

# Strategic Faultlines

Geopolitics | Geo-economics | GCC Strategy

*“Tariffs, Recession Risks & Strategic Reordering”*

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*EuroAtlantic Consulting (DIFC, Dubai, UAE)*

*A business development and strategic advisory firm proudly registered in the Dubai International Financial Centre (DIFC), a leading global hub for financial and professional services, governed by international standards and offering strategic access to capital markets across the Gulf and beyond.*

## 1. Executive Summary

President Trump has triggered a systemic global trade shock. The Biden administration initially kept Trump-era tariffs primarily intact, but with Trump's return, the **‘Liberation Day’ tariff regime marks a radical expansion—with clear geo-economic objectives driven by the re-industrialization of the US economy:**

**Rebuild U.S. industrial power, weaponize trade policy, and reassert economic sovereignty.**

The new ‘Liberation Day’ tariff regime imposes a 10% baseline on all U.S. imports and punitive rates of up to 54% on strategic and politically targeted trade partners. China, the EU, and Canada have retaliated swiftly—with China launching 34% counter-tariffs, export bans on rare earths, and legal action against U.S. firms.

Over the weekend, Mexico and South Korea also signaled retaliatory trade measures. Mexico has announced preliminary tariffs on select U.S. agricultural products, while South Korea initiated a WTO dispute consultation and indicated potential export controls on advanced semiconductors.

JPMorgan now predicts a -0.3% U.S. GDP contraction in 2025. Nasdaq and S&P 500 indexes posted their worst quarterly performance since 2022, erasing over \$5 trillion in market capitalization. America's allies are realigning. This brief summarizes economic, geopolitical, and sectoral impacts and offers board-level guidance to respond to a new global reality.


### **Strategic Context:**

The ‘Liberation Day’ tariff regime is not a policy anomaly—it represents the formalization of a new era in U.S. geo-economic doctrine. Protectionism is now embedded as a structural instrument of industrial strategy, targeting both adversaries and allies alike. This paradigm shift dissolves long-standing multilateral norms and reorients global trade flows along political and security lines. The ripple effects are immediate and far-reaching: key U.S. partners are reassessing bilateral dependencies, while emerging economies scramble to shield themselves from collateral volatility.

### **Strategic Implication for Decision-Makers:**

The tariff escalation is triggering a multi-axis realignment in global supply chains,

investment flows, and market access strategies. Decision-makers must treat this as a permanent strategic pivot—not a temporary trade dispute. C-suite leaders and policy officials should accelerate scenario planning that incorporates trade weaponization, regulatory retaliation, and asymmetric tech decoupling. Publicly aligned allies may increasingly act autonomously to preserve national interest, and the EU-GCC corridor could emerge as a stabilizing geo-economic vector.

 **Decisions taken now— Reassess risk exposure** to U.S.-centric supply chains and tariff-vulnerable input streams.

- **Expand trade intelligence capabilities** to monitor retaliatory frameworks and partner country countermeasures.
- **Accelerate regional diversification**, particularly into Europe-GCC-Asia corridors with geopolitical insulation.
- **Engage with policymakers** to position your firm, fund, or institution as a strategic stakeholder in national economic security discussions.
- **Prepare investor messaging** around geopolitical resilience, including contingency capital strategies and ESG positioning in light of trade disruptions.

## 1. Trump's Trade Doctrine Is Now Reality

President Trump's 'Liberation Day' rollout marks a break from liberal globalism. The White House projects \$600B in tariff revenue, reframing trade as national cash flow. Market reaction has been severe: Nasdaq -11%, S&P 500 -10%, gold at record highs, bond yields declining.

Tariffs apply to U.S. allies and adversaries alike. Europe, Japan, Korea, and Canada are impacted. No exemptions were granted for

strategic goods—materials needed for semiconductors, autos, agri-exports—raising concerns about inflation and recessionary pressures.

## 2. Retaliation and Realignment – The World Hits Back

### China's Response:

- 34% retaliatory tariffs on U.S. goods (incl. food, energy, and tech)
- Rare earth export bans; DuPont antitrust investigation
- Blacklisting of 11 American firms

### EU's Strategic Recalibration:

- Emergency subsidy package for affected sectors
- Proposed digital tax on U.S. tech
- Joint WTO case filed with Canada and Japan
- European Commission President Ursula von der Leyen has proposed a “zero-for-zero” tariff resolution, aiming to eliminate industrial tariffs on goods such as chemicals, pharmaceuticals, rubber, plastic machinery, and cars. She emphasized the EU's readiness for negotiations but also highlighted preparedness to implement countermeasures if necessary.

### Global Response:

- ASEAN finance ministers propose regional supply chain deal without U.S.
- Middle Eastern sovereign funds begin divesting from USD-denominated tech ETFs
- IMF warns of cascading stagflation in G20 emerging markets
- Mexico: Tariffs on U.S. corn and poultry (5–15%); pivot to European suppliers in public procurement
- South Korea: Export license reviews for advanced components; WTO challenge coordinated with EU/Japan

**The U.S. faces a potential double blow: rising inflation and contracting growth.**

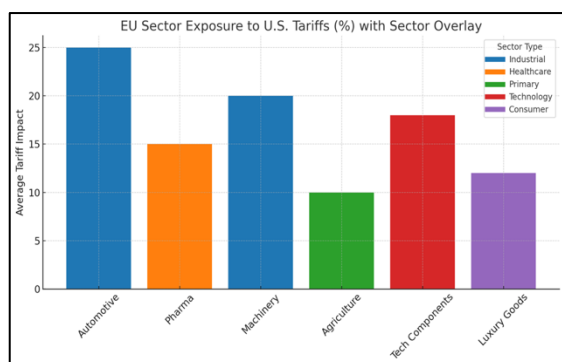
- JPMorgan: Recession probability at 50% (up from 20%)
- Goldman Sachs: Core PCE forecast up to 3.5%
- Fed expected to cut rates at every meeting through year-end

#### Sectoral Shockwaves:

- Consumer electronics: Down 15–20%
- Automakers: Tesla -36%, Ford -11%
- Cloud/AI: Microsoft -12%, Nvidia -19%
- Agriculture: Farm equipment and food exports disrupted

#### Global GDP Downgrades (Q2 Forecasts):

- Germany: 0.4%
- China: 3.9%
- U.S.: -0.3%
- ASEAN-5: 2.1%



### 3. Energy Markets

While Russia was not directly targeted in the latest U.S. tariff regime — primarily due to already diminished trade volumes and pre-existing sanctions — the international oil market has experienced significant impacts due to recent U.S. tariffs and related trade policies:

#### Direct Impacts:

- **Exemptions for Energy Imports:** The U.S. administration implemented a 10% baseline tariff on most imports but exempted energy imports, including oil, gas, and refined products. This exemption aimed to provide stability

to domestic refiners and the broader energy market.

#### Indirect Impacts:

- **Retaliatory Tariffs:** In response to U.S. tariffs, China imposed a 34% tariff on U.S. crude oil imports. This led to a significant drop in U.S. crude prices destined for China, as Chinese buyers reduced their purchases.
- **Market Volatility:** The combination of U.S. tariffs and China's retaliatory measures contributed to a sharp decline in global oil prices. Brent crude fell over 6%, reaching its lowest point in more than three years.
- **OPEC+ Production Decisions:** Amid the tariff-induced market instability, OPEC+ announced an unexpected increase in oil production. This decision added to concerns about a potential oversupply, further influencing the downward trend in oil prices. Over the weekend, internal OPEC+ discussions reportedly surfaced about a coordinated production cut to stabilize markets, reversing last week's surprise hike.

#### Secondary sanctions:

- The US threatened nations purchasing Russian oil, aiming to deter countries like China and India from such transactions. This strategy could significantly impact Russia's energy sector and broader economy if implemented. Countries in Central Eastern Europe, most notably Hungary, Serbia and Slovakia can be hit hard.

*"That would be that if you buy oil from Russia, you can't do business in the United*

*States. There will be a 25 percent tariff on all oil, a 25- to 50-point tariff on all oil.”*

— President Donald Trump

#### 4. Currency Disruption: The USD Under Strain

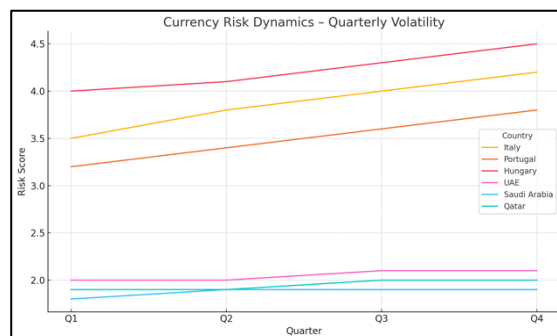
Amid the turbulence, the U.S. dollar is facing renewed scrutiny. While it remains the dominant reserve currency, recent moves—such as accelerated divestments by sovereign wealth funds and alternative settlement schemes between BRICS+ nations—have prompted quiet debates over the long-term viability of USD hegemony. A sharp fall in USD demand could erode the foundational leverage of U.S. monetary policy.

For institutions like the IMF and World Bank, a systemic USD repricing challenges their USD-centric lending architecture and risk frameworks. Meanwhile, major U.S. investment banks may face rising funding costs and diminished capital market clout, especially in emerging markets exploring diversification away from dollar-linked instruments.

Weekend reports from the BRICS+ summit in Brazil indicate progress on a ‘Digital Commodity Settlement Unit’ (DCSU), aimed at piloting non-USD trade for critical minerals, energy, and tech components by Q3.

*“The dollar’s dominance is no longer taken for granted—not in the boardrooms of sovereign funds, nor in the corridors of BRICS+ central banks.”*

— Senior FX Strategist, Gulf Sovereign Advisory Forum



#### 5. Central Europe’s Strategic Pivot: Risks, Realignments & Opportunities for Gulf Capital

**Why it matters:** Central Europe—particularly Poland, Hungary, Czechia, Slovakia, and Austria—is at a critical inflection point. As the region absorbs the shockwaves of the U.S.-EU trade conflict, energy repricing, and security recalibrations post-Ukraine, it presents a high-leverage opportunity zone for Gulf investors seeking industrial footholds, green transition assets, and access to EU incentives.

##### Trade Reorientation & Supply Chain Pullbacks

Visegrád Four (V4) economies are accelerating nearshoring from Asia and retooling for intra-EU manufacturing resilience—with EU subsidies flowing toward logistics hubs, battery plants, and chip packaging facilities. GCC investment funds can capitalize on sovereign co-investment schemes and EU’s IPCEI infrastructure incentives.

##### Energy Pressure & Green Transition Catalysts

Slovakia and Hungary are heavily exposed to Russia-related energy realignment and secondary sanctions. Both seek alternative investment partners to decarbonize industrial supply chains. Hydrogen corridors linking UAE-EU pilot projects (e.g., through Austria or Slovenia) are now geopolitically

vital. EBRD and EU Just Transition Funds offer blended finance.

### Security-Linked Investment Zones

NATO deployments and U.S. troop reinforcements in Poland, Romania, and Hungary are catalyzing infrastructure upgrades—dual-use airports, cyber defense parks, and military-logistics corridors. GCC sovereigns can pursue strategic real estate,

logistics, and AI-enabled border tech investments.

### FX & Capital Market Openings

With Eurozone fragmentation risks rising, several Central European states are courting GCC liquidity via local-currency green bonds, infrastructure sukuk, and joint sovereign platforms to hedge against dollar volatility.

### Opportunity Snapshot:

Country	Sectoral Entry Points	EU Leverage Instruments	GCC Angle
Hungary	Green industrial parks, pharma, logistics	EU Cohesion Funds, Recovery Facility	Industrial JV and REIT structuring
Poland	Defense-tech clusters, data centers	NATO infrastructure funds	AI/security co-investment
Austria	Hydrogen transit and fintech	EIB and Green Deal instruments	UAE-Austria energy corridors
Czechia	EV battery and chip packaging	IPCEI for semiconductors	Abu Dhabi–Prague tech bridge
Slovakia	Smart mobility and transport hubs	EU Modernization Fund	Strategic logistics with DP World, etc.

### 6. C-Suite Action Framework

- ✓ Reassess tariff exposure per trade corridor—update cost models for Q2
- ✓ Evaluate re-shoring, nearshoring, and ally-shoring options
- ✓ Revise pricing strategies for high-elasticity goods
- ✓ Prepare investor comms and earnings guidance updates
- ✓ Activate geopolitical risk tracking within board or audit committees

- ✓ Engage industry associations to influence next-round trade diplomacy

### 7. How We Help – Strategic Guidance in a New Trade Reality

At EuroAtlantic Consulting, we help public and private sector leaders navigate disruption with clarity, confidence, and forward-looking strategy. In this new era of tariff weaponization, geo-economic fragmentation, and transatlantic

realignment, we offer end-to-end advisory support across the following key domains:

#### **Geopolitical Risk & Trade Intelligence**

- Tailored briefings on retaliatory trade measures, emerging regulatory frictions, and supply chain disruptions.
- Real-time scenario tracking across U.S.-China-EU trade policy shifts and WTO litigation risks.

#### **Strategic Corridor Positioning**

- Custom strategies to align with emerging Europe-GCC-Asia corridors—logistics, energy, and industrial assets.
- Identification of geo-insulated investment zones in Central Europe and the Eastern Mediterranean.

#### **Policy Engagement & Economic Diplomacy**

- Government relations and policy navigation strategies for trade, FDI, and sovereign platforms.
- Design of investor-state dialogues to position your firm as a strategic co-development partner.

#### **Board-Level Strategy & C-Suite Advisory**

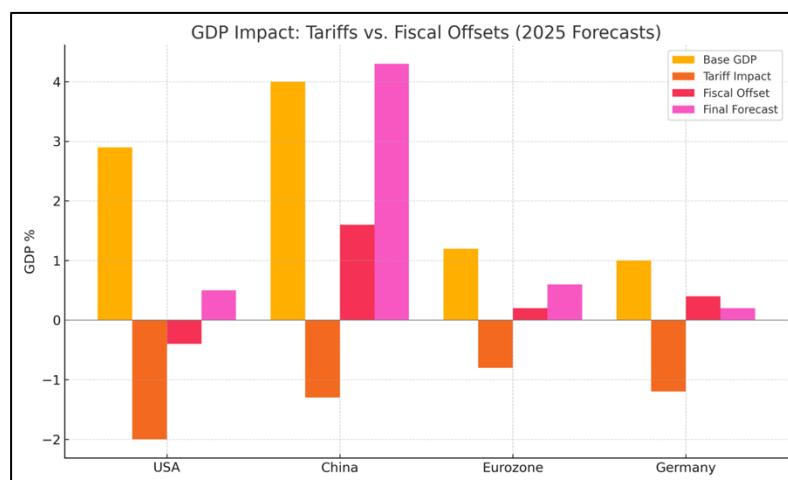
- Quarterly geopolitical resilience reviews integrated into risk, pricing, and capital allocation frameworks.
- Support for investor communications, earnings calls, and institutional risk narratives.

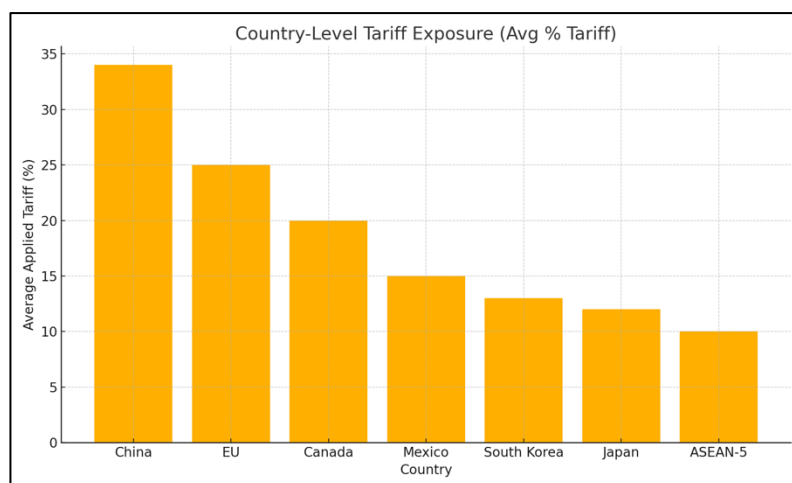
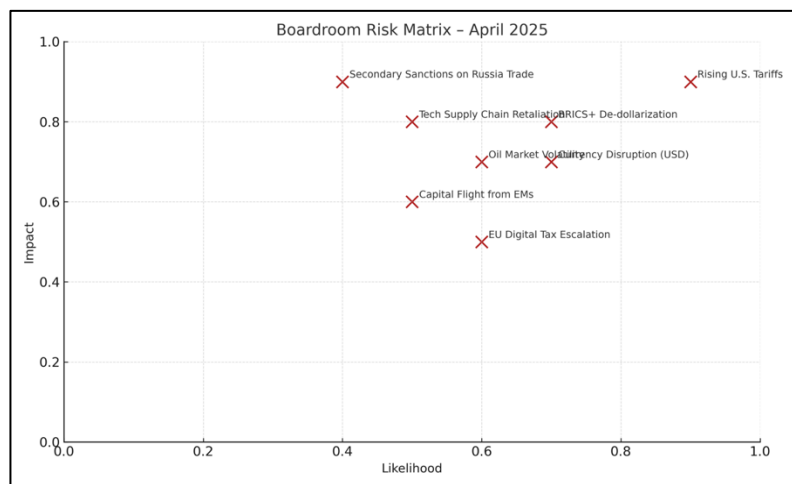
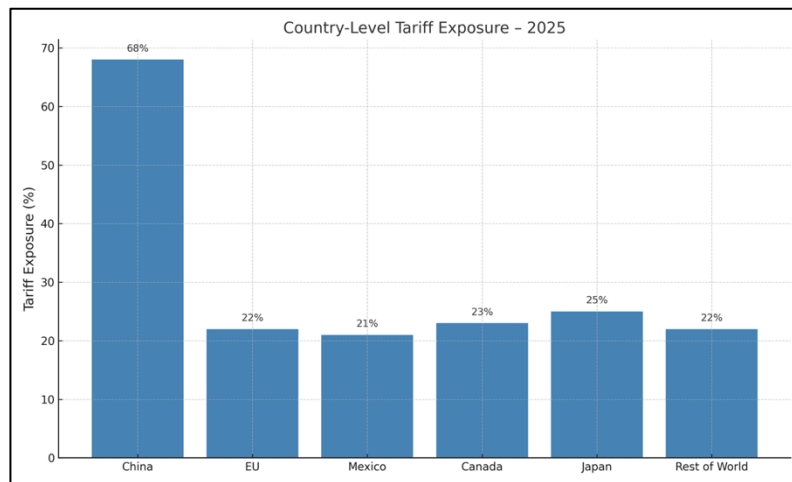
#### **Capital & Project Structuring**

- Structuring of co-investment platforms, blended finance strategies, and corridor-focused vehicles (e.g., REITs, green bonds, sukuks).
- ESG-aligned real asset acquisition frameworks responsive to sovereign mandates and geopolitical shifts.

We operate as your strategic radar and design partner—merging geopolitical foresight with concrete business outcomes.

## 7. Visual Insight







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## About the Editor

### **Tamás L. Fellegi, Ph.D., J.D.**

Founder & Chairman, EuroAtlantic Consulting (DIFC, Dubai)


Dr. Tamás L. Fellegi is a global strategy advisor, former minister in the Hungarian government, and founder of EuroAtlantic Consulting—a strategic advisory firm operating across the UAE, Europe, and the United States. With deep expertise in economic diplomacy, investment strategy, and geopolitical risk, he advises sovereign funds, institutional investors, and governments on trade realignment, corridor positioning, and policy recalibration.

As former Minister of National Development (2010–2012), he oversaw Hungary’s state assets, energy, telecom, and EU development programs, and served as Chief Negotiator with the IMF and European Commission. Dr. Fellegi also chaired the EU’s ministerial councils on energy, ICT, and climate policy during Hungary’s EU Presidency, and was appointed Special Government Commissioner for bilateral economic relations with China, Russia, and Ukraine.

He holds a Ph.D. in Political Science (University of Connecticut) and a J.D. in Law (Eötvös Loránd University). He has served as an IREX-Fellow at Harvard, a Senior Post-Doctoral Fellow at the University of Rochester, and the Transatlantic Academy (GMFUS), and was a founding figure in Central Europe’s early digital and media sectors.

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