



trade relations. Experts at the Brookings Institution believe that such alliances could help mitigate the effects of US protectionist policies.

#### Asia's complex ties with new Trump admin

The economic outlook for Asia during Trump's second presidential term will be shaped by its intricate trade relations with the United States. While some countries see opportunities to strengthen ties, others are bracing for ongoing tensions.

The government's focus on reducing the US trade deficit with China and addressing claims of intellectual property theft will remain central issues in bilateral relations. China continues to be at the forefront of Trump's trade agenda and foreign policy. The trade war between the US and China, which dominated much of Trump's first term, is expected to escalate during his second term. The government's emphasis on reducing the US trade deficit with China and tackling intellectual property theft claims will continue to be key topics in their relationship. Meanwhile, experts predict that China will persist in diversifying its supply chains and lessening its dependence on American technology. Initiatives like the Belt and Road project are likely to play a significant role in China's strategy to expand its global influence.

The tariffs imposed during Trump's first term have already disrupted China's export-driven economy, particularly in sectors such as electronics, machinery, and textiles. As the US considers more restrictions, including technology bans, China is responding by diversifying its export markets and bolstering domestic consumption. According to a report by the Peterson Institute for International Economics, tariffs have led to a decline of over \$300 billion in trade flows between the US and China from 2018 to 2021, significantly impacting global supply chains.

Trump's administration has placed emphasis on limiting China's access to critical technologies, particularly in the semiconductor and 5G sectors. In response, China has ramped up its efforts to achieve technological self-sufficiency. Initiatives such as "Made in China 2025" and substantial investments in artificial intelligence, quantum computing, and green technologies illustrate Beijing's strategy to reduce reliance on imports from the US. Analysts at McKinsey believe that China's focus on innovation could position the country as a leader in renewable energy technologies over the next decade.

#### Belt and Road Initiative (BRI)

China's Belt and Road Initiative, aimed at developing infrastructure and strengthening trade relations across Asia, Africa, and Europe, continues to expand. The onset of Trump's second presidential term is expected to challenge these efforts through the promotion of alternative trade alliances and increased scrutiny of Chinese investments abroad. The Council on Foreign Relations underscores that US opposition to the BRI may encourage China to bolster ties with regional partners like ASEAN countries to alleviate external pressures.

One of the main points of contention between the US and China is financial decoupling. The Trump administration has taken steps to limit access for Chinese companies to US capital markets, particularly those linked to state-owned enterprises or the military. In response to these moves, China is striving to internationalize the yuan and is utilizing platforms such as the Shanghai International Energy Exchange to conduct oil transactions in its currency. A recent report from the International Monetary Fund (IMF) indicates that a more prominent role for the yuan in global trade could reduce China's vulnerability to US sanctions.

#### Geopolitical considerations

Beyond trade issues, geopolitical tensions over Taiwan, the South China Sea, and human rights concerns will also impact economic relations. Trump's administration's explicit support for Taiwan and criticism of China's policies in Xinjiang has added further strain to an already tense relationship. Analysts warn that escalating tensions could spill over into economic domains, potentially affecting investment flows and the stability of global markets.

Japan's economic outlook during Trump's presidency is cautiously optimistic. The Bank of Japan recently raised interest rates to their highest level in over 16 years, reflecting confidence in the country's economic resilience. Strong trade relations with the United States are expected to persist, although potential tariffs on auto exports remain a concern. Emerging economies like India, Vietnam, and Indonesia may find new opportunities as companies diversify away from China. However, these markets face challenges such as inflationary pressures and the potential for capital flight if US interest rates rise. Additionally, Trump's immigration policies could impact labor markets in countries that are heavily dependent on remittances.

Africa's economic relationship with the United States has historically been limited compared to other regions. However, Trump's second term may bring

new opportunities and challenges for the continent.

#### Trade partnerships

The African Growth and Opportunity Act (AGOA), which provides preferential trade access to the US market, is set to expire in 2025. Experts are closely watching whether the Trump administration will extend or amend this program. Broader trade partnerships could bolster industries such as textiles and agriculture in African nations.

China has been the dominant partner in Africa's infrastructure development, but there is potential for increased US engagement. The Trump administration has expressed interest in countering China's influence on the continent, particularly through private sector investments in energy and technology. Trump's focus on countering terrorism and strategic alliances may impact economic policies in Africa. Increased military cooperation could lead to investments in infrastructure and training, especially in conflict-affected areas.

#### A shifting landscape for Latin America

The economic outlook for Latin America during Trump's second term is shaped by trade dynamics, immigration policies, and geopolitical considerations. The United States-Mexico-Canada Agreement (USMCA), which replaced NAFTA, remains the cornerstone of US-Mexico trade relations. While this agreement has provided stability, experts



The EU has announced that it will respond in kind to any aggressive trade actions taken by the US... The union's tit-for-tat approach, which led the European Commission in 2020 to impose tariffs worth \$4b on American goods, including airplanes and agricultural products, is expected to persist, likely resulting in further trade disruptions.

warn that the potential imposition of new tariffs by Trump could sour relations and disrupt supply chains.

Trump's stringent immigration policies have significant economic implications for Latin America, particularly for countries dependent on remittances. A reduction in migration opportunities could place pressure on local economies and exacerbate inequality.

#### Opportunities in energy and agriculture

Trump's emphasis on energy independence may open up avenues for Latin American countries to increase oil and natural gas exports to the US. Similarly, agricultural trade agreements could benefit countries like Brazil and Argentina, although environmental concerns remain a contentious issue.

Trump's aggressive policies, including his calls to lower oil prices and interest rates, could destabilize global markets. Critics argue that his protectionist approach undermines the principles of free trade and heightens the risk of geopolitical tensions.

Despite the challenges, there is potential for constructive collaboration between the US and its trade partners. Open dialogue on issues such as climate change, technology, and global health could pave the way for mutually beneficial outcomes.

Trump's preference for fossil fuels over renewable energy has prompted other countries to ramp up their green energy initiatives. Particularly, Europe and China are positioning themselves as leaders in the transition to sustainable energy.

The beginning of Trump's second presidential term marks a period of economic uncertainty worldwide. While some regions see opportunities for growth and collaboration, others face challenges stemming from protectionist policies and geopolitical tensions. The global economic outlook is likely to be shaped by how countries adapt to and maneuver through Trump's aggressive economic agenda. As the world watches, the balance between risk and opportunity remains precarious, underscoring the interconnected nature of today's global economy.

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