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# The Failure of Globalization and Trump's Tariff War

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When Donald Trump first assumed power in 2016, it became abundantly clear that the American capitalist model of globalization, liberalization, and privatization had failed. The protectionism against which free-market economists had raged, which they deemed the greatest impediment to capitalist development—now, with Trump's tariff warfare, they appear as though struck dumb by a serpent. They lack the courage to admit their error. Capitalism has always been self-immolating, giving birth to its own crises; and then, by repeating the very mistakes that spawned these calamities, it plunges the entire world into turmoil.

If all people could find employment, if the income thus earned could be justly distributed, if expenditure on military ventures were redirected toward human development—then no crisis, no catastrophe need ever afflict the world. But this insatiable greed, this compulsion to possess what rightfully belongs to others, this voracious appetite to monopolize all employment—this capitalist disposition breeds crisis after crisis. It is this avaricious nature that compels capitalist states to craft economic policies concentrating capital into ever fewer hands, while depriving the multitude of purchasing power. Warehouses groan with surplus commodities, yet buyers vanish from the marketplace. Society becomes prey to overproduction and underconsumption. When society's purchasing capacity contracts to a privileged few, market demand collapses, and the entire economic edifice crumbles.

History bears witness to this recurrent tragedy. It was the very condition that ignited the French Revolution of 1789. French society was cleaved into three estates: the First and Second Estates—the clergy and nobility—possessed between 35 and 40 percent of the land yet paid no tax whatsoever, while 98 percent of the populace, the Third Estate, languished under crushing taxation and abysmal poverty. When bread prices soared beyond their means, the entire social order shattered.

We observe the same dynamics in the Great Depression of 1929-30—history's most perfect illustration of how wealth concentration engenders crisis. In 1920s America, that so-called Roaring Decade of breakneck prosperity, the wealthiest 1 percent commanded 24 percent of the nation's income. Productivity surged dramatically, yet workers' wages remained stagnant. Consequently, factories overflowed with goods, but the people lacked the means to purchase them. The inevitable result was the stock market crash, unemployment soaring to 25 percent, and global trade plummeting by 66 percent as demand withered.

The global financial crisis of 2008 emerged from the same soil. Though precipitated by the bursting housing bubble, extreme income inequality was the true underlying cause. Between 1980 and 2007, American middle-class incomes remained flat while the earnings of the top 0.1 percent exploded exponentially. Since real incomes failed to rise, the populace turned to debt to meet their needs. When this debt burden became

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insupportable, defaults began—and the entire banking edifice collapsed. Because the globalization policies of the 1990s had intricately interconnected the entire world order, the economic crisis that began in America engulfed the entire planet. According to World Inequality data, inequality in America had by then reached levels not witnessed since the Great Depression of 1929.

Even today, the fundamental cause of global economic crisis remains the concentration of income and wealth among a minuscule fraction of humanity. Various World Inequality Reports reveal that the wealthiest 1 percent now claim 19 percent of global income and 38 percent of global wealth. The top 10 percent corner approximately 52 percent of global income and 76 percent of global wealth, while the bottom 50 percent subsist on merely 8 percent of income and a paltry 2 percent of global wealth. This is the crisis's primordial source. Yet capitalist avarice impels all capitalist policymakers, economists, and institutions to adopt remedies for income inequality that only deepen the malady they purport to cure.

The loan conditionalities of the World Bank and International Monetary Fund—those Washington Consensus dictates masquerading as Structural Adjustment Programs—have played a principal role in exacerbating these conditions. Furthermore, the World Trade Organization's Agreement on Agriculture has engendered a global agricultural crisis of devastating proportions.

The policies of these institutions concentrate wealth among a handful of global capitalists while depriving the vast majority of any meaningful access to money. When capital accumulates among the plutocracy, it is funneled into speculation or other unproductive ventures; rather than investing in factories that build and produce, they devote themselves to extracting wealth from wealth itself. If that same money were to reach the poor and the middle class, it would generate immediate demand in the marketplace. Yet mainstream media remains conspicuously silent on the Structural Adjustment Programs—the very epicenter of the crisis. The implementation of these programs breeds such profound public discontent that it erupts in the form of riots; hence the coinage "IMF Riots."

The conditionalities imposed by the World Bank and IMF when extending loans demand that borrowing nations eliminate subsidies on fuel, electricity, medicine, food staples, and education. The consequence is that prices skyrocket overnight. Reductions in government expenditure necessitate brutal cuts to education, healthcare, and social security budgets, while revenues are augmented through crippling tax increases upon the populace. Public services become prohibitively expensive. Currency devaluation becomes unavoidable, inflating import bills; the prices of imported medicines, chemical fertilizers, and petroleum surge, while exportable goods must be sold at fire-sale prices. State-owned enterprises are privatized, and permanent employment is extinguished.

When the common man finds securing even two square meals a Herculean ordeal, when the populace becomes convinced that their government governs at foreign dictation, they take to the streets. Frequently, these protests metastasize into violent conflagrations, looting, and bloody confrontations with security forces. The world is littered with examples

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where Structural Adjustment Programs have ignited such upheavals. In 1977, Egypt's elimination of bread subsidies precipitated the "Bread Riots." In 2001, IMF-imposed austerity in Argentina triggered riots that compelled the president's resignation. Between 2010 and 2011, Greece's debt crisis and the consequent evisceration of public assistance and government spending provoked years of violent demonstrations.

IMF riots are not merely economic afflictions; they constitute a profound humanitarian catastrophe. They lay bare the truth that when the burden of economic reform is thrust upon society's most fragile shoulders, democracy itself and the very fabric of social stability stand imperiled.

We may comprehend this phenomenon through the contrasting yet tragically parallel cases of two nations: Sri Lanka and Pakistan. Both have swallowed the bitter medicine prescribed by the IMF-World Bank, and both have intimately witnessed the popular fury that follows.

Sri Lanka's collapse stands as a classic testament to how catastrophic governance, compounded by the coercive conditionalities of the Bretton Woods institutions, can hurl a nation into anarchic abyss. Sri Lanka had borrowed extravagantly while simultaneously slashing taxes, draining the state treasury to desiccation. When Colombo turned to the IMF for respite, it was compelled to impose staggering increases in electricity and fuel tariffs. The currency depreciated by over 40 percent. Kilometer-long queues snaked before petrol pumps; power cuts stretched to twelve-hour durations; essential foodstuff prices soared by as much as 90 percent. These impositions finally shattered the dam of public forbearance. The conflagration was named "Aragalaya"—the Struggle. The multitude stormed the Presidential Palace; the head of state fled his nation in ignominy. This is accounted the most momentous IMF-induced insurrection of modern history.

Pakistan, for its part, has subsisted on IMF life-support for decades, yet from 2023-24 onward, its crisis assumed unprecedentedly malignant dimensions. Islamabad solicited $6 billion in IMF credit, and the Fund responded with characteristically exacting strictures. Pakistan was instructed to elevate electricity and gas tariffs, to impose a petroleum levy. Inflation vaulted past 35 percent. Electricity bills arrived exceeding the monthly wages of ordinary citizens. The consequence: in disparate regions of the country—in Pakistan-occupied Kashmir, in Khyber Pakhtunkhwa—electricity bills were consigned to public flames, and trading communities declared nationwide strikes. There, economic rage intertwines perilously with political and religious extremism, engendering perpetual apprehension of a country sliding into conditions indistinguishable from civil warfare

Those nations that resisted the Structural Adjustment Program prescriptions of the IMF during the global economic crisis recovered from the turmoil. Let us examine some illustrative examples.

During the 2008 recession, while America and Europe employed taxpayer money to bail out collapsing banks, Iceland charted an altogether different course. Iceland permitted its banks to fail and refused to burden the populace with the consequences of private

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financial malfeasance. It allowed the megabanks to declare bankruptcy while safeguarding only domestic depositors. Iceland remains perhaps the sole nation that actually imprisoned the bankers and financial magnates responsible for the crisis. The IMF had recommended drastic cuts to health and education, but Iceland declined to comply, determined to preserve the common citizen's purchasing power. The outcome was that Iceland emerged from the crisis with far greater dispatch than its European counterparts.

Consider also the Asian financial crisis of 1997. Thailand and South Korea acceded to IMF conditionalities, and unemployment and poverty metastasized accordingly. But Malaysia's Prime Minister Mahathir Mohamad repudiated the Fund's counsels. He prohibited foreign investors from spiriting capital out of the country. The IMF demanded interest rate hikes; Malaysia kept rates low so indigenous commerce might flourish. The consequence was that Malaysia navigated the crisis with vastly less social damage than its neighbours.

Now take Portugal. In 2015, the Portuguese government resolved to reverse those IMF and European Union conditionalities that were breaking the backs of the citizenry. They restored salary cuts imposed upon public employees and elevated the minimum wage. The government's conviction was that only when money resides in people's pockets can the economy function. The outcome was GDP growth acceleration and unemployment reduction by more than half. This demonstrated conclusively that the genuine solution to crisis lies not in expenditure retrenchment but in placing money within the public's grasp. All these cases confirm that the resolution of economic crisis resides not in the concentration but in the circulation of capital.

We observe similarly that in December 1994, when the General Agreement on Tariffs and Trade was subsumed into the newly constituted World Trade Organization, the Agreement on Agriculture was executed. Under this compact, member nations were obliged to eliminate subsidies on fertilizers, irrigation, and electricity extended to agriculture. Public distribution systems and Food Corporation of India warehouses were to be dismantled. Export subsidies were to be abolished. When three agricultural laws were framed to implement this Agreement on Agriculture, farmers sat in sustained protest. In sum, the unbridled liberation of markets, the debt conditionalities of the World Bank and IMF, the Agreement on Agriculture, and the policies of globalization, liberalization, and privatization have engendered global economic crisis. The president of the very nation that pioneered these policies has himself commenced their assault. These policies were misguided; these very policies have precipitated currency depreciation. The disaffection proliferating across nations—the mass movements in Bangladesh, in Nepal—derive from these same policies.

It is essential also to comprehend the provenance of these policies, the intellects that conceived them. In 1776, the British economist Adam Smith first propounded in his work *The Wealth of Nations* that markets ought to be unfettered and government intervention in the economy minimized. This doctrine was denominated Laissez-faire. It engendered the Great Depression of 1929-30. In opposition arose another economist, John Maynard Keynes, who urged the American government thus: when wealth has concentrated among a handful of capitalists and the multitude is bereft of purchasing

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power, the state must intervene to place money in the people's pockets—tax the affluent, expend the proceeds upon employment generation and welfare undertakings—so that market demand might be stimulated. This policy succeeded; America emerged from the Great Depression.

It is imperative to recall here that the Russian Revolution of 1917 gave birth to an economic paradigm running parallel to that of Adam Smith—one wherein the state exercises dominion over the market and orchestrates economic activity through centralised planning. It was from this very source that Keynes drew his inspiration. Yet against this Keynesian interventionism emerged a fresh cohort of economists, subsequently denominated neoliberals. Among their number were Ludwig von Mises, his disciple Friedrich August von Hayek, and the American economist Milton Friedman.

Friedrich August von Hayek authored *The Road to Serfdom* as a polemic against the Soviet Union's central planning apparatus, arguing that nations which conduct their economies through centralised planning propel their citizenry along the path to servitude. These economists did not, however, advocate a pure Laissez-faire doctrine; rather, they contended that government intervention ought to exist—but exclusively to open new frontiers for capitalist expansion. Domains previously considered beyond the pale of commerce, where treatment was regarded as service rather than trade, where water had never been commodified—the state was to fashion such conditions that even these traditionally sacred or ethically restricted spheres might be thrown open to mercantile enterprise. This represented, to be sure, a return to Adam Smith's Laissez-faire, but repackaged for a new epoch.

It is the intellectual progeny of these economists that manifests as the Washington Consensus. It is their doctrines that materialise in the Structural Adjustment Programmes of the World Bank and IMF, and that find reflection in the policies of the World Trade Organization. As a consequence of these policies—with the exception of socialist nations—virtually all countries integrated their economies with those of the developed world. Today, the unbridled liberation of markets and the integration of one's economy with developed nations such as Europe and America constitute the very wellspring of crisis.

This truth was articulated decades ago by the Argentine economist Raúl Prebisch, the German-born British economist Hans Singer, and the Egyptian-born economist Samir Amin. The Prebisch-Singer hypothesis posits that just as a circle comprises a centre and a periphery which can never converge, so too in the global order are developed nations the centre and underdeveloped or developing nations the periphery. Those peripheral countries that have tethered their economies to the centre shall never, in terms of developmental velocity, approach proximity to it.

Raúl Prebisch laid the foundations of dependency theory. His argument was this: the terms of world trade are perpetually rigged in favour of developed nations, and peripheral countries remain condemned to perennial poverty. For they eternally export cheap raw materials—iron ore, petroleum, coffee, grain—to the centre, while the centre,

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technologically advanced and endowed with superior productivity, exports manufactured goods—machinery, automobiles, electronics—to the periphery. With the passage of time, the prices of raw materials steadily decline while those of finished products continually ascend. Peripheral nations must expend ever more currency to purchase manufactured goods, whereas centre nations acquire raw materials at diminishing cost. The dividends of global prosperity accrue disproportionately to the centre, while peripheral countries languish, their indebtedness compounding inexorably. They become dependent upon the centre for technology, for capital, for markets. This dependency engenders a self-perpetuating cycle from which extrication becomes Herculean. Thus the poverty of peripheral nations metastasises relentlessly.

What then constitutes the remedy? Raúl Prebitsch offers his prescription, but a more radical solution was propounded by another economist who now enters our narrative: Samir Amin. Born in Cairo on 3 September 1931, Amin resided in Dakar, Senegal, where he established the Third World Forum. During the 1950s, he advanced the dependency theory that had crystallised in Latin America. Introducing his theory of delinking, Amin contended that so long as peripheral nations remain economically integrated with the centre, their impoverishment is structurally guaranteed.

Raúl Prebisch believed that peripheral countries must adopt "import substitution industrialisation" to terminate their dependency. Those commodities which are imported from wealthy nations ought to be manufactured domestically. Heavy customs duties must be imposed upon foreign goods, thereby affording indigenous industries the opportunity to flourish without being crushed by external competition. State intervention is indispensable. Governments should extend subsidies to domestic enterprises and invest in infrastructure—electricity generation, road networks, steel production, cement manufacturing. Furthermore, smaller developing nations should cultivate trade among themselves, thereby nurturing an expanded regional market. Nehru adopted precisely this policy framework in India, and it is towards one facet of this same approach that Trump's protectionism now gropes its way back.

Samir Amin's perspective was more revolutionary and fundamentally political than that of Prebisch. He maintained that mere alterations in industrial policy would prove inadequate; the entire edifice required transformation. Amin insisted that developing nations must determine the prices of their commodities not according to global market dictates but in consonance with the necessities of their own labouring classes and local conditions. He argued that instead of concentrating exclusively upon large-scale industry, agriculture should be accorded primacy, thereby augmenting the purchasing capacity of the rural populace. For Amin, delinking signified not the complete cessation of international trade, but rather conducting trade upon one's own terms. Developmental priorities ought to be calibrated towards domestic consumption rather than export promotion.

If we undertake a comparative study of the ideas of Raúl Prebisch and Samir Amin, it becomes evident that Prebisch's objective was to achieve industrial development while remaining within the capitalist framework, whereas Samir Amin sought to dismantle the

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hegemony of the global capitalist order itself. Prebisch desired reform of the terms of trade; Amin regarded the very structure of trade as inherently exploitative. Prebisch emphasised technology and industrialisation as the pathway to emancipation; Amin placed his faith in social justice and self-reliance.

Between the 1950s and 1980s, their ideas profoundly shaped the economic policies of nations across Latin America, India, and Egypt. India's early Five-Year Plans, with their emphasis upon self-sufficiency and heavy industry, were, in considerable measure, animated by these very principles.

After 1990, however, the World Trade Organization, the World Bank, and the International Monetary Fund pronounced the import substitution model—the endeavour to replace foreign goods with domestic production—a failed paradigm. Their argument was this: nations that seal their borders to trade suffer technological atrophy. The consequence was that countries such as India, Brazil, and Mexico threw open their economies—a complete inversion of Prebisch's protectionism. And the outcome now stands before us as global economic crisis.

It is true that in the contemporary epoch, Samir Amin's doctrine of delinking is scarcely practicable. Yet Amin's fundamental contention retains its salience: developing nations must formulate their policies not under the duress of Washington or New York, but in accordance with the necessities of their own populations. Today, when India, China, Brazil, and South Africa are expanding trade among themselves, this represents a contemporary modality of reducing dependence upon the American-European centre—a development of which Amin would assuredly approve.

Raúl Prebisch spoke of raw materials. But ours is the age of digital dependency. The new centre is constituted by corporations such as Google, Amazon, and Microsoft. The peripheral nations have become dependent upon their data and their technology. In this context, Prebisch's argument retains its perfect validity: so long as you remain a consumer and not a producer, you shall remain the periphery.

It is with the example of China that we shall conclude this essay—how China extricated itself from the ranks of peripheral nations and so thoroughly insinuated itself into the centre that America and Europe now desperately seek to delink their economies from dependence upon it. China, by fusing the protectionism of Raúl Prebisch with the delinking imperative of Samir Amin through a synthesis entirely its own, transformed itself into the centre. China's trajectory constitutes the most signal instance of dependency theory confuted and transcended.

China’s transformation from a peripheral country to a core country can be understood in four stages.

**The first stage (1949–1978)** was marked by complete delinking, similar to Samir Amin’s theory taken to its extreme form. During this period, China largely cut itself off from the global economy, restricted foreign capital, and relied mainly on domestic resources. This

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approach helped China improve basic literacy and healthcare, but economically it lagged behind.

**The second stage (1978–2000)** began when Deng Xiaoping replaced Mao. Deng reversed Prebisch's import substitution strategy in a new way. China opened its economy, but on the condition of technology transfer. If a foreign company like Apple wanted to sell its products in China, it had to share its technology with Chinese firms. This became China's method of extracting advantages from core countries.

**In the third stage**, China established itself as the "factory of the world" by producing cheap goods and making other countries dependent on its manufacturing. Using ideas related to Prebisch's theory, China captured markets in wealthy nations. Through reverse engineering, it first learned Western technologies, copied them, and then began producing better and cheaper versions.

**In the fourth stage**, China created a modern digital firewall and practiced digital delinking. It did not allow companies like Google, Facebook, and Amazon to freely operate in its market. Instead, it built its own ecosystem through platforms such as Baidu, WeChat, and Alibaba. This became one of the most successful examples of delinking, separating China from Western digital dominance. Today, China stands at the center of global advancements in AI and 5G.

The difference between India and China is that India adopted globalization in a more liberal manner. India allowed foreign companies to enter but did not emphasize technology extraction or the creation of strong domestic alternatives to the same extent. China, on the other hand, used globalization as a strategic tool. It traded with the world, but on its own terms, always aiming to reach a stage where it would not need others. China demonstrated that moving from the periphery to the core requires first learning from the world through globalization and then making the world dependent on you through self-reliance.

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