Globalization Redefined: How the New Tariff Wars are impacting Globalization

21st May 2025, 16:00 IST (19:30 JST) Wednesday

About the Organizer

Mizuho India Japan Study Centre (MIJSC) is a Centre of Excellence at the Indian Institute of Management Bangalore, established in 2017, dedicated to promoting deeper economic, cultural, and strategic ties between India and Japan. Chaired by a career diplomat Amb. Jaideep Sarkar and led operationally by an Industry Veteran Mr. Saideep Rathnam, MIJSC's mission is to foster mutual understanding and build expertise in areas such as manufacturing, corporate governance, start-ups, innovation, and cultural exchange. Through collaborative research projects, executive education programs, student and faculty exchanges, and regular webinars and seminars, the Centre serves as a dynamic hub for knowledge-sharing and capacity building in India–Japan relations.

About the Initiative

The Webinars and Seminars Initiative is a dynamic platform that brings together global experts, practitioners and policy-makers to share insights on pressing challenges and opportunities. Its core themes include Science, Technology & Sustainability; People, Art & Culture; Innovation, Entrepreneurship & Society; and Leadership, Management & Business Culture. A special focus of this series is to deepen India–Japan ties, fostering bilateral dialogue through joint sessions, case-study exchanges and collaborative research. By leveraging each country's strengths—India's vibrant startup ecosystem and Japan's cutting-edge technologies—the initiative aims to catalyze new partnerships, policy alignment and capacity building across both nations.

About the Speaker:

Dr. Tomoo Kikuchi is a leading authority on international macroeconomics and Director of the Institute of Japan in the Global Economy at Waseda University. With prior faculty appointments at top institutions including the National University of Singapore and Korea University, and visiting positions at MIT Sloan and Keio University, he brings unmatched regional insight and global perspective.

His research combines rigorous theory with real-world policy relevance, and his work has appeared in premier economics journals such as Journal of Economic Theory and Journal of Money, Credit, and Banking. A trusted voice in economic policy circles, he serves on editorial boards and regularly advises on issues at the intersection of trade, finance, and regional integration

About the Moderator:

Saideep Rathnam is the Chief Operating Officer of Mizuho India Japan Study Centre, bringing a wealth of 47 years of industry and academic experience to the Centre. An alum of IIM Bangalore, from Hindustan Aeronautics Ltd. to British Aerospace, UK he has spent over 2 decades in the aeronautics industry and over 18 years in the automotive sector in various capacities including president of manufacturing excellence at Anand Automotive Ltd. He is also a Certified Chartered Management Accountant [CMA], UK. He wears many hats and has chaired Anand University, helping companies in the fields of management of change and innovation. Recently, he drove the Visionary Leaders for Manufacturing (VLFM) program as a Senior Advisory Committee Member of CII.

Context:

The resurgence of tariff wars in 2025 signals a decisive redefinition of globalisation. What was once characterized by liberalized trade, open markets, and integrated supply chains is now giving way to a fragmented, politicized, and security-driven global economy. The escalating U.S.-China trade conflict—and the extension of punitive tariffs to traditional allies such as Japan—has triggered a global retreat from multilateralism, accelerating the shift toward what can now be termed "Selective Globalisation."

This new phase reshapes the very foundations of global trade. The imposition of 25% U.S. tariffs on Japanese automobiles and auto parts, for example, has disrupted a core pillar of Japan's export economy, affecting manufacturing, logistics, and sector-wide profitability. More broadly, the tariff environment is distorting trade flows, driving supply chain realignments, and forcing companies to reassess global operations. Input costs are rising, investment confidence is waning, and access to foreign markets is becoming more politicized.

As the global economy fragments into competing blocs, the rules-based trading system is being undermined, particularly for smaller and developing economies. This webinar will examine how tariff wars are not just economic events, but structural shifts that are fundamentally redrawing the map of globalisation, with long-term consequences for trade, investment, and geopolitical alignment.

Dr. Kikuchi's Talk:

Okay… thank you, Mr. Ratnam, for the kind introduction and for laying down the topic for today so excellently. I'm truly grateful. First, I'd like to extend my sincere thanks to the Mizuho India Japan Study Center at IIMB for inviting me. It's a real honor to be speaking on issues that dominate the headlines every day.

I was hoping to join this discussion alongside Professor Urata, someone I deeply respect. He's been a role model for many of us in Japan, especially those of us studying international economic relations. I hope he'll be able to join us later. If not… well, the pressure's on me. I'll do my best not to disappoint.

As for my background—I'm a macroeconomist. I study how global economic dynamics shape national development. So, my comments today are going to be at the macro level. I don't have specific industry or sector expertise, and I want to be upfront about that.

Now, let me begin by talking about my understanding of President Trump's tariff policies. In my view, his core objective has been to solve the U.S.'s twin deficits: the trade deficit and the fiscal deficit. These deficits began to emerge after the Bretton Woods system ended in 1971.

Trump's argument is that other countries are growing wealthier at the expense of the U.S. And to be fair, he's been consistent on this point. If you look at his interviews from the 1980s, he was saying pretty much the same thing—only then, his main target was Japan. Today, it's China.

Now, why does Trump think resolving the twin deficits is so critical? On the surface, it seems counterintuitive—especially since international trade under a liberal economic order has allowed global trade volumes to explode and lifted many economies. But that's exactly Trump's argument. He believes that, even if tariffs cause a net global loss, the U.S. would still come out ahead relative to others. Given America's resources and military power, he might not be entirely wrong.

But here's the issue: You can't just move from one steady state to another, from today's U.S. position back to some pre-1970s structure. That kind of transition would require huge, painful adjustments—for American households, businesses, governments, and, frankly, for the rest of the world. I think such a shift is doomed to fail.

Another angle: The U.S. dollar remained the world's reserve currency even after Bretton Woods ended because the U.S. became the largest importer and provider of global currency. You can argue about whether being the world's reserve currency is good or bad. But trying to eliminate the twin deficits while still expecting the U.S. dollar to hold its global role is... schizophrenic. These two things are linked. You can't just pretend they're not.

So, I find Trump's trade strategy confusing. It's likely to damage U.S. interests in the long run. First, it's unclear if the tariffs will even reduce trade deficits. Second, even if they do, the cost will be borne by American consumers. Countries like Japan might increase investment in the U.S., but this will come at the cost of efficiency—and again, U.S. consumers will pay.

Globally, it will depress demand. Companies will hunt for new markets. Japan won't retaliate—we rarely do—but we will seek compromises. Simultaneously, we'll deepen trade ties elsewhere—with the EU, Latin America, through CPTPP, RCEP, and others. We want to play a proactive role in saving institutions like the WTO from dysfunction, ideally alongside Europe and others.

On the security front, I believe the Trump administration understands how important Japan is for maintaining U.S. influence in the region. Yes, Japan will have to shoulder more defense costs. I don't think that's necessarily a bad thing. It may grant us more autonomy in policymaking—including in security. The U.S. will remain our most important ally, but we'll also seek multilateral cooperation—such as the fighter jet project with the UK and Italy.

To conclude this part, I see Trump's approach not as the cause of U.S. decline but as a symptom of it. The world order is shifting. In East Asia, that's particularly alarming. So many of us rely on exports and the U.S. dollar. We need multilateral solutions. Acting unilaterally will only drive us into a worse equilibrium—less trade, lower welfare. Those are my thoughts. Thank you for listening. I look forward to the discussion.

Economic Impact of Tariff Wars

Saideep:

Thank you, Dr. Kikuchi. I think there's a lot of wisdom in what you've shared. You've subtly conveyed that this so-called "tariff war" isn't really a war—unless we choose to make it one. Very well put. As you summarized, the world needs to reinvent itself, dealing with both U.S. decline and the ripple effects of that decline on others.

Now, I want to ask you a specific question. Japan has been very dependent on the U.S. market—especially in autos, electronics, machinery. With rising protectionism, do you see this as creating a vulnerability for Japan in the short term? Can Japan afford to continue with this kind of export concentration?

Dr. Kikuchi:

You're absolutely right to raise that. But Japan has faced U.S. pressure before. I recall how in the 1980s—after the Plaza Accord—the yen was pushed up drastically. That hit our auto industry hard. But what did Japanese automakers do? They started shifting production to the U.S. and other countries.

So yes, tariffs and currency shifts matter—but Japan adjusted. Today, Japanese cars are often made directly in North America. In fact, Japan is no longer the classic export-driven economy. Over the past decade, we've seen more trade deficits than surpluses. But our current account remains positive because of returns on overseas investments.

So, even with trade deficits, Japan benefits from the income it earns abroad. U.S. service exports to Japan are huge—platforms, data centers, IP licensing. But Japanese firms earn more globally. That's why we still have a current account surplus.

In short, yes—tariffs cause disruptions. But Japanese multinationals are resilient. Whether it's investing more in the U.S., Mexico, Canada—or looking to new markets in Southeast Asia or India—they'll find a way. The world is changing. The U.S. is declining relatively. And we must adapt.

Fragmentation of Trade

Saideep:

You mentioned earlier that Japan is negotiating, not retaliating. India too has taken a negotiation-based approach. But this has been criticized for moving away from multilateralism toward bilateralism. As tariffs rise, WTO seems to be on the brink of collapse. Are we heading toward a fragmented, politically driven trade system again? And what does that mean for global stability?

And, second—related to this—isn't this disruption of global supply chains a sign that we miscalculated the geopolitical risks embedded in globalization?

Dr. Kikuchi:

These are deep concerns, and I share them. The potential collapse of WTO is worrying. But frankly, Trump is unique. Other global leaders don't think like him. That's why, while we face uncertainty, the rest of us must defend the liberal order—even if the U.S. opts out.

I think there's growing unity—Japan and EU, for example. Even China may step in to fill the void left by the U.S., because it's in their interest. They've grown under liberal trade. It's not in their favor to revert to protectionism.

As for global supply chains—yes, we've seen multiple disruptions: COVID, Trump, etc. But while the short-term impact is chaos, multinationals can and will adapt. The U.S. isn't the only market. In the medium to long run, these companies will realign.

You're right—some of these realignments were inevitable. Trump just accelerated the trends. Diversification is now the norm.

Tariffs and Diplomacy

Saideep:

There's a quote—"Only idiots refuse to change their minds." I won't say who that might apply to. But in India too, people feel the government is too soft with the U.S. Do you see Japan's diplomatic posture as limiting its ability to push back?

Dr. Kikuchi:

Japan today isn't the Japan of the 1980s. Back then, we had a huge trade surplus with the U.S. Today, that's no longer true. Our major trading partner now is China.

Of course, Japan won't confront the U.S. head-on—it's not our style. But we also won't roll over. We've got more leverage now. The Japanese administration is tougher than people think.

And you know, there's a quote from Charles Darwin I like: "It is not the strongest who survive, but those who adapt." That's what we need to do—adapt.

Saideep:

Some in India believe our government is too soft. Is there similar dissent in Japan?

Dr. Kikuchi:

There's some parliamentary opposition. Some want a tougher stance. But overall, this situation is pushing Japan to think beyond the U.S. We need to prepare for a future where we can't always rely on them. That's a healthy shift. It's about survival.

Economic and Security Nexus

Saideep:

Let me take you into geopolitics. Japan seems to have had economic stagnation for years. Has that weakened its regional influence?

Dr. Kikuchi:

Yes, our economic power has waned. In the 1990s, Japan's GDP was bigger than China, India, and Southeast Asia combined. Now, China's economy is multiple times bigger than ours. The world has changed.

But interestingly, our **soft power** has grown. Take the CPTPP—after the U.S. walked away, Japan led the effort to revive it. That would've been unthinkable 30 years ago. Our companies have become global. Over 30–40% of profits and production happen outside Japan.

Our strategy has shifted—from domestic growth to defending the liberal economic order globally.

Negotiations and Flashpoints

Saideep:

Final question before we take audience queries. Are today's trade negotiations addressing the real root causes, or just managing symptoms of deeper fractures? And how credible are multilateral trade deals in today's protectionist climate?

Dr. Kikuchi:

Good question. I'd ask—what do you think the root cause is? I suppose one could say Trump and Putin are symptoms. But the deeper issue is how countries have managed globalization.

In the U.S., Trump blames China for the decline in manufacturing and jobs. But that was a political choice. The U.S. favored tech giants and let them monopolize markets. They barely pay taxes. That's not China's fault.

Globalization can't be blamed. Governments failed to manage its consequences—inequality, displacement, etc. The same with immigration in Europe. The backlash we see is about integration failures.

Yes, there are winners and losers in globalization. Often, the winners are multinational giants—not local communities. So, regulation and public policy matter more than ever.

We need to ask: who benefits from the current system? Who governs it? That's the work ahead for all of us.

And yes—I invite India to reconsider joining RCEP. Even the UK joined CPTPP after leaving the EU. That's the way forward. Closer cooperation. Broader alliances.

Audience Interaction and Closing Remarks

Audience Question:

There's a question about the dominance of the U.S. dollar in the global economy. Some people are now discussing alternatives like the Chinese yuan or even returning to the gold standard. As a macroeconomist, do you see that as a real possibility in the emerging world order?

Dr. Kikuchi:

That's a very interesting question. Personally, I don't think a return to the gold standard is realistic, though I know there are economists who idealize it. Yes, the gold standard historically brought low inflation and stability. It supported trade because fixed exchange rates reduced uncertainty. But going back would mean all countries would have to constrain their monetary policy severely. Given today's world—with the enormous levels of liquidity and aggressive monetary interventions—I can't see how it's feasible.

Now, regarding the U.S. dollar: what makes a global reserve currency work is **network externalities**. It's in everyone's interest to have one stable, widely accepted currency. It reduces transaction costs and exchange rate risks. But if the issuer—the U.S.—starts to undermine the stability or reliability of that currency, then yes, people will begin to look elsewhere.

But even then, what's the alternative? The euro is already widely used, particularly within the EU, but its reach is still limited. As for the Chinese yuan—again, not realistic. China's capital account is still quite closed. The government controls inflows and outflows of capital. I don't see them moving to full convertibility anytime soon. It's not in their immediate interest.

So, while the idea of a multi-currency world is intellectually interesting, I don't see a real infrastructure or political will to make it happen right now. That said, we **should** think more about regional diversification—regional currencies, digital currencies, blockchain-based systems. The technology is there. We need more imagination.

Do I have a clear answer about what will replace the dollar? No. But I think we need to keep asking this question seriously and prepare for a more diversified future.

Saideep:

Thank you. That was quite thorough. Another question that's been coming up often is—since this is a democracy—unlike Putin's Russia, Trump will not be around forever. So once Trump leaves office, will all these disruptions he's created reverse themselves?

Dr. Kikuchi:

Hopefully, yes—at least some of the more erratic behaviors. But many of the challenges we're talking about today are **not** about Trump. They're deeper U.S. structural trends.

Take Biden, for example. When he took office, he didn't rejoin the CPTPP—even though he had a chance. So frustrations like the decline of U.S. manufacturing, the rise in inequality, the erosion of the middle class… those issues persist. They'll outlive Trump.

Trump may use a unique method—the "Art of the Deal" style, creating uncertainty and confusing opponents—but the underlying problems would still be there even without him. And let's face it—he's aging too. He's not immortal. But we must expect that some of these policies or mindsets may stay, even if the person at the top changes.

Saideep:

Fair enough. Moving on—Japan historically looked to the U.S. as a major partner. But now, as you said earlier, China is Japan's largest trading partner. Given China's increasingly aggressive behavior, is there a "China plus" strategy in Japan? Are you actively diversifying economic dependencies?

Dr. Kikuchi:

Absolutely. Competing in China is getting harder. There's clear **overcapacity** in many Chinese industries. Japanese companies like Nissan have already started pulling back. The market has become saturated. On top of that, Chinese labor is no longer cheap.

So yes, Japanese manufacturers are moving—into Southeast Asia, and now increasingly into India. It's not just us—Apple's shift to India is a major indicator. And yes, diversification isn't new. Thailand, for example, has long been a Japanese production hub. There's even a concept of "Thailand plus one."

So "China plus one" is very real—and it's not just about Trump or short-term politics. It's a **structural trend** and it will continue. Japan, like many others, is recalibrating.

Saideep (Closing):

Wonderful. Dr. Kikuchi, you've been both an inspiration and a source of clarity in what is otherwise a highly disruptive and confusing time. What stood out for me was how you started—with a balanced view. You didn't rush to blame Trump; instead, you acknowledged his motivations, helping us understand the full picture.

Thank you for standing in for Professor Urata today. Your insights were razor-sharp, your patience commendable, and your honesty refreshing. There are many more questions from the audience, but we are short on time. I hope some of our participants will follow up with you directly.

Saideep (Final Words):

I would like to end this session by warmly inviting you to visit **IIM Bangalore**. It would be a privilege to host you and give our academic community a chance to learn directly from you.

Dr. Kikuchi:

Thank you very much. I'd be delighted. Thank you, Mr. Ratnam, for your moderation and to everyone who joined this session. I sincerely hope to visit Bangalore in the near future.

Namaste. Thank you.