



# The Collision of Imbalances Shaping a More Contested World – and Why Tariffs Are Not the Answer

*Warren Fernandez*



*RSIS Commentary is a platform to provide timely and, where appropriate, policy-relevant commentary and analysis of topical and contemporary issues. The authors' views are their own and do not represent the official position of the S. Rajaratnam School of International Studies (RSIS), NTU. These commentaries may be reproduced with prior permission from RSIS and due credit to the author(s) and RSIS. Please email to Editor RSIS Commentary at [RSISPublications@ntu.edu.sg](mailto:RSISPublications@ntu.edu.sg).*

## **The Collision of Imbalances Shaping a More Contested World – and Why Tariffs Are Not the Answer**

*By Warren Fernandez*

### **SYNOPSIS**

*The Trump administration continues to uphold tariffs as a key solution to the United States' economic woes. Investigations to support reimposing tariffs could wrap up by July. But this misdiagnosis mixes up symptoms, causes and cures. Tariffs alone will not address the underlying imbalances plaguing the global order – economic, trade and strategic. These will have to be addressed as the world shapes a new international order.*

### **COMMENTARY**

Washington's tariff wars have slipped from the headlines, overshadowed by the continuing crisis in Iran and the wider Middle East. Yet, the clock is ticking towards a July deadline, when current tariff pauses are due to expire.

Investigations launched under Section 301 of US trade law against various countries, [including Singapore](#), are expected to conclude, potentially paving the way for higher tariffs to be reimposed.

US President Donald Trump continues to present tariffs as the antidote to America's economic ills. But this reflects a confusion over symptoms, causes and cures.

Whatever one makes of Trump's positions, they have forced into focus a collision of three long-building imbalances – economic, trade and strategic – that are reshaping the global order.

### **Globalisation's Uneven Gains**

The first is an economic imbalance within advanced economies.

Globalisation delivered extraordinary benefits. Hundreds of millions were lifted out of poverty, especially in Asia, but also in the West. Global supply chains expanded, consumers enjoyed lower prices, and companies gained access to larger markets and more efficient supply chains.

But the gains were unevenly shared. In many countries, globalisation coincided with tax cuts and rising concentrations of income and wealth.

The costs of adjustment fell heavily on specific industries, regions and communities. When factories close, the effects are keenly felt, in terms of shrinking local economies and communities feeling abandoned.

Economists might call this structural adjustment; disgruntled voters often use less polite terms.

This was especially so in the US, where inequality widened sharply even as the country underinvested in infrastructure, public services and social renewal, while accumulating ever larger public debts. America did not lose out from globalisation; it failed to distribute and reinvest its gains. Higher tariffs alone will not solve this.

### **Persistent Surpluses vs Chronic Deficits**

The second imbalance lies in the global trading system itself.

For decades, some economies accumulated large and persistent surpluses while others ran chronic deficits.

Economists have debated the implications for years, from the global savings glut to more recent concerns over industrial overcapacity in sectors such as steel, solar panels and electric vehicles.

If globalisation generates enduring surpluses in some economies and prolonged dislocation in others, politics eventually catches up with economics.

This helps explain the rise of populism, growing distrust of political institutions and deepening social polarisation across many democracies.

### **Peace Dividend Over, Now Comes the Bill**

The third imbalance is strategic.

For decades after the Cold War, many countries enjoyed a peace dividend. [Defence spending fell](#), social spending rose and public debt accumulated. That era is over.

In a more contested world, countries now need not only military strength, but also sustained fiscal firepower – the ability to support higher defence spending over time.

Yet, many governments face mounting constraints: high debt burdens, rising interest costs and ageing populations demanding greater social spending.

The question is no longer whether governments can spend more on defence – they will if they must – but whether they are prepared to make the difficult trade-offs required to sustain it.

The fiscal arithmetic is sobering. Britain's public debt is now roughly the size of its annual economic output, with debt servicing among the largest items of public expenditure. France's debt exceeds 110 per cent of gross domestic product; Italy's stands at around 135 per cent, while Japan's public debt is more than twice the size of its economy.

Reality soon bites: Servicing past borrowing limits the room for new strategic ambitions.

But the challenge is not only financial. After decades of benefiting from the post-Cold War peace dividend, military capabilities and industrial capacity have eroded. Rebuilding them will take years.

Harder still is the question of manpower. Ageing societies, tight labour markets and declining public willingness to serve in the military complicate efforts to expand armed forces or sustain prolonged mobilisation.

Money, munitions and men are all in short supply.

This helps explain Europe's relatively restrained responses despite repeated pressure and taunts from US leaders over Ukraine, Greenland and now the Middle East.

Asian leaders watch these developments with concern. The region's economic rise took place under a largely benign US security umbrella, allowing governments to prioritise growth over geopolitics. If that order weakens, older rivalries and deeper strategic tensions could re-emerge across the region.

In short, the peace dividend has been spent. Now comes the security bill.

### **Rethink, Rebuild, Reshape**

It is the interaction of these three imbalances that is driving politics across many countries – fuelling scepticism towards globalisation, anxiety over immigration and declining trust in political institutions.

Populists exploit these anxieties by offering simple answers to complex problems. Tariffs are one such answer. They may provide political distraction, but they do not resolve the deeper structural pressures driving discontent. Worse, [they risk raising costs](#), provoking retaliation and widening global divisions.

The challenge facing policymakers goes beyond the need to defend globalisation and the rule-based order as we knew it, but to reshape it for a more contested world – one in which these structural pressures can no longer be ignored.

That will require rethinking how economic gains are shared, addressing distortions in the trading system, and rebuilding fiscal and industrial capacity in sustainable ways.

None of this will be easy. It will demand political will and international cooperation at a time when both are in short supply.

Yet, unless these three structural imbalances are confronted, the backlash against the global economic order is unlikely to fade. It may instead intensify.

---

*The author is a Senior Fellow at the S. Rajaratnam School of International Studies (RSIS), Head of its National Security Studies Programme, and formerly editor of The Straits Times. The essay, first published in the Business Times and reproduced with permission, is based on a paper presented at a recent joint forum organised by RSIS and the European Union Institute for Security Studies (EUISS).*

---

**S. Rajaratnam School of International Studies, NTU Singapore**  
Block S4, Level B3, 50 Nanyang Avenue, Singapore 639798

*Please share this publication with your friends. They can subscribe to RSIS publications by scanning the QR Code below.*

