

“Tariffs, Taco and Cepas: diverging trade paths in a fragmenting world”, Op-ed in Arabian Gulf Business Insight (AGBI), 17 July 2025

The opinion piece titled “[Tariffs, Taco and Cepas: diverging trade paths in a fragmenting world](#)” was published in Arabian Gulf Business Insight (AGBI) on 17th July 2025.

“Tariffs, Taco and Cepas: diverging trade paths in a fragmenting world”

On July 9 the 90-day tariff pause imposed by the Trump administration came to an end, reigniting global trade tensions.

Several countries now face a fresh wave of levies scheduled to take effect on August 1.

These include a 25 percent tariff on nations such as Japan and South Korea, both currently in trade negotiations with the US; 30 percent on the European Union, Mexico and South Africa; 35 percent on Canada; 40 percent on Laos and Myanmar and a steep 50 percent rate on Brazil.

In a broader escalation, the administration also threatened an additional 10 percent tariff on Brics nations should they pursue what it describes as an “anti-American” policy stance.

For many small, developing, export-orientated countries, the loss of access to US markets represents a major economic

shock.

Adding to the pressure, a 50 percent tariff was announced on copper – a critical material used in everything from wiring and plumbing to clean energy and AI infrastructure.

Other sectors under consideration for new imposts include pharmaceuticals, semiconductors and lumber, potentially broadening the impact across global supply chains.

Unlike the April announcement, which triggered a stock market sell-off, last week's developments barely ruffled investor sentiment.

Wall Street remains at record highs, and Nvidia reached a \$4 trillion market cap milestone – suggesting markets view the threats as negotiating theatrics, summed up by the acronym Taco: Trump Always Chickens Out.

But this calm may prove premature. Markets could be underestimating the risk that rhetoric hardens into policy.

US protectionism, aimed at shielding domestic industries under the guise of national security, has proven disruptive. It has fractured supply chains, distorted trade and investment flows and injected global economic uncertainty, affecting far more than direct trade partners.

Policy volatility has surged to levels not seen since the pandemic, heightening uncertainty over monetary policy, debt and interest rates, given tariffs' impact on inflation and growth. Tariffs act as a tax on imports, raising prices for both intermediate goods and consumer products.

The Fed is left with a dilemma: keep policy tight to fight inflation and risk stifling weak growth, or accommodate price shocks and face Trump's attacks on the Fed chair for not cutting rates.

GCC nations were initially hit with a blanket 10 percent US

tariff, with sectors like aluminium and steel facing duties of up to 25 percent. The latest list now imposes a 30 percent rate on Algeria, Iraq and Libya, and 25 percent on Tunisia.

A major focus is the transshipment of goods from China, an issue raised in the US-Vietnam trade agreement, which introduces a 20 percent general tariff and a 40 percent rate on transshipped goods. Yet the definition of “transshipment” remains vague: does it mean rerouting and repackaging, or include Chinese inputs?

For Gulf countries like the UAE, Saudi Arabia and Qatar, global logistics and re-export hubs, with deep trade ties to China and extensive special economic zones, the implications are serious. These states could face further tariff pressure unless they increase local value addition to ensure goods meet domestic origin criteria.

The UAE’s agreements with China to develop EV and solar glass manufacturing facilities mark strategically important steps toward localisation. This shift is increasingly essential, particularly as rules of origin pose major hurdles in trade talks, as seen in the ongoing US-India negotiations.

In contrast to US protectionism, the UAE has pursued a radically different path. By negotiating around 27 comprehensive economic partnership agreements (Cepas), it has positioned itself as a global model of trade and investment liberalisation.

These Cepas go well beyond traditional free trade deals, covering goods, services, digital trade and investment. They also address non-tariff barriers and standards, creating a seamless framework for global commerce.

Such deep trade agreements also drive investment and innovation. The UAE is a case in point: its non-oil foreign trade surged 19 percent year-on-year in Q1 to AED835 billion, far outpacing the global average of just 2-3 percent.

At this pace, the UAE is set to reach its AED4 trillion trade goal within two years – ahead of its 2031 target.

It has also emerged as a major FDI destination. Inbound investment rose 49 percent to \$46 billion in 2024, ranking second globally for greenfield projects, behind only the US.

Beyond trade and investment, the UAE is attracting entrepreneurs, skilled professionals, including tech talent, and high-net-worth individuals, a testament to a stable, business-friendly ecosystem.

Trade remains a critical engine of economic growth. Cepas support not just liberalisation, but also economic diversification and modern industrial strategy.

For the GCC, these deals are forging resilient new corridors linking the Gulf with fast-growing Asian markets and the demographic powerhouse of Africa.

Combined with the region's rapid tech adoption, from AI to green data centres and clean energy exports, Cepas can place the GCC on a more sustainable growth path.

In a world where political and economic fragmentation threatens prosperity, the UAE offers a compelling countermodel: strategic openness remains the most viable path to a resilient, high-growth economy.

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“Trumponomics, tariffs and the global flight from the US”, Op-ed in Arabian Gulf Business Insight (AGBI), 28 Apr 2025

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Trumponomics, tariffs and the global flight from the US

GCC and Asian economies are moving to de-risk from American dominance. Economic policy must focus on reconfiguring the global trade, financial and technology landscape

The rise of “Trumponomics” has sharply heightened global trade tensions, economic uncertainty and market volatility.

It’s no overstatement to say that the US administration’s erratic tariffs and policies risk the dissolution of the “rules-based order” established by the US and the West after the second world war, severely eroding America’s global credibility and geopolitical hegemony.

The concept of Trumponomics extends well beyond tariffs and

trade wars to include chip and technology battles, as well as broader protectionist policies – subordinating economic interests to national security imperatives rather than to financial rationale, comparative advantage, or the functioning of free markets.

President Donald Trump's approach harks back to a bygone era when manufacturing was the foundation of financial power.

In contrast, today's US economic strength is anchored in tech-based services, with the country running a substantial \$293 billion surplus in trade in services and revenues from intellectual property rights.

In a globalised economy physical location matters less than participation in supply chains and the ability to navigate growing product complexity.

However, US efforts to decouple from China – combined with rising tariff and non-tariff barriers with the EU, Canada, Mexico and others – already signal a restructuring of global supply chains.

Tariffs, retaliation and trade policy uncertainty have prompted the IMF to downgrade its growth forecasts sharply, revising global growth down by 0.5 percentage points to 2.8 percent for this year.

In the Mena region growth is now projected at only 2.6 percent – a downward revision of 0.9 percentage points – with Saudi Arabia and the UAE expected to expand by 3 percent (down from 3.3 percent) and 4 percent, respectively.

While the direct impact of the US tariff hikes on Mena will be limited, \$22 billion in non-oil exports is at risk. Bahrain, Egypt, Jordan, Lebanon, Morocco and Tunisia are expected to be significantly affected by the new tariff hikes.

The indirect impact stems from several factors: weaker oil

demand and Opec+ production hikes, which could push prices lower and hurt oil-exporting nations; pressure from a weakening dollar; a pause in the IPO pipeline amid heightened market volatility and increased financing costs, with rising interest payments posing challenges for highly indebted countries such as Bahrain, Morocco, Jordan, Tunisia and Egypt.

These pressures are also likely to weigh on trade-dependent sectors such as transport and logistics.

Buffering strategies

For Asian and Arab economies – particularly those led by the GCC – economic policy must increasingly focus on reconfiguring the global trade, financial and technology landscape to reflect the priorities of a more multipolar, non-US-centric order.

The first critical building block of this new order is the development of deep, reciprocal regional and bilateral trade agreements that extend beyond goods to encompass broader policy areas.

For the GCC, immediate strategic priorities include securing a trade agreement with the Asean Free Trade Area and finalising a long-negotiated free trade agreement with China.

The second task at hand is the development, deepening and interlinking of financial markets. As of the end of 2024, the US accounted for almost half of global equity market capitalisation, with the size of its financial markets reaching nearly 200 percent of GDP – compared to just 50 percent for China.

The dominance of US markets means that financial shocks originating there – as witnessed during the global financial crisis – reverberate worldwide. This highlights the urgent need for regions like the GCC to reduce their exposure and de-risk from US financial markets.

The capital-exporting GCC financial markets should be integrated. Their larger size allows them to link to Singapore, Hong Kong and Shanghai efficiently. Linking with Asian markets would transform the GCC into a global player in financing the energy transition, AI, robotics, biotech and automation.

The third step entails de-risking regional payment systems from the US dollar and its increasing weaponisation.

As of January 2025, according to global finance network SWIFT, the dollar accounted for 50 percent of global payment transactions – compared to the euro's 22 percent and the Chinese yuan's 4 percent. Its dominance in the trade finance market is even greater, with an 83 percent share, versus just 6 percent for the yuan and 5 percent for the euro.

However, the future belongs to digital currencies. As global supply chains continue to pivot towards Asia and China, the yuan – and particularly the digital yuan – are likely to form the basis of a growing share of non-dollar trade financing.

Yet for the yuan to truly become a global reserve currency, China must accelerate the development of broad, deep and liquid domestic debt and financial markets.

Full convertibility of the yuan remains a critical milestone if it is to stand as a viable, long-term alternative to the US dollar.

Meanwhile the ongoing Trumponomics-driven trade and technology wars are accelerating a pivot towards the East – and prompting the GCC and its linked economies to intensify efforts to de-risk from overexposure to the US.

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