

Trump's Conduct of Trade War: What Lessons for His Conduct of Real War?

di Richard Baldwin



Introduction.

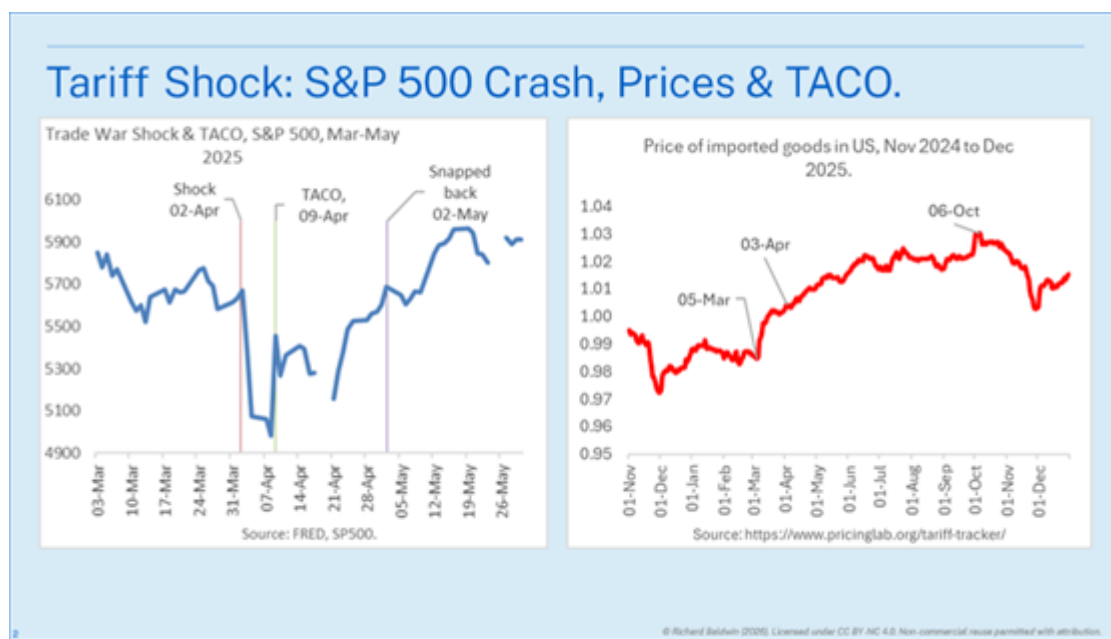
In February 2025, Donald Trump launched a tariff assault on Canada, Mexico, and China. It shocked mavens and markets alike.

But it turned out that the February tariff strikes were confidence-building test runs. They faced the President with some pushback, but he handled that with policy pirouettes. By the end of March 2025, one could imagine that he viewed trade wars as good and easy to win.

Emboldened, he launched a tariff assault on the whole world in April 2025. The tariffs weren't a surprise – he'd campaigned on them – but they were a shock. They shattered norms: higher, broader, and weirder than anyone expected.

They grabbed headlines for weeks, but the objectives were not clearly defined.

Wall Street flipped out. Within days, markets were foretelling a 2008-sized meltdown that would devastate the President's domestic political base. That's when he TACO'd.



The retreat was immediately recast as strategy. Goals like “90 deals in 90 days” were invented on the fly.^[i] The negotiations provided the smokescreen that allowed the pullback to be portrayed as progress. But the retreat was not over.

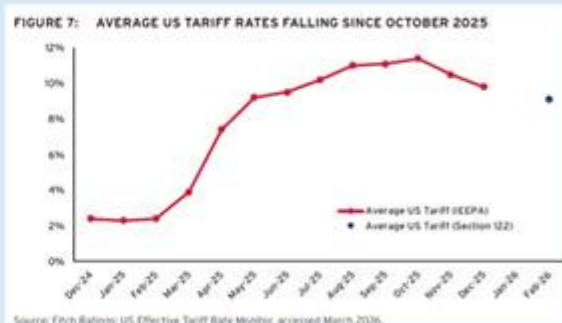
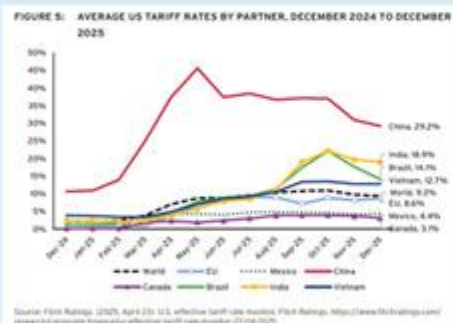
The fatal flaw was the President's long-held belief that foreigners pay the tariffs, not Americans. Many around him knew that to be false, but he didn't want to hear them.

Donald Trump is a tariff pragmatic, not a tariff fanatic, so when the tariffs raised prices that harmed his base, he TACO'd again. From Fall 2025, he stealthily lowered tariffs – especially on imports from China (see chart).

By early 2026, he had delegated the whole tariff situation to staff and moved on.

A key point is that the forces that forced the TACO were domestic; foreign actions and attitudes had little or no effect.

The Affordability TACO in 2025.



Source: Chapter 8, *World War Trade: Conflict, Containment, and the Emergent World Trading Order*, April 2026, CEPR Press. <https://cepr.org/publications/books-and-reports/world-war-trade-conflict-containment-and-emergent-world-trading>

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The Trumpian war playbook.

Maybe this is how Donald Trump has always conducted his conflicts.

I don't know.

But I studied his conduct of trade war very closely for my recent eBook, *World War Trade: Conflict, Containment, and the Emergent World Trading Order* and the pattern is clear.

- Test the waters with a small but norm-shattering shock.
- Move on to a giant shock that grabs headlines.
- Assume the opponent will be quickly overawed, so no strategy, or Plan B is necessary.
- Avoid clear goals so that any outcome can be spun as a victory.
- Retreat when the domestic political costs get too high.
- Immediately recast history and extemporise strategy and goals so that the withdrawal can be spun as a win to the political base.
- Use negotiations and 'napkin deals' as a smokescreen to cover the withdrawal. Avoid writing things down. Don't sign anything. Claim that everything is provisional and time limited.

- Rebrand the retreat as victory.
- Finally, hand off the whole situation to staff and move on to the next headline-grabbing shock.

Importantly, in this playbook, shocking moves are less about standard policy objectives and more about making the President look good . In the case of tariffs, I have long argued that they should not be thought of as trade policy but rather as tariff theatre to show the forgotten men and women that the President is standing up for them.[\[ii\]](#)

As the curtain fell on the final matinee of his tariff theatre, the President turned to new norm-shattering policy choices. There was the Maduro rendition, the Nigeria missile strike, and the bunker-busting bombing of Fordow and Natanz.

Iran 2026.

On 28 February 2026, President Trump launched a military assault on Iran. Like his tariff assault in 2025, it wasn't surprising; he had been ramping up forces for weeks. But it was norm-shattering and shocking.

It came while US–Iran negotiations were still ongoing. It was questionable under US law. It targeted the head of state and encouraged Iranians to overthrow their government. It unintentionally [killed over 100 schoolgirls](#).

The assault grabbed headlines, but the objectives were not clearly defined.

Iran's immediate reaction turned the strike into a regional conflict. Oil and gas infrastructures, US bases, and cities around the Gulf were hit. Most of the Middle East airspace was closed to commerce traffic.

The closure of the Strait of Hormuz – the first time in modern history – turn the regional conflict into a global one. It triggered "[the biggest oil disruption in history](#)".

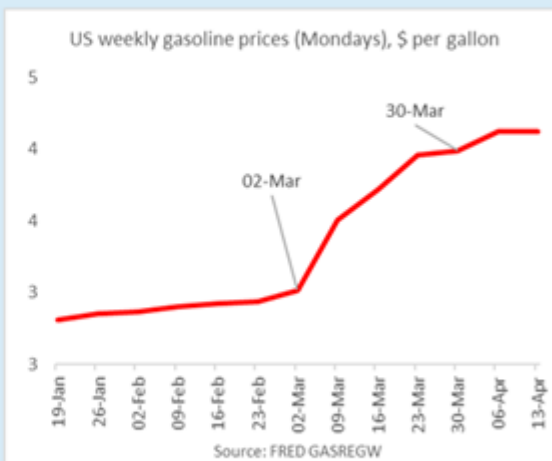
The shocking but not surprising conduct of the Iran war.



Financial markets flipped out. Stock prices dropped. The price of oil soared. Within days, Americans were paying higher prices at the pump.

The fatal flaw was the President's belief that massive airstrikes would produce a quick capitulation by the Iranian regime. Many around him knew that to be false, but he didn't want to hear them. As with his tariff war, the shock came first; the strategy came later.

Iran Shock: S&P 500 Crash, Prices & TACO.



For a month, stock prices fell, and gas and food prices rose. The President's domestic political base was suffering. Yet, the Iranian regime showed no signs of capitulating. Something had to be done. That was when the President TACO'd, but slowly and by stealth.

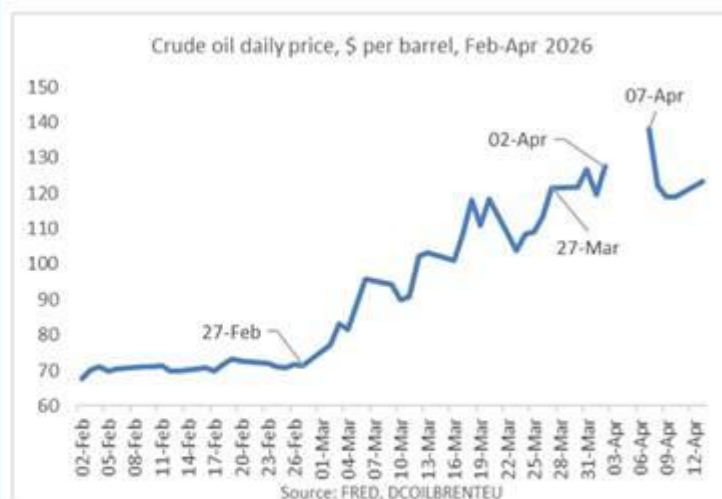
[From 23 March](#), he extended his deadline for opening the Strait. He claimed that Iran wants "to make a deal", claimed that regime change had been achieved, and claimed that the "[war has been won](#)".

7 April marked the rhetorical peak and the manifest TACO. Trump warned that "a whole civilisation will die tonight" but soon announced a two-week ceasefire that was tied to Iran's reopening of the Strait of Hormuz.

In the days that followed, Trump declared that US objectives had been "met and exceeded," while an Iranian proposal was described as a "workable basis" for agreement. Talks were held in Pakistan.

Markets rejoiced. Oil prices plunged. US gasoline buyers got a reprieve. The talks have not gone smoothly. The US is no longer bombing Iran, but shipping has not resumed through the Strait. [\[iii\]](#) Threats and negotiations continue.

The stealth TACO turned the tide on the oil price surge.



This seem disconcerting – like it may cause the war to restart. But if you paid attention to his conduct of trade war, you should be less worried.

The President's early April moves were riff-based, not reality-based. And that riff was simple. Stop the damage to the MAGA base. That is why, following the trade war lessons, the ceasefire is not important as an endpoint, but as a narrative pivot in the Presidents' mind.

Financial markets took it as such. Domestic pain rose. The President backed off. Since the pain would resume and worsen if the war restarts, the President will stay backed off. Stock markets seem to believe that chances of a massive hit to economic growth have grown remote. Investors, it seems, believe that the stealthy TACO is here to stay.

Conjectures and concluding remarks.

No one knows how the Iran war ends – least of all me as I'm not a Middle East expert, not an international relations scholar, and not a historian of war.

But if Donald Trump's conduct of his trade war is any guide, the final act of the script writes itself.

Actual policy goals will be a side issue. Harm to the base will be the focus. Any fig leaf that works will be used to declare victory and withdraw, with the move recast as genius-level strategy.

There is a deeper insight from the trade war lessons. To understand what he is doing, one simply needs to stop thinking of his actions as traditional foreign policy and start thinking of them as domestic-oriented political theatre based deep misunderstandings of international economics and international relations. He is a pragmatic, not a fanatic. When things go wrong, he TACOs. His superpower is making his base believe that these inglorious retreats are incredible results.

As happened in the final act of the tariff theatre, the whole situation may get handed off to others to manage, while the President moves on to the next headline-grabbing, norm-breaking shock.

And that is probably not the worst outcome for the rest of the world.

[i] See Chapter 5, “The April Shock: When Trumpian Grievance Met Financial Market Reality and Reality Won”, in Baldwin, R (2026), ‘World War Trade: Conflict, Containment, and the Emergent World Trading Order’, CEPR Press, Paris & London.

[ii] See my 2 May 2025 Factful Friday column on LinkedIn, *Does Trump have a Plan for the World Trade System?* [https://www.linkedin.com/pulse/does-trump-have-plan-world-trade-system-richard-baldwin-](https://www.linkedin.com/pulse/does-trump-have-plan-world-trade-system-richard-baldwin-rr7ke/?trackingId=pnKhv1XkQACc44wo7Y%2FdTA%3D%3D)

[rr7ke/?trackingId=pnKhv1XkQACc44wo7Y%2FdTA%3D%3D](https://www.linkedin.com/pulse/does-trump-have-plan-world-trade-system-richard-baldwin-rr7ke/?trackingId=pnKhv1XkQACc44wo7Y%2FdTA%3D%3D). Further elaborated in my 19 May 2025 eBook, *The Great Trade Hack: How Trump’s Trade War Fails and the World Moves On*, CEPR Press. [The Great Trade Hack: How Trump’s trade war fails and the world moves on | CEPR](#)

[iii] The US approach to the Strait of Hormuz followed a familiar pattern: repeated ultimatums, repeated delays, and repeated claims of progress.

21 March: A 48-hour ultimatum. Open the strait or face destruction of Iran’s power plants.

23 March: Deadline quietly postponed after “productive” talks; Iran denies any talks.

26 March: Another delay, this time by 10 days, amid market turmoil; framed as a pause requested by Iran.

30 March: Claims of “great progress” paired with expanded threats, including oil infrastructure and export hubs.

1 April: Trump asserts Iran wants a ceasefire; Tehran calls this false. Threats escalate rhetorically to “obliteration.”

4 April: Yet another 48-hour warning, following days of contradictory statements about enforcement and responsibility.

Source: <https://www.nytimes.com/2026/04/05/world/middleeast/trump-strait-of-hormuz-deadline-iran-war.html>