markets. However, with the shift in global trade dynamics under Trump's policies, now is the moment to explore and evaluate alternative markets. Numerous regions worldwide offer significant growth potential and lucrative trade opportunities. Emerging markets like India, Southeast Asia, and Africa boast expanding middle classes and growing populations. Meanwhile, regions such as the GCC stand out with their high GDP per capita and openness to trade and investment.

It's a good time for businesses to urgently begin investigating these promising trade and distribution prospects.

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## About Europhia Consulting

Europhia Consulting specializes in providing strategic and operational consultancy services in supply chain, logistics, and distribution in the UAE and Europe. The company works across industries such as food, retail, and life sciences, offering tailored solutions to establish and optimize regional distribution and streamline logistics processes.

A key area of expertise is assisting companies in setting up their distribution businesses in the UAE. Europhia Consulting provides comprehensive end-to-end support, including:

- **Go-to-market studies:** Evaluating scalable distribution opportunities, competitors, partnering, market channels, M&A and logistics.
- **Location Studies:** Identifying ideal warehouse and/or office locations based on market benchmarks.
- **Regulatory Guidance:** Advise on licensing models, taxation, VAT, accounting, and auditing to ensure compliance with UAE regulations.
- **Logistics and Staffing Support:** Offering solutions for logistics operations and commercial staffing to facilitate smooth business setup.
- **Project Management:** Managing the end-to-end process for a seamless and timely "go-live" execution.
- **Real Estate Solutions:** Assessing warehousing and office space requirements, considering factors like infrastructure, labour costs, and proximity to key markets.

By leveraging its deep regional expertise, the company empowers businesses to establish resilient and scalable distribution models in the UAE and beyond. Europhia Consulting has been operating in the UAE since 2008.

Contact us for a free consultation on how we can help your company establish and grow your Middle East distribution business.

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