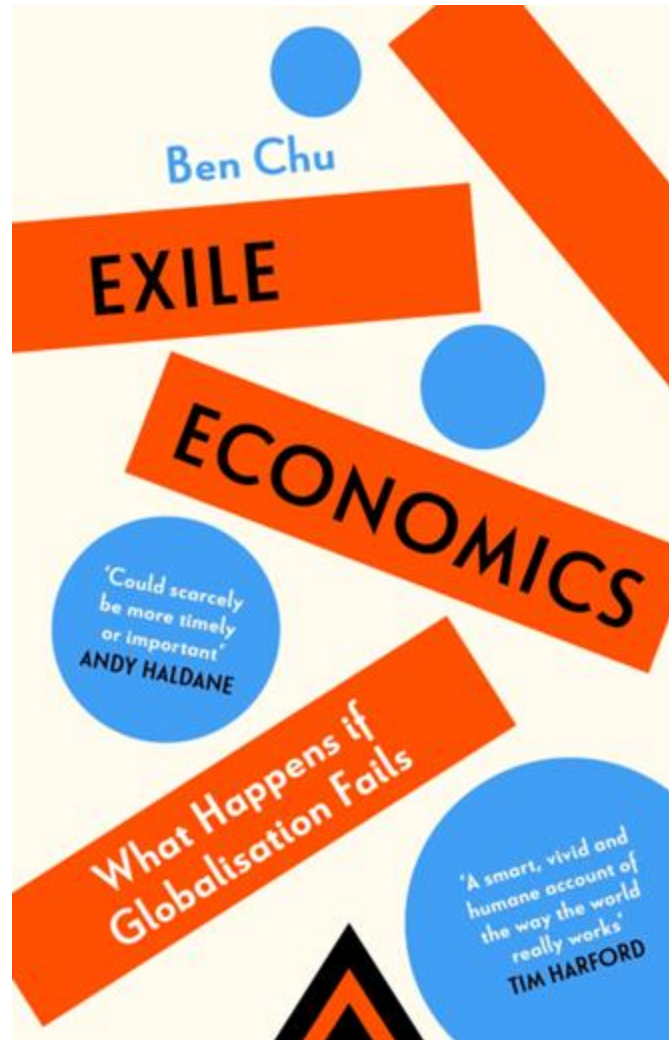


Tariffs and Trade: What the new era means for the world and Britain

Ben Chu

*Policy and Analysis Correspondent, BBC
Verify*

A new era of Exile Economics...

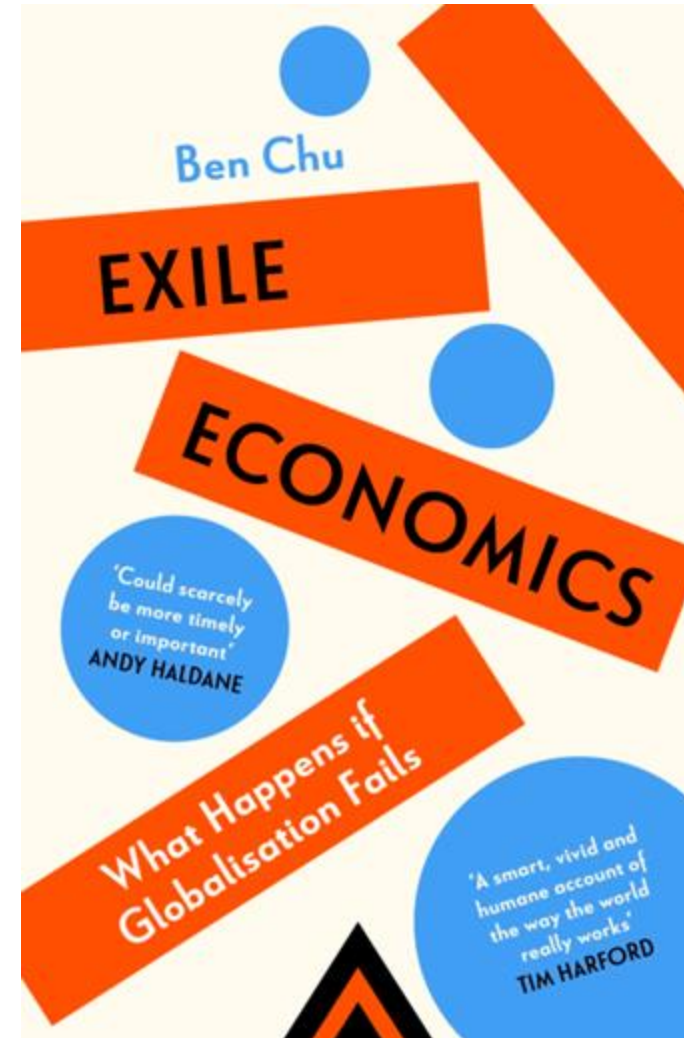


....Exile Economics - what is it?

- Rejection of interdependence
- Downgrading of multilateral collaboration
- Striving for greater national self-sufficiency

Related to:

- Geoeconomics/economic coercion
- Economic nationalism



Donald Trump

"It's our declaration of economic independence."

2 April 2025



It's not just about Trump's return...

New discriminatory national policies affecting international trade per year

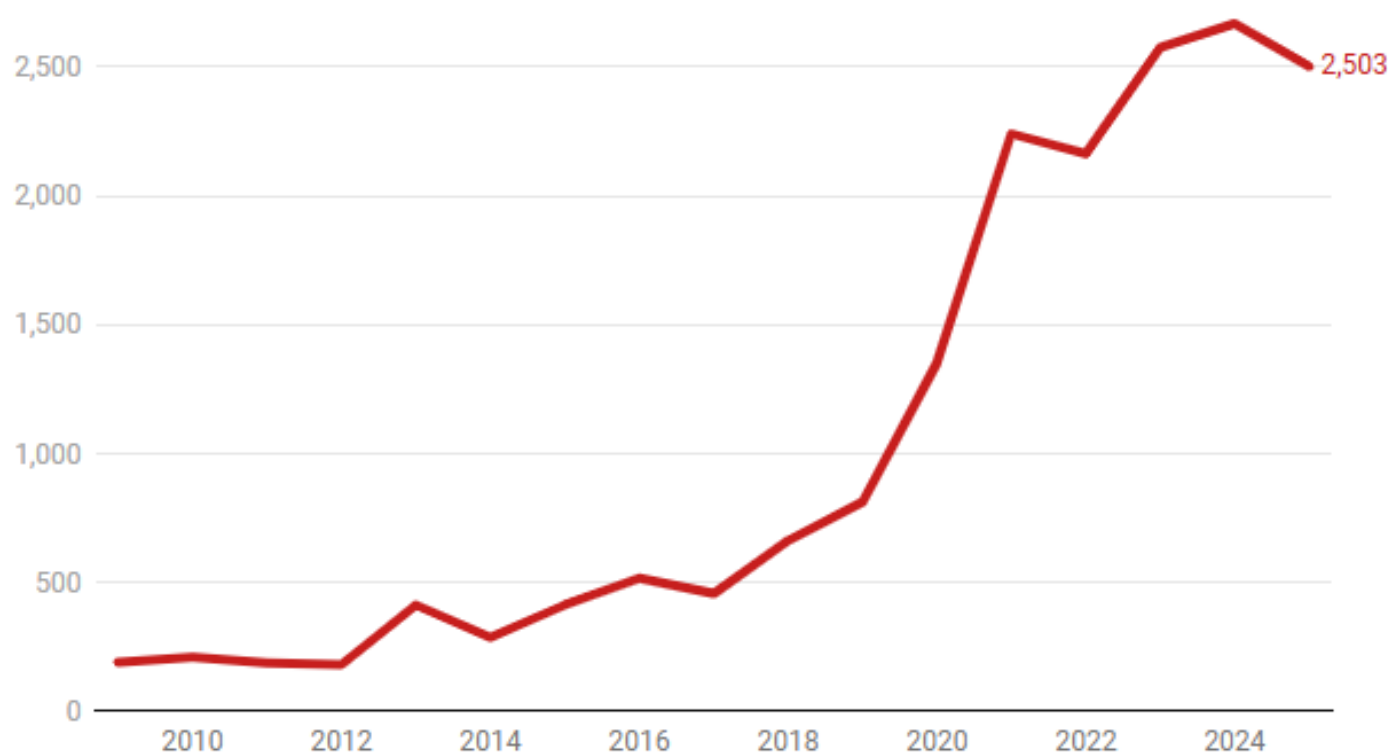


Chart: Ben Chu • Source: [Global Trade Alert](#) • [Get the data](#) • Created with [Datawrapper](#)

Xi Jinping

“The starting point for the struggle of the Chinese nation is self-reliance [zili gengsheng].”

26 October 2018



Narendra Modi

“The state of the world today teaches us that a Atmanirbhar Bharat [self-reliant India] is the only path.”

12 May 2020



Rachel Reeves

- *“There must be red lines – things for which we should not rely on states whose interests conflict with our own.”*
- *“We want to make it easier to export and import.”*

19 March 2024



What does exile economics mean for global supply and value chains?



What does exile economics mean for global supply and value chains?

- **Global supply chains** - firms sourcing goods and services from overseas
- **Global value chains** - value of the final product added in multiple different countries

Global value chains - in numbers

60% of global trade consists of **intermediate products** – goods and services that businesses use as inputs to be able to produce the final products sold to consumers

Source: OECD

Global value chains - still growing

Imported intermediate inputs as share of global production

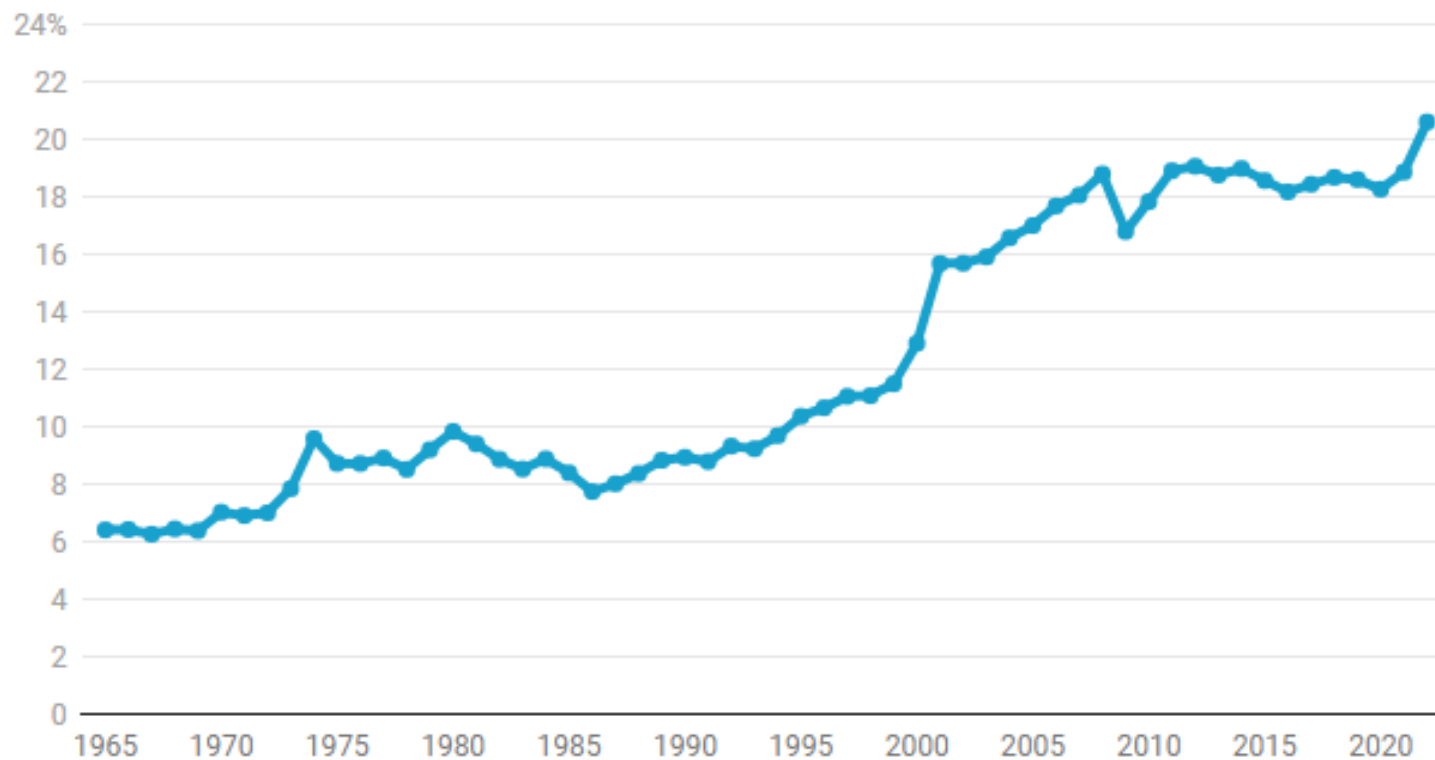


Chart: Ben Chu • Source: [OECD](#) • [Get the data](#) • Created with [Datawrapper](#)

Some key global value chains

1. Vaccines

1. Semiconductors

1. Food

1. Steel

1.Vaccine global value chains



Vaccines are genuinely global products...

- Final vaccine production in **13 countries** - America, China, India, Japan, Switzerland, UK, France.
- The Pfizer/BioNTech Covid vaccine - **280 ingredients** sourced from **19 different countries**.
- Typical vaccine plant - **9,000 different materials**, sourced from **300 suppliers**, across **30 countries**.

Source:
IFPMA/CEPI



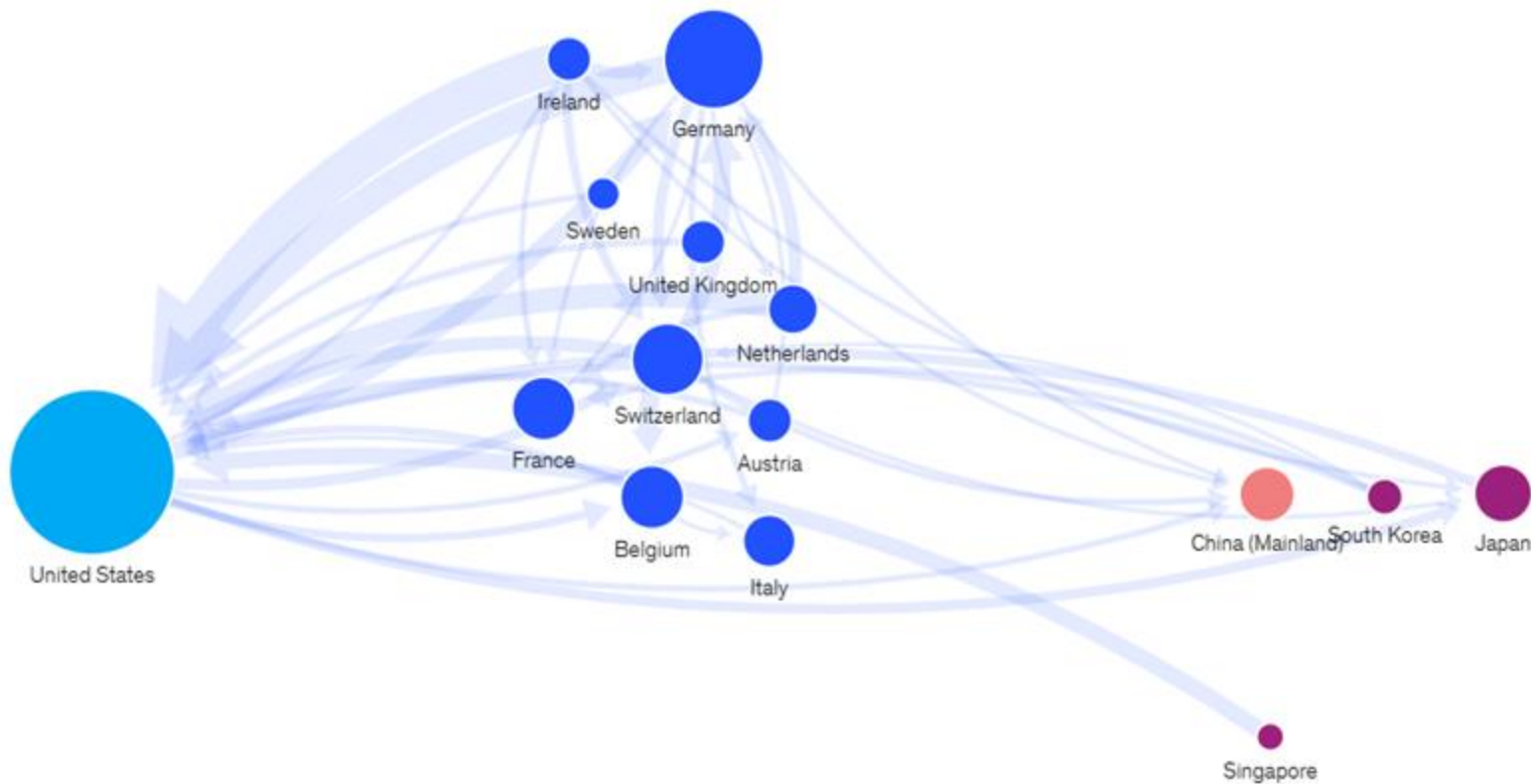
...with key ingredients for vaccines coming from many different countries...

Global trade flows for biologics

See how biologics moved in 2023 in the top 40 trade corridors by value, making up 58% of trade.

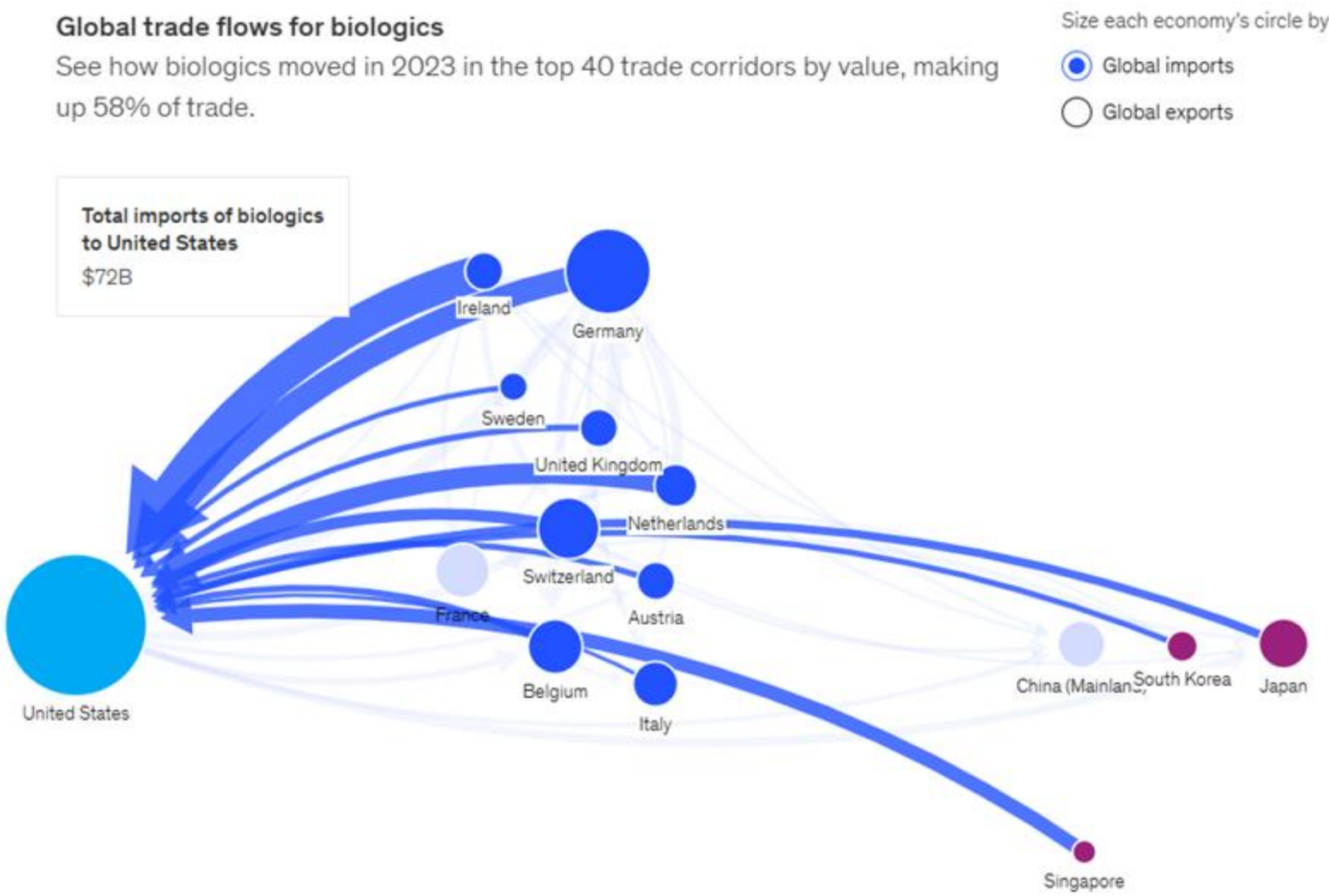
Size each economy's circle by

- Global imports
- Global exports



Source: McKinsey Global Institute, Global Trade Explorer

...Many of the vaccine ingredients go to the US...



Source: McKinsey Global Institute,
Global Trade Explorer



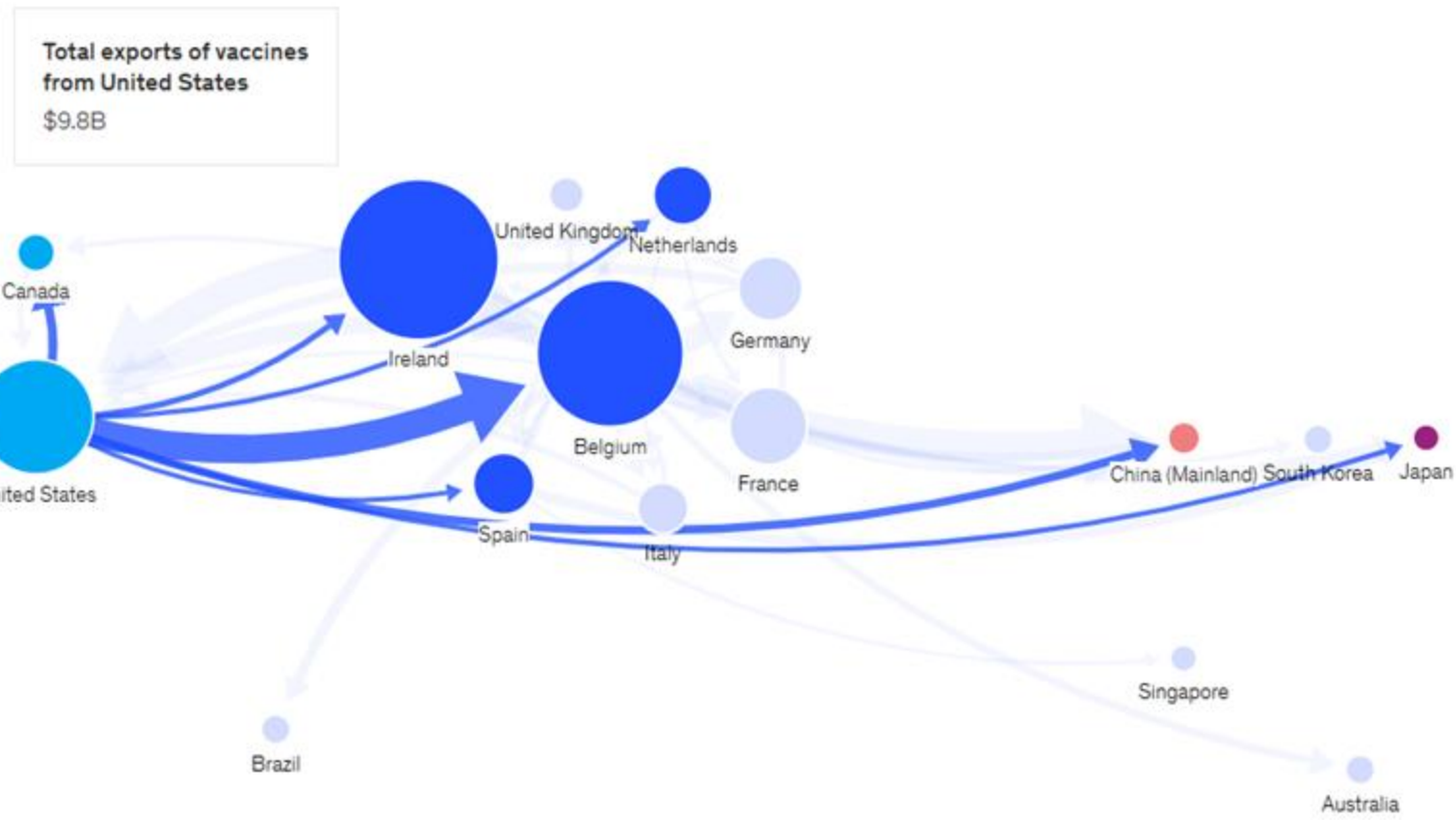
...but the US also exports many vaccines.

Global trade flows for vaccines

See how vaccines moved in 2023 in the top 40 trade corridors by value, making up 71% of trade.

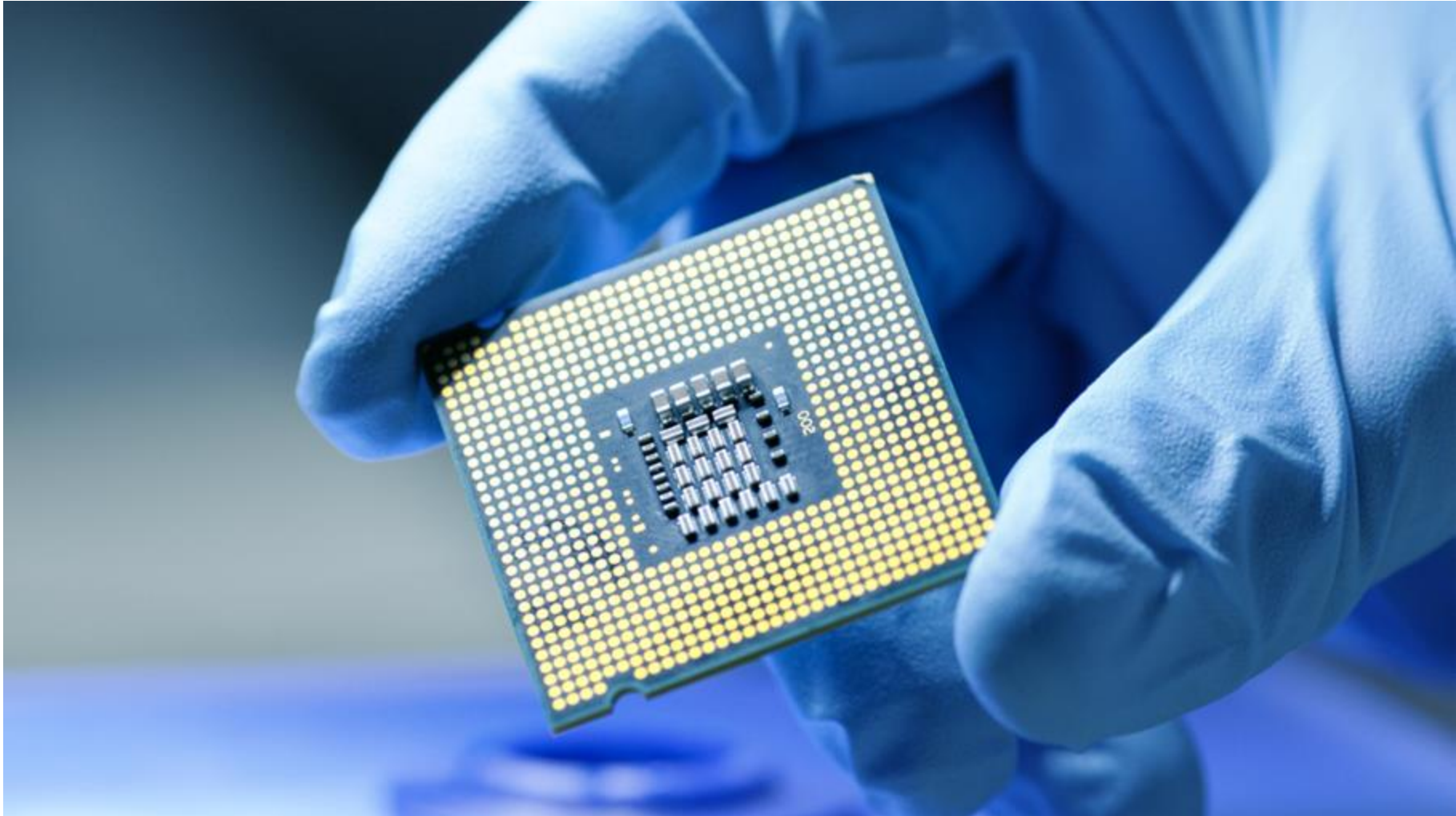
Size each economy's circle by

- Global imports
- Global exports



Source: McKinsey Global Institute,
Global Trade Explorer

2. Semiconductor global value chains



The production of semiconductors is another truly global effort....

- Single chip can cross international borders more than **70 times** in manufacturing process.
- Critical raw materials - **ultra pure quartz, silicon, neon gas, tungsten** - sourced from across the world, including the US, China, Congo, Japan and South Korea.

Most chips are finally produced in Asia...

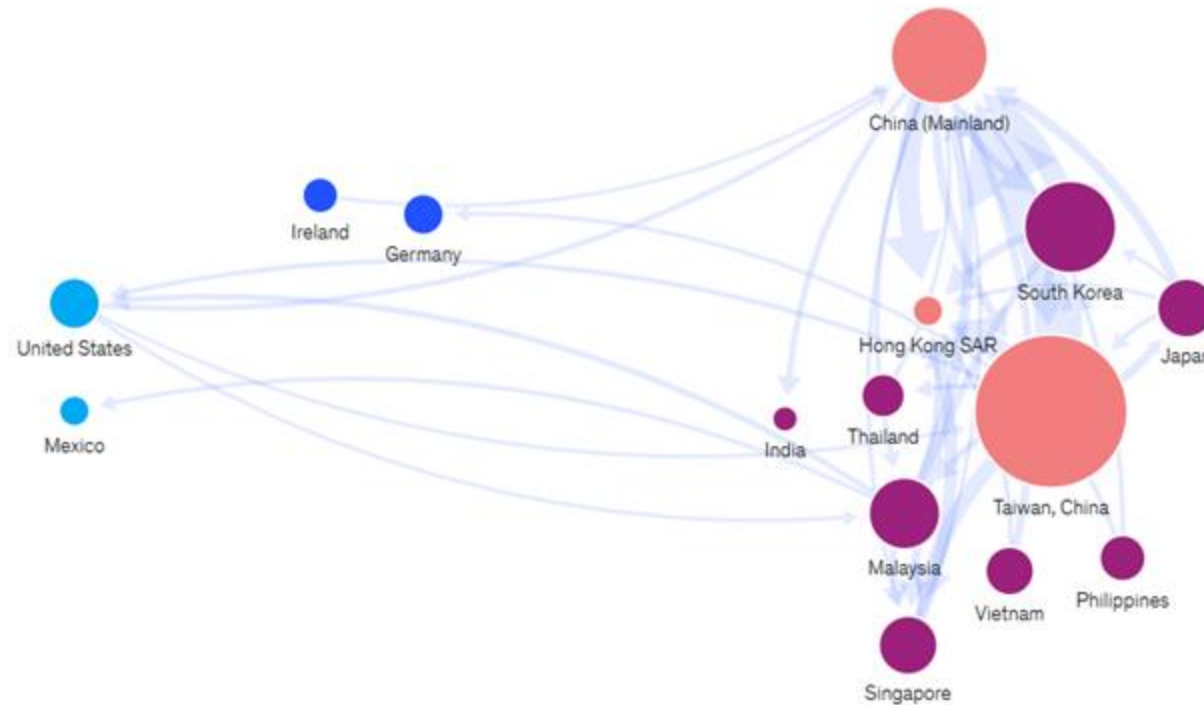
Global trade flows for components - chips

See how components - chips moved in 2023 in the top 40 trade corridors by value, making up 75% of trade.

Size each economy's circle by

○ Global imports

● Global exports



Source: McKinsey Global Institute,
Global Trade Explorer



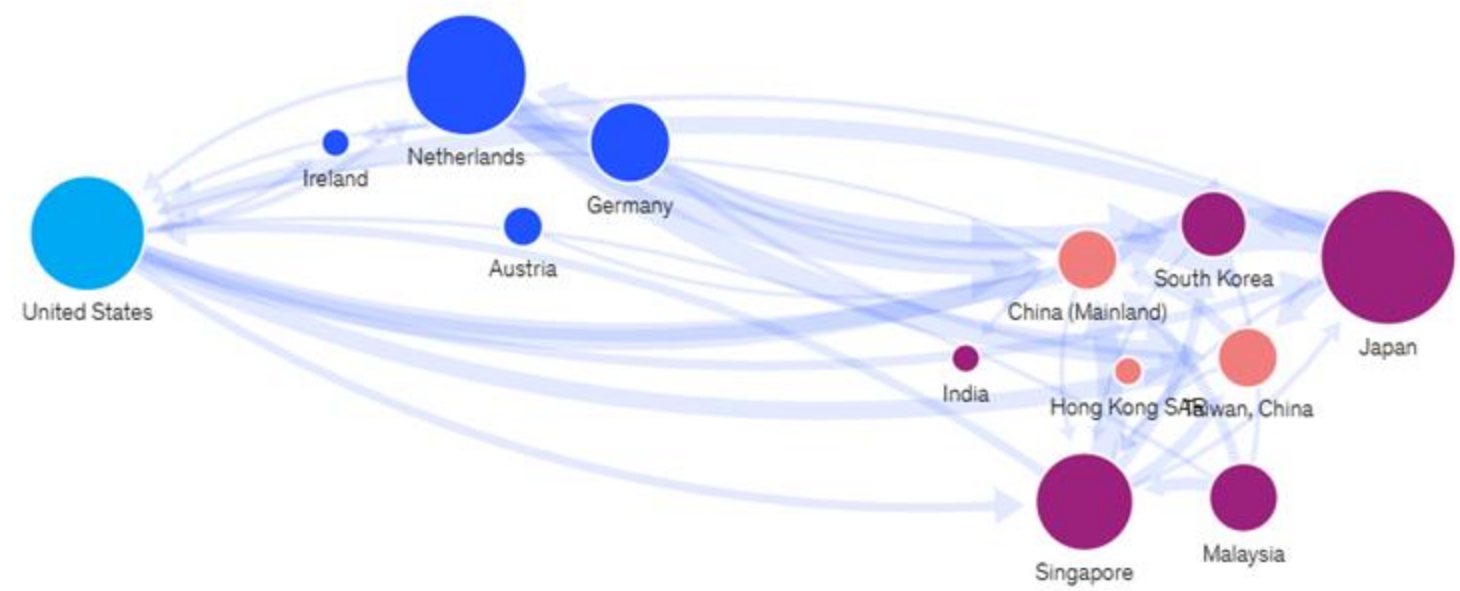
...but much of the machinery to make chips is itself made in Europe and the US.

Global trade flows for chip production (machinery & components)

See how chip production (machinery & components) moved in 2023 in the top 40 trade corridors by value, making up 76% of trade.

Size each economy's circle by

- Global imports
- Global exports



Source: McKinsey Global Institute,
Global Trade Explorer

3. Food global value chains



Soybeans are vital for Chinese meat production...

China consumes alot of soybeans

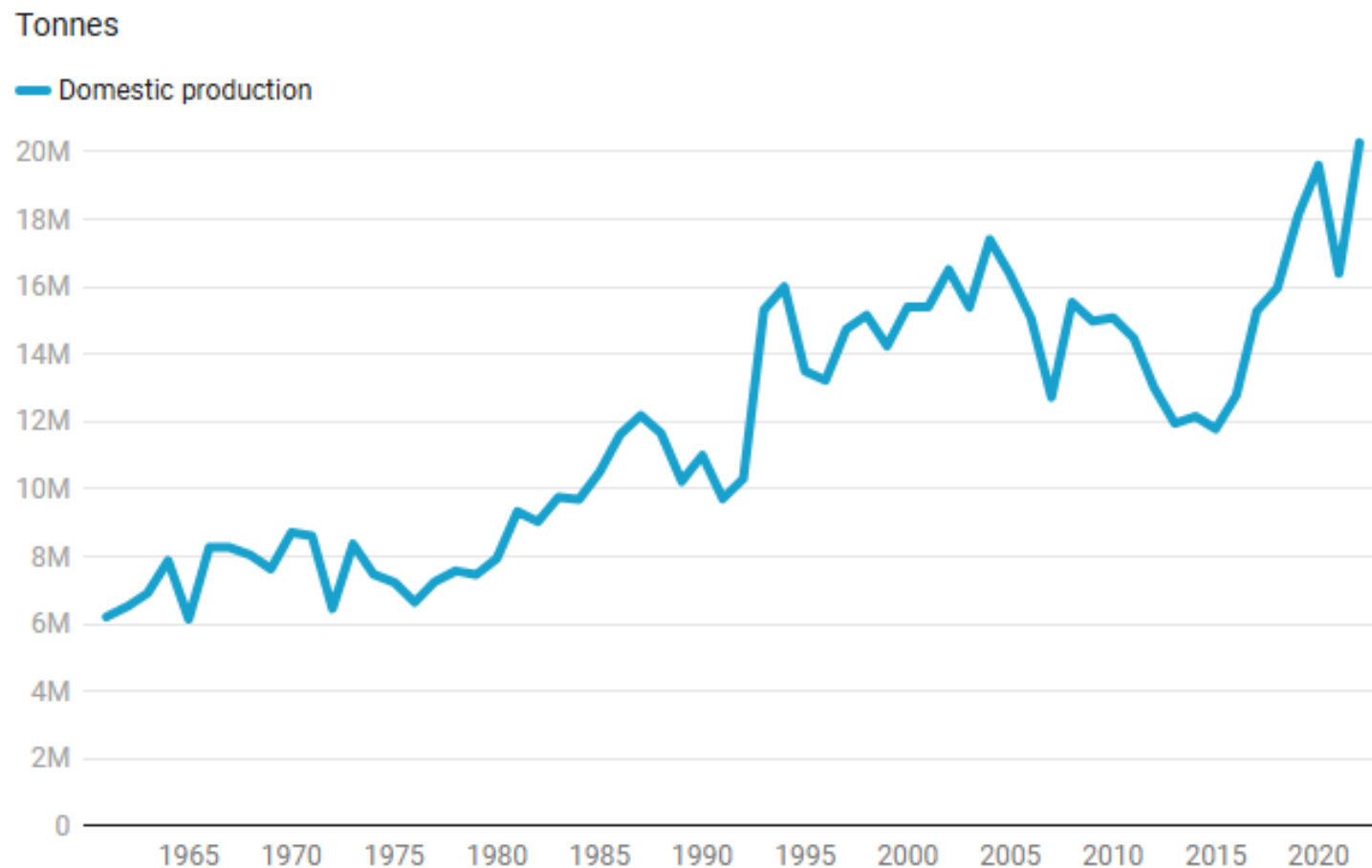


Chart: Ben Chu • Source: [UN Food and Agriculture Organization](#) • Created with [Datawrapper](#)

...but most of China's soybeans are imported...

China is overwhelmingly reliant on soybean imports

Tonnes

— Domestic production — Imports

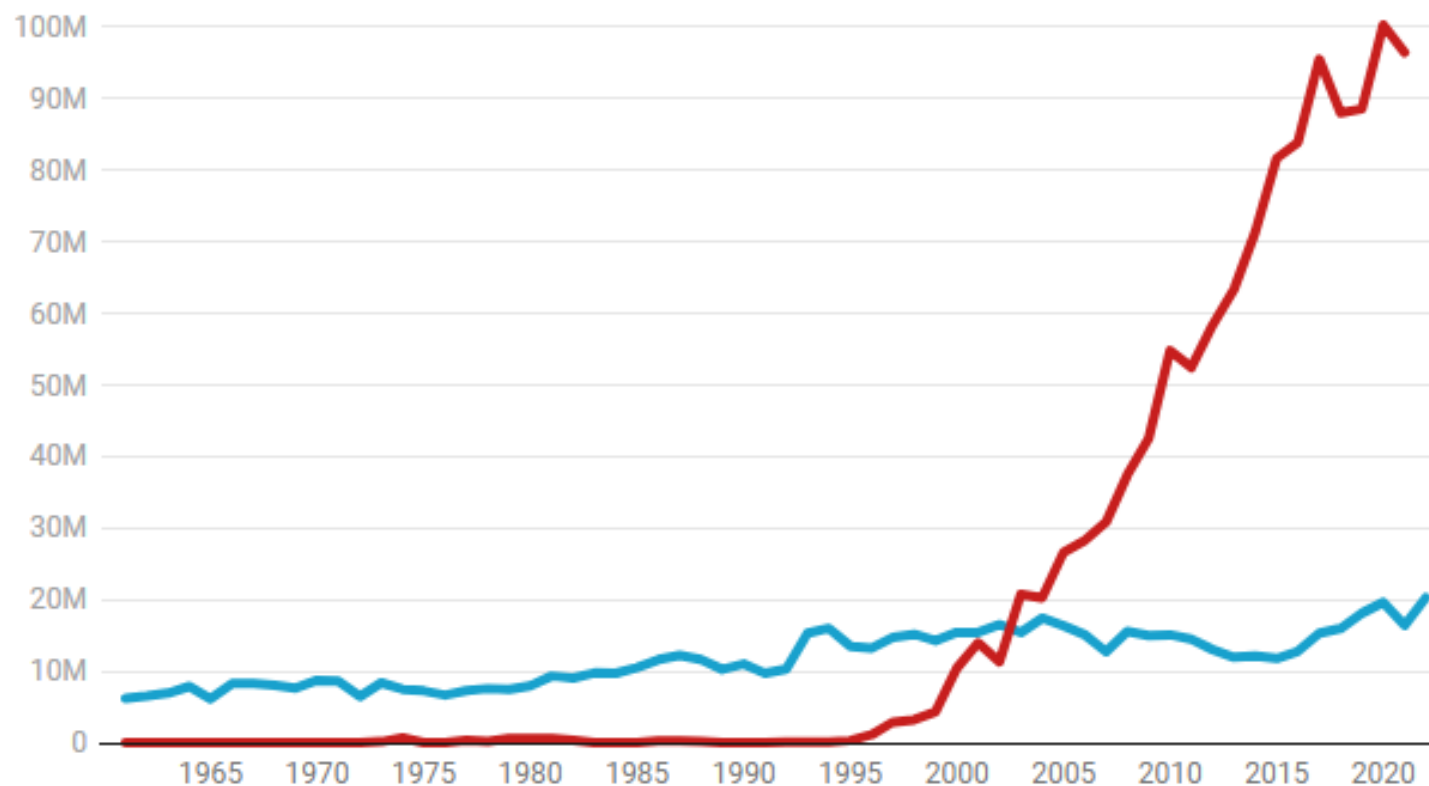


Chart: Ben Chu • Source: [UN Food and Agriculture Organization](#) • Created with [Datawrapper](#)

...and most of China's soybeans come from the Americas...

Global trade flows for soybeans

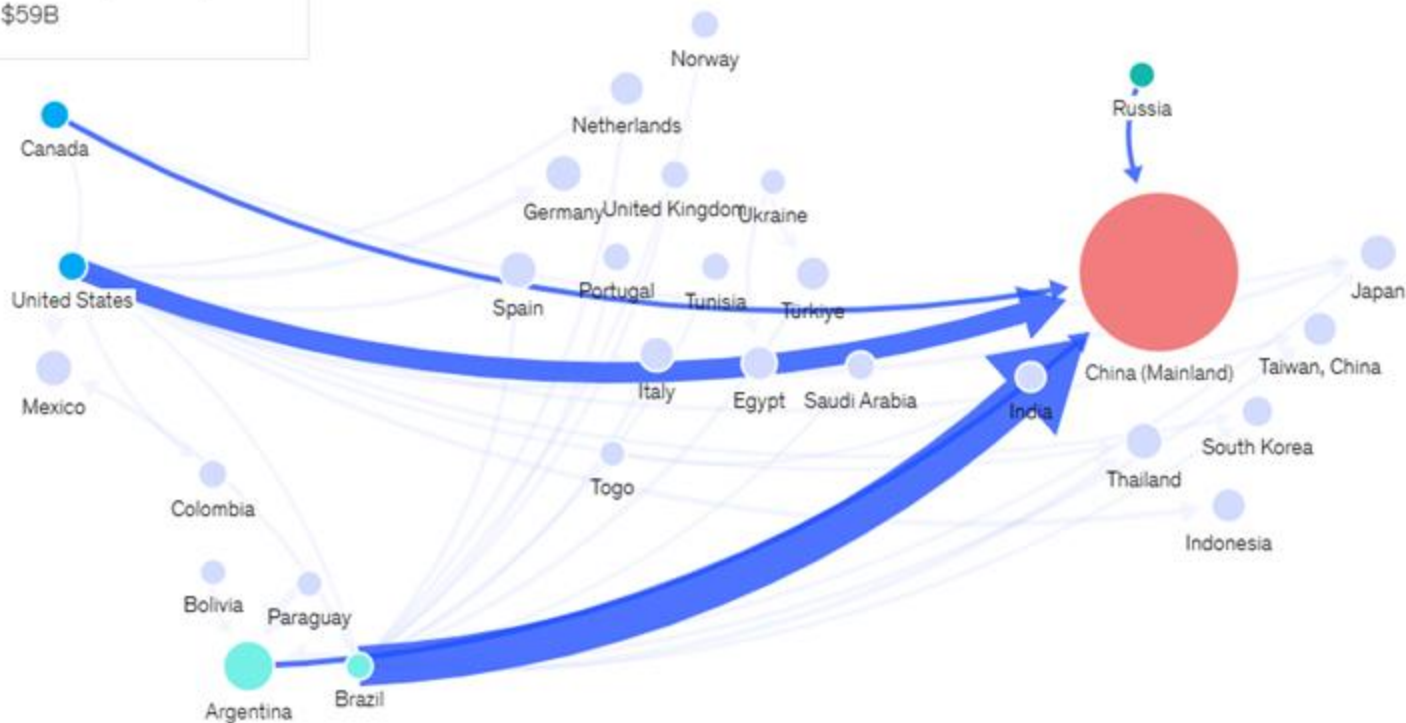
See how soybeans moved in 2023 in the top 40 trade corridors by value, making up 93% of trade.

Size each economy's circle by

● Global imports

○ Global exports

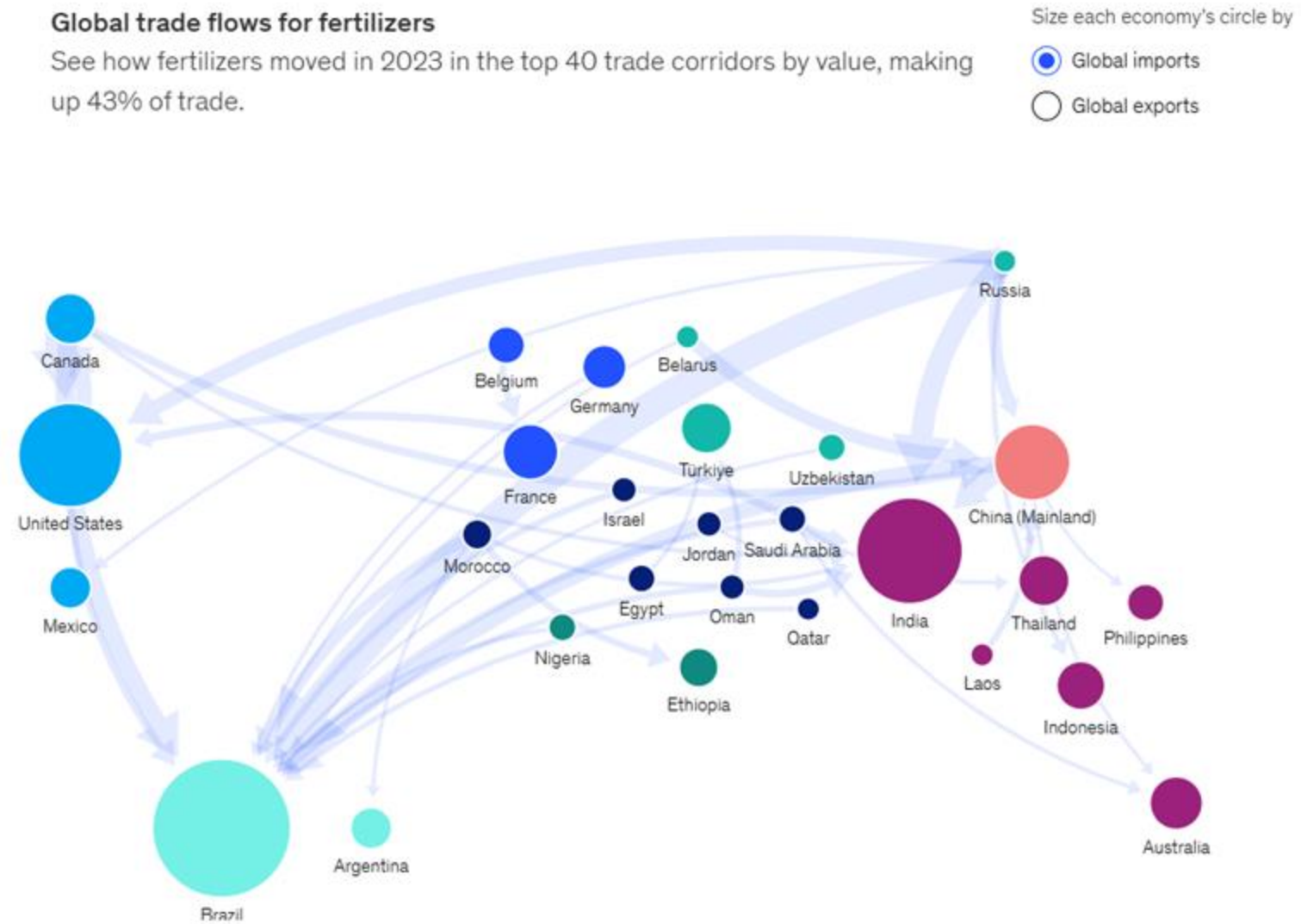
Total imports of soybeans
to China (Mainland)
\$59B



Source: McKinsey Global Institute,
Global Trade Explorer



...but global agriculture relies on fertiliser imports...



Source: McKinsey Global Institute, Global Trade Explorer

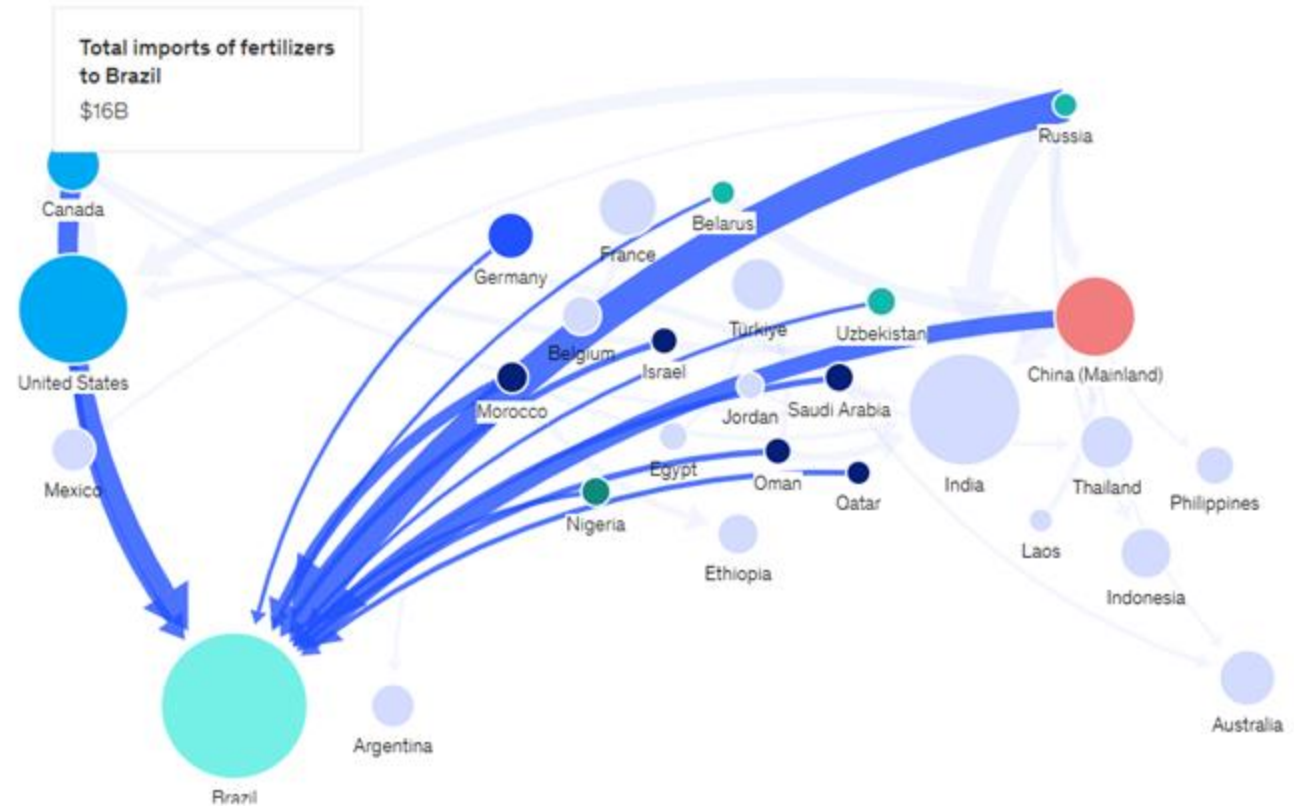
...especially Brazil...

Global trade flows for fertilizers

See how fertilizers moved in 2023 in the top 40 trade corridors by value, making up 43% of trade.

Size each economy's circle by

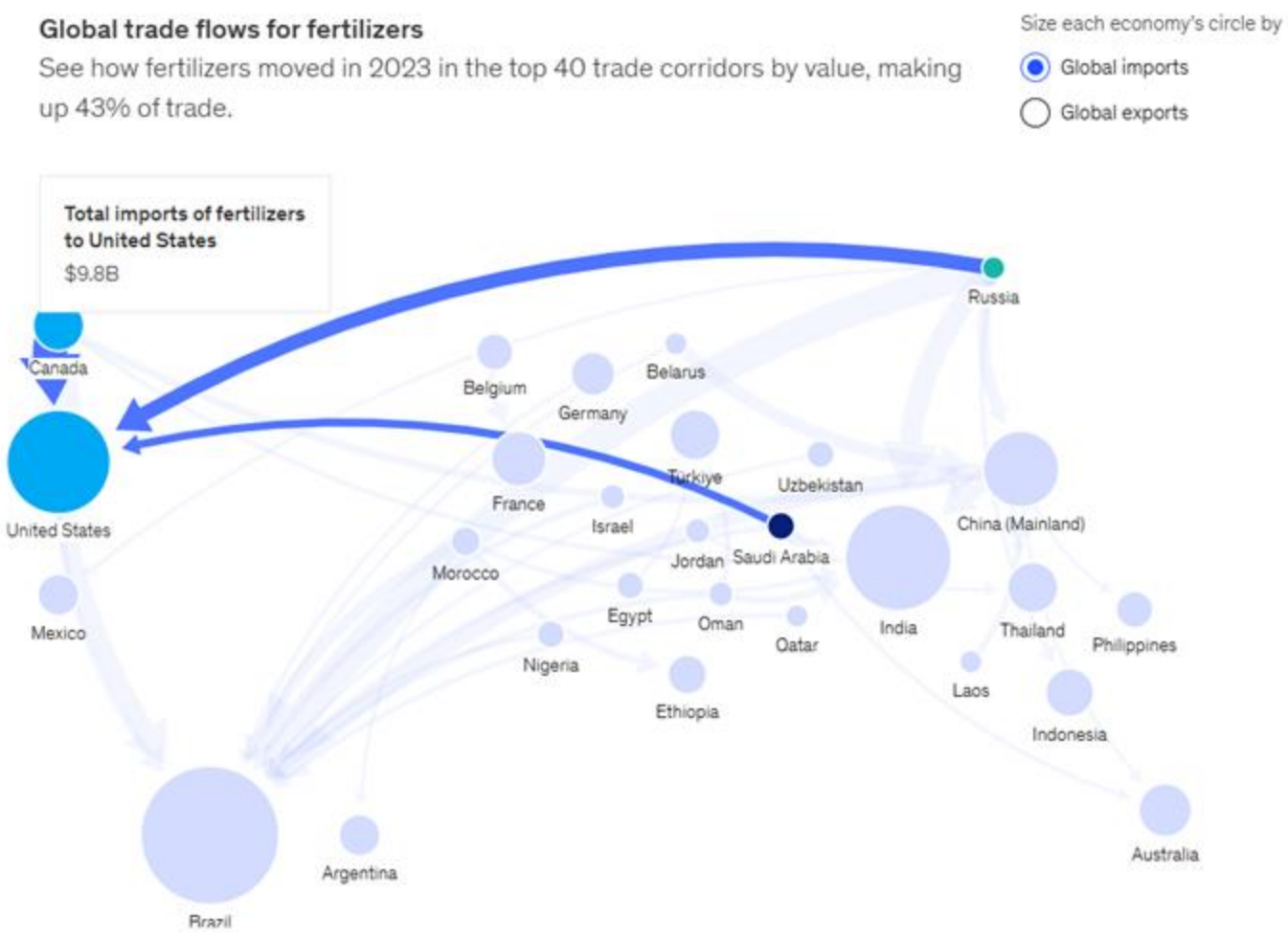
- Global imports
- Global exports



Source: McKinsey Global Institute,
Global Trade Explorer



...but even the United States.



4. Steel global value chains

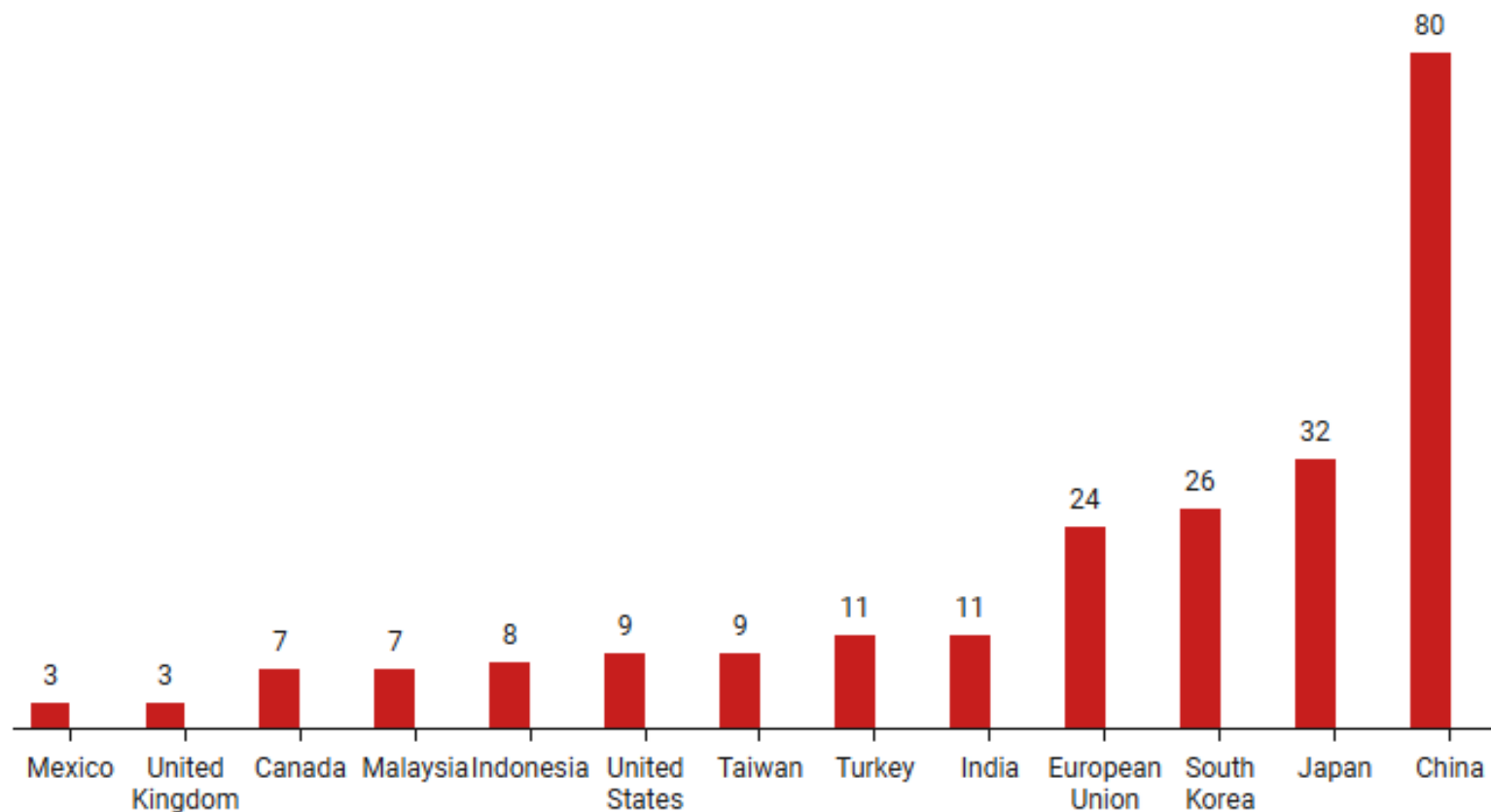


Some countries export a lot of steel...

Steel exports

2023, million tonnes

■ Steel exports ■ Steel imports

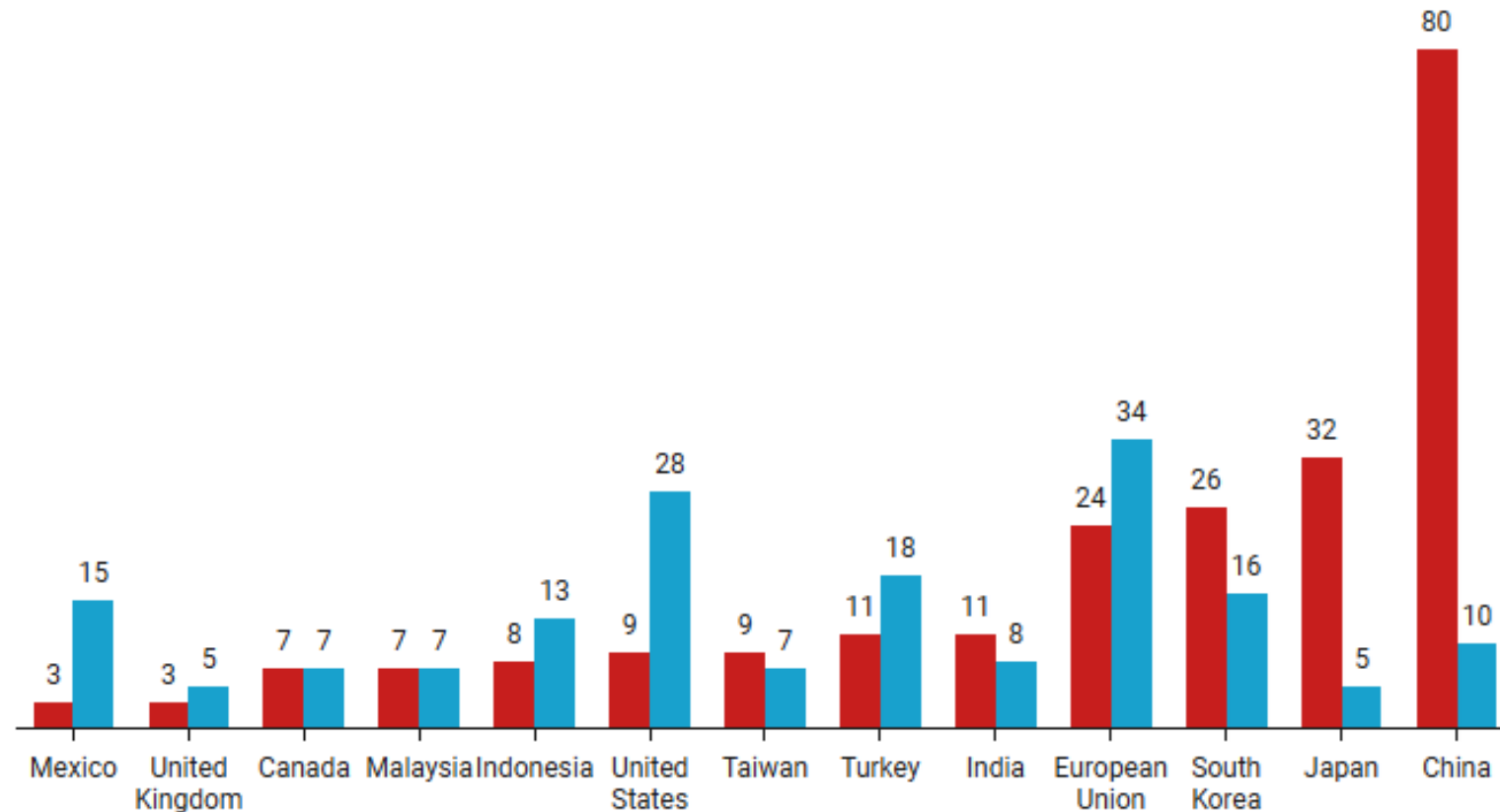


...but even major steel exporters are also steel importers...

Steel exports

2023, million tonnes

■ Steel exports ■ Steel imports



...Turkey is a big steel exporter and importer...

Steel exports

2023, million tonnes

■ Steel exports ■ Steel imports

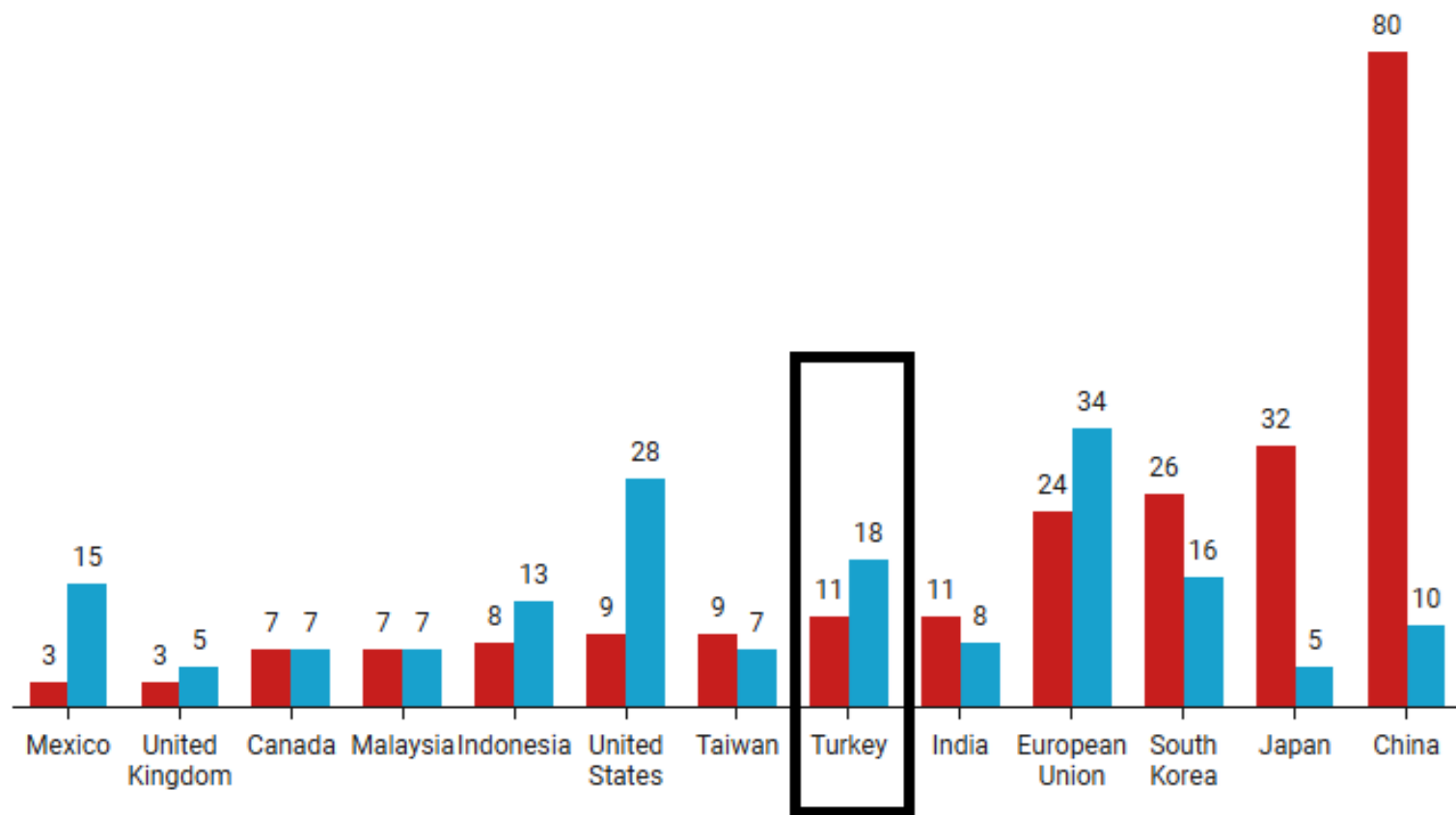


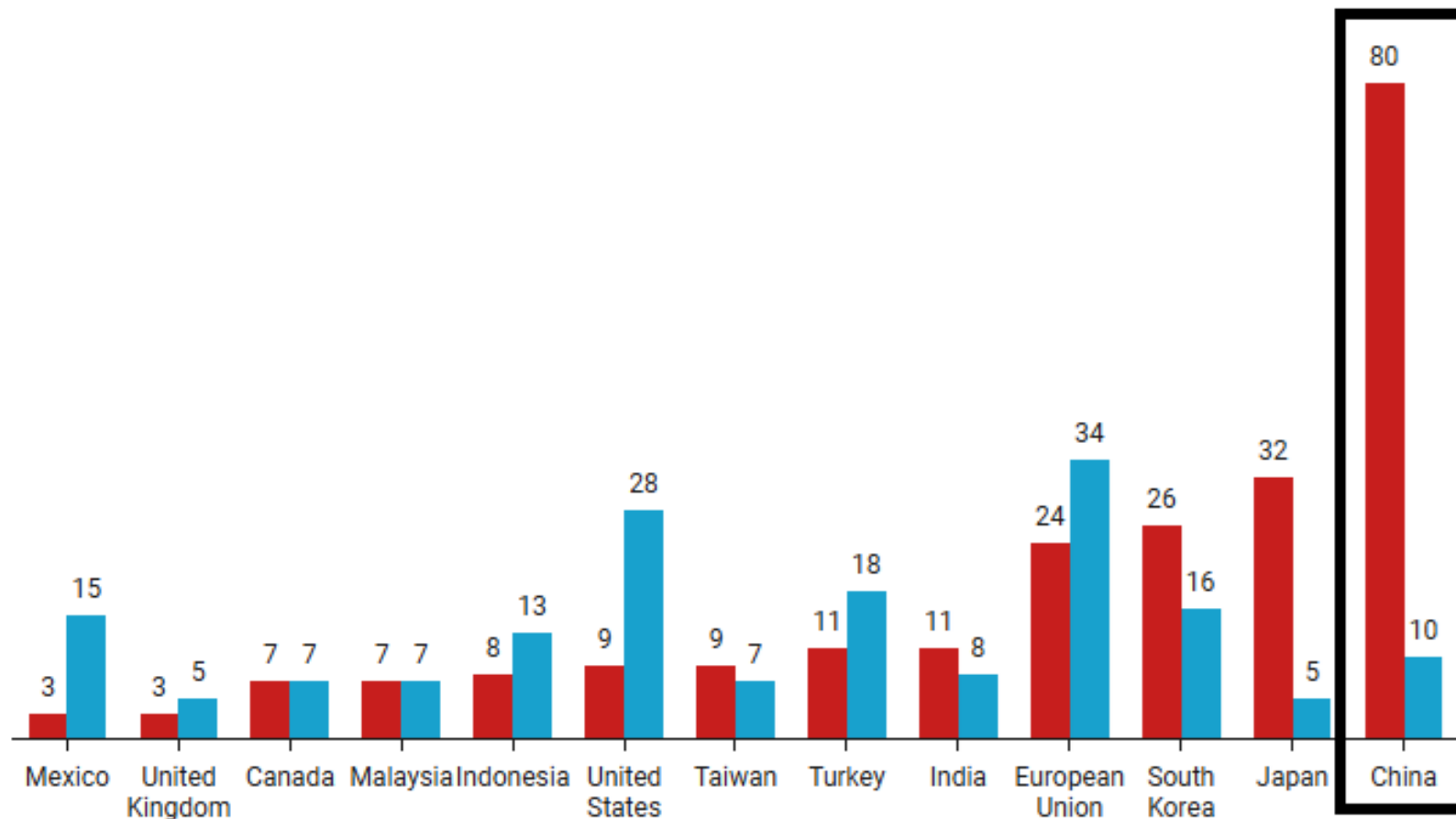
Chart: Ben Chu • Source: [OECD](#) • Created with [Datawrapper](#)

...even China is still a steel importer.

Steel exports

2023, million tonnes

■ Steel exports ■ Steel imports



The potential economic damage





7% of global GDP...

The cost of global trade fragmentation?

Trillion \$

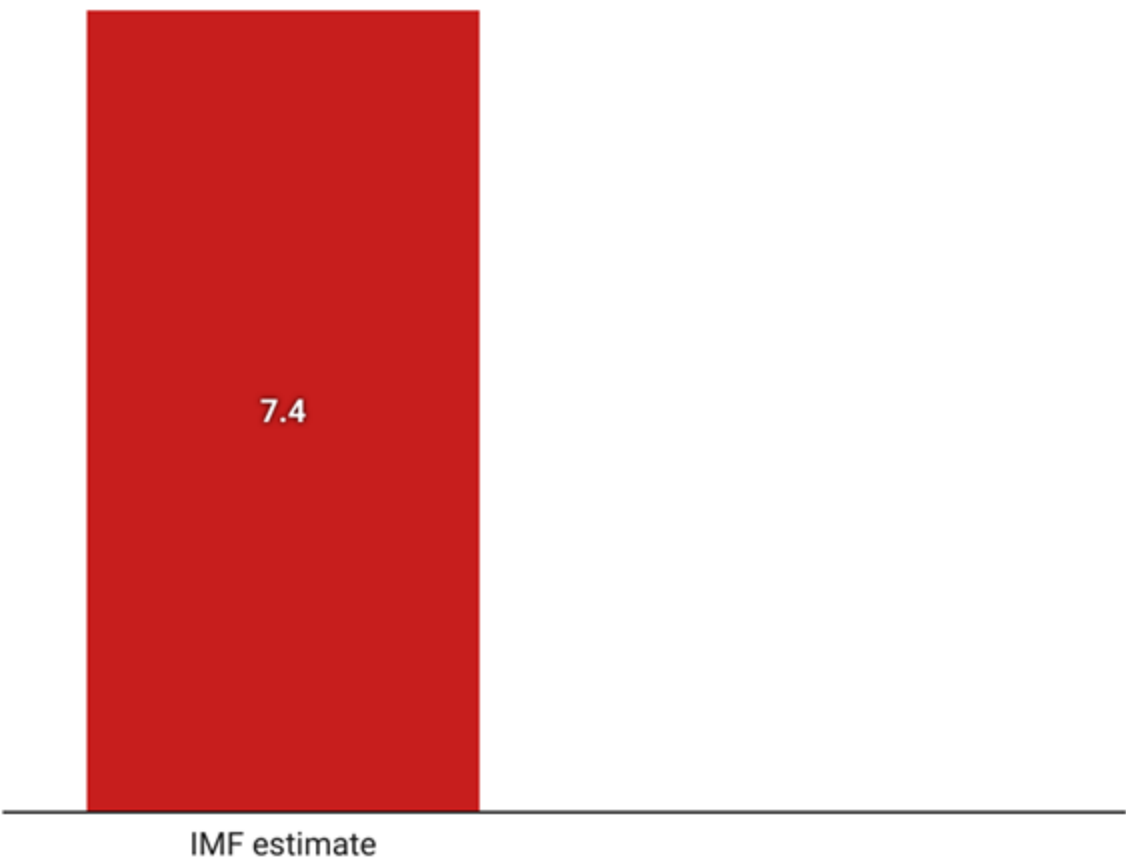


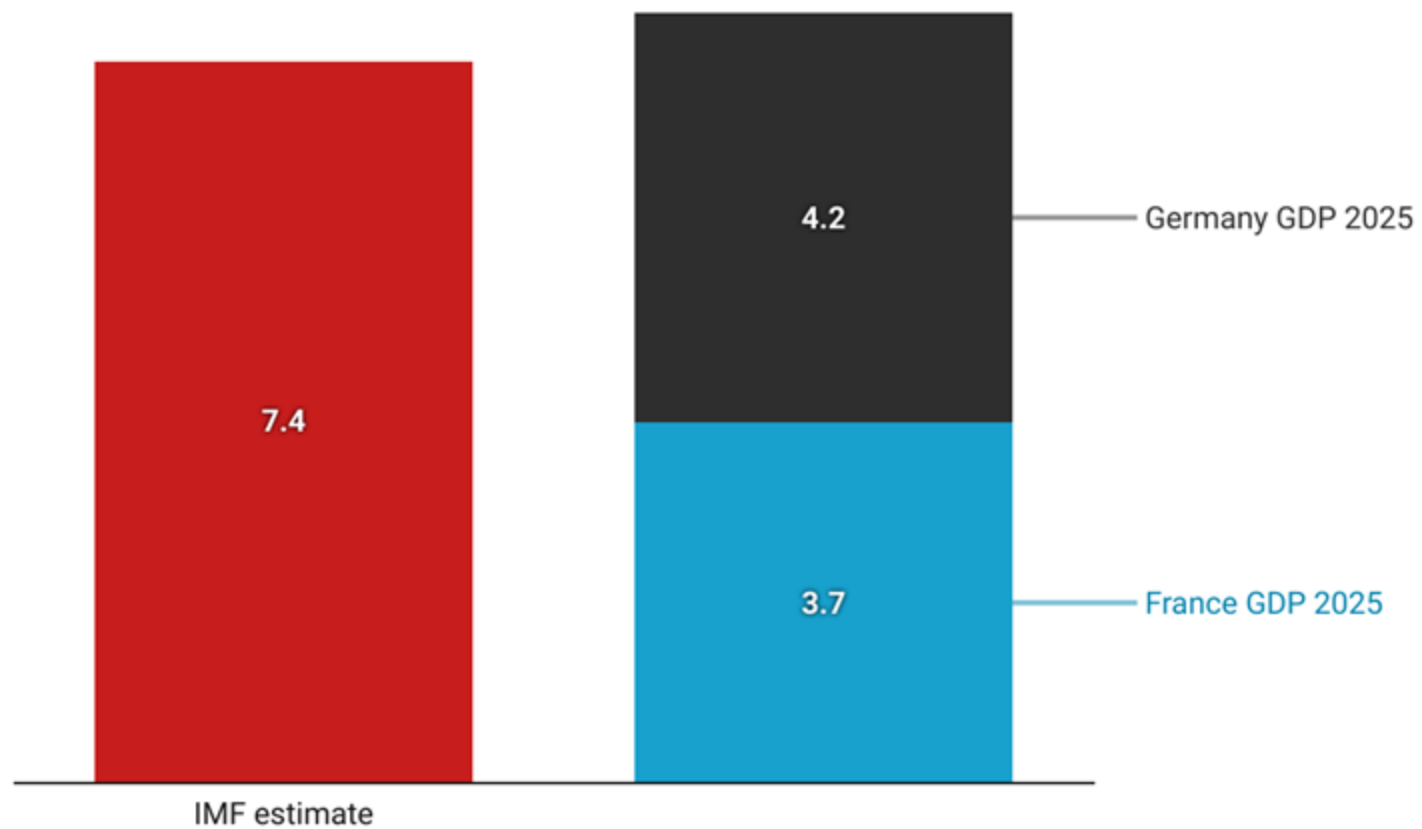
Chart: Ben Chu • Source: IMF • Created with Datawrapper



...equivalent to losing the annual output of France and Germany...

The cost of global trade fragmentation?

Trillion \$





Where does it leave the UK?



Created with Datawrapper



The importance of global trade...

Trade % GDP

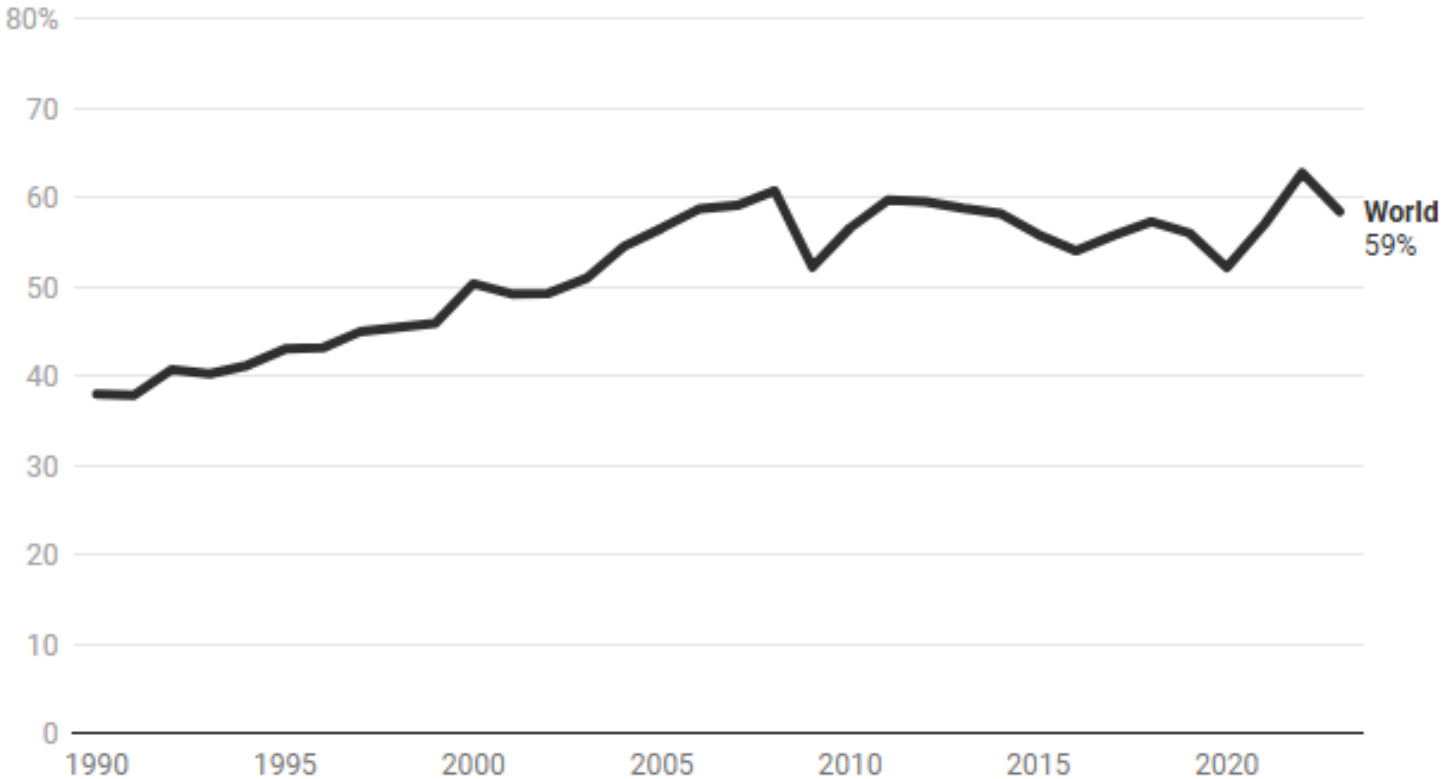


Chart: Ben Chu • Source: [Our World In Data](#) • [Get the data](#) • Created with [Datawrapper](#)

The US is less reliant on trade than the global average...

Trade % GDP

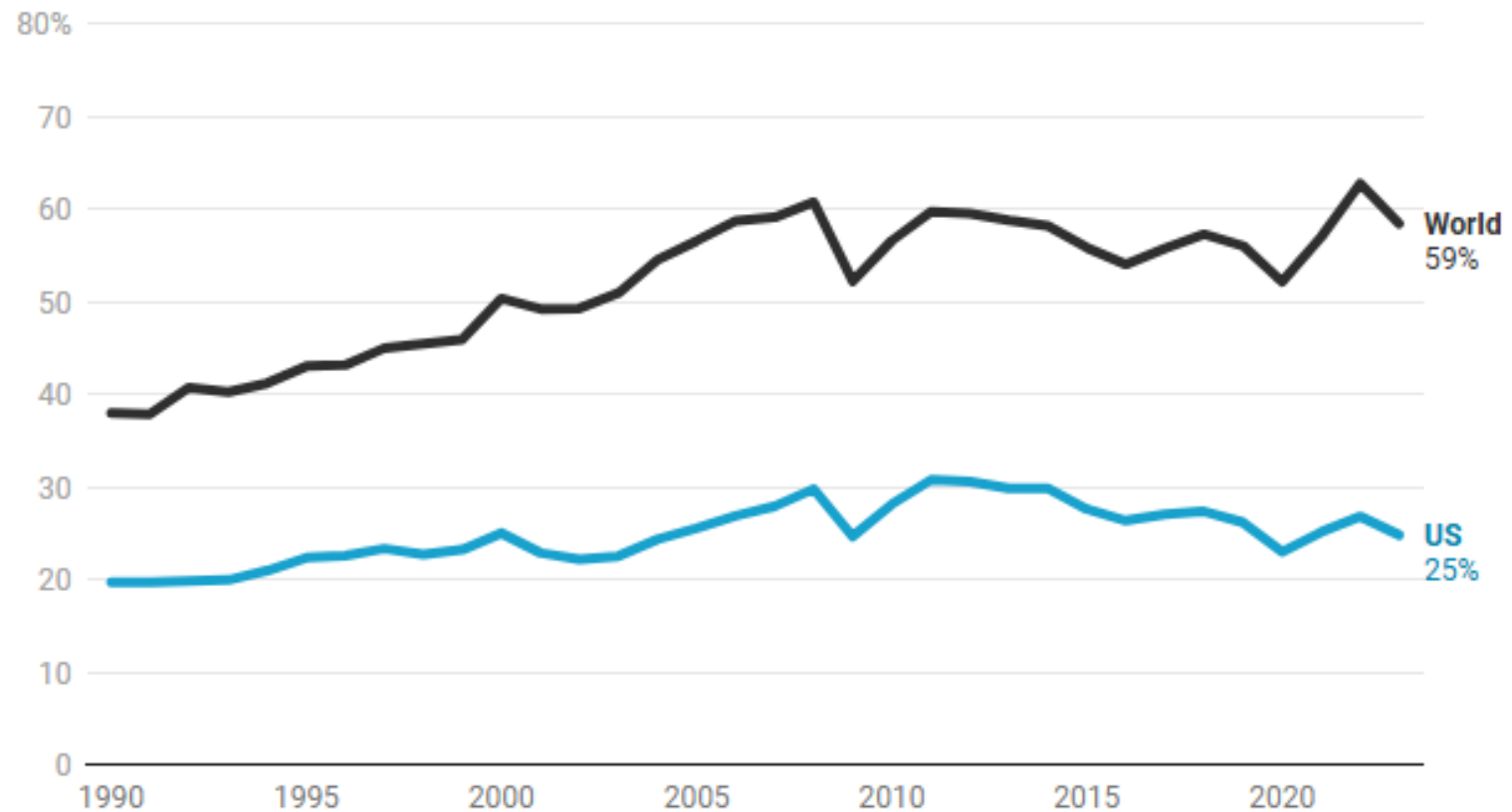


Chart: Ben Chu • Source: [Our World In Data](#) • [Get the data](#) • Created with [Datawrapper](#)

...the same is now true of China...

Trade % GDP

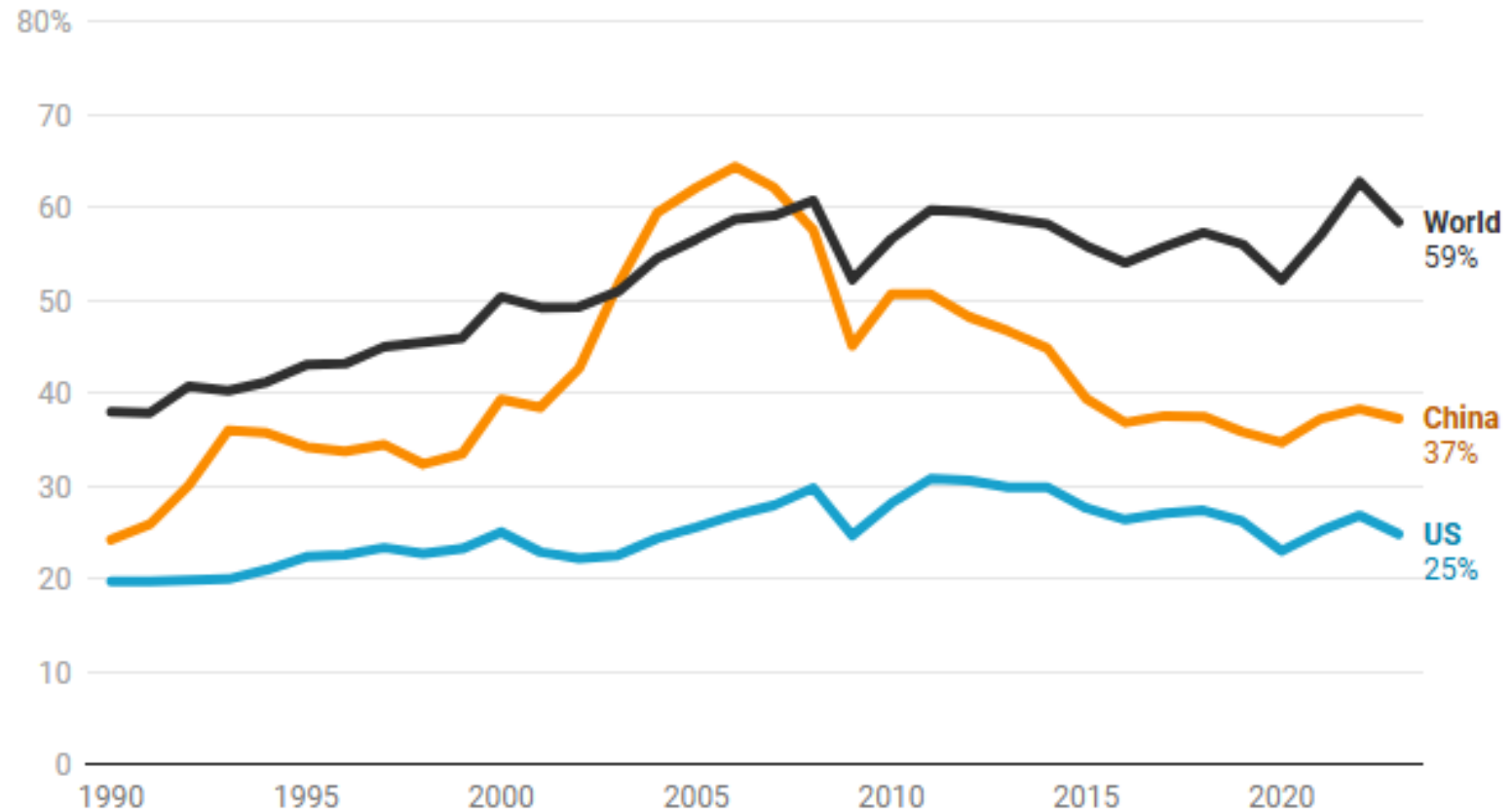


Chart: Ben Chu • Source: [Our World In Data](#) • [Get the data](#) • Created with [Datawrapper](#)

...but the UK is more reliant than the global average.

Trade % GDP

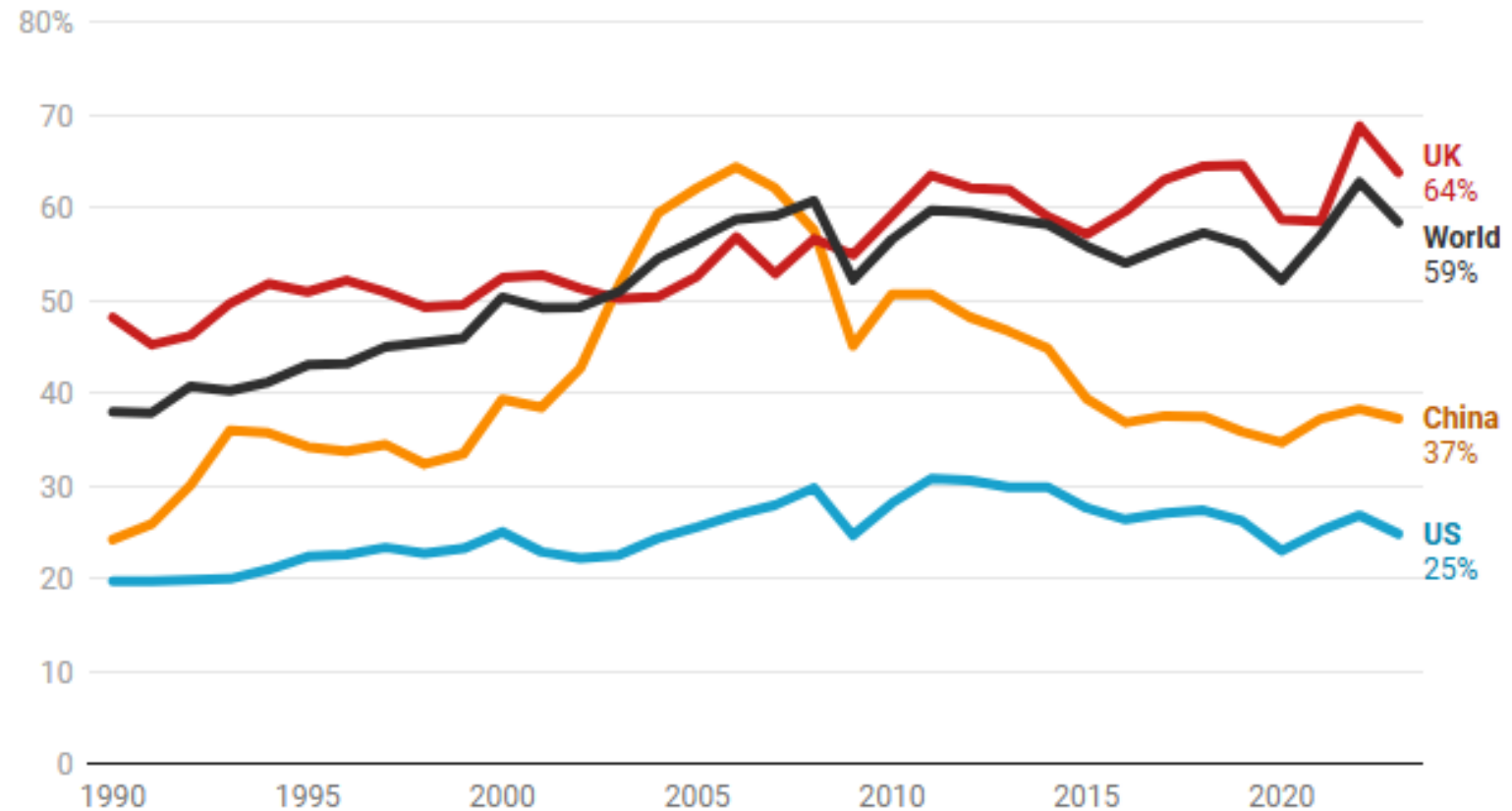


Chart: Ben Chu • Source: [Our World In Data](#) • [Get the data](#) • Created with [Datawrapper](#)

It comes down to those global value chains...

Roughly **half** of total UK production comes from the sourcing and sales of intermediate inputs.

Source: Bank of England

UK manufacturing's face value reliance on imported components is considerable...

UK manufacturing face value import reliance, 2020

■ % face value foreign exposure

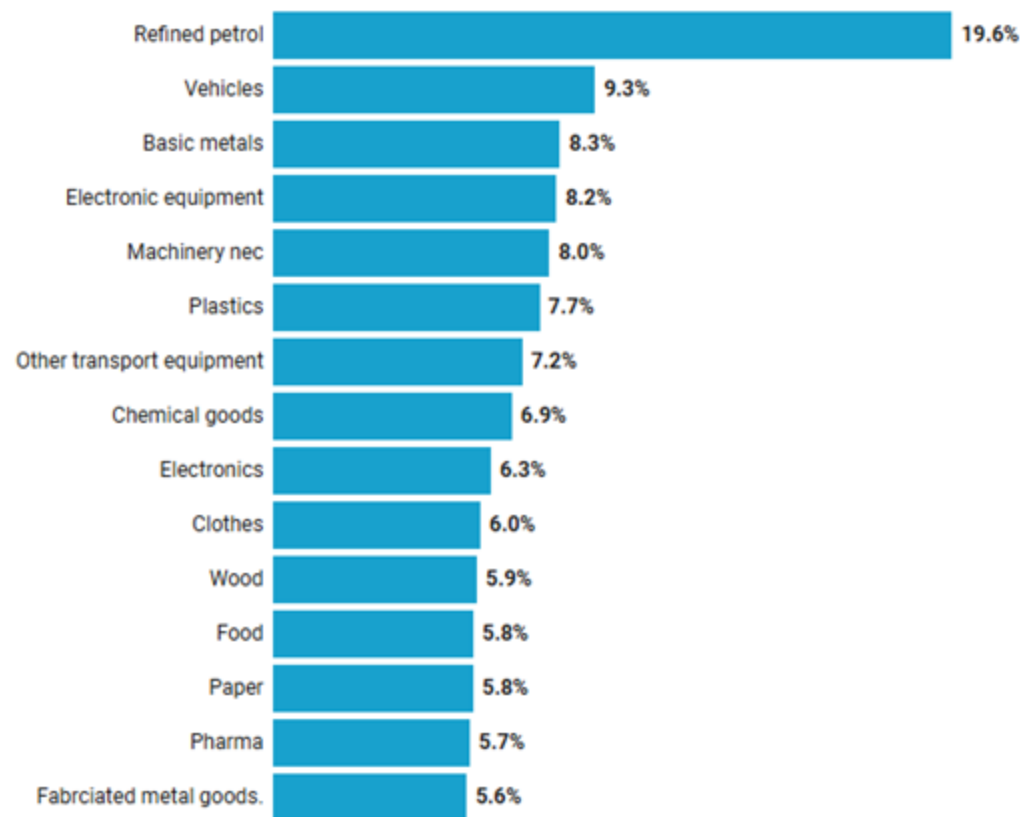


Chart: Ben Chu • Source: [Bank of England](#) • [Get the data](#) • Created with [Datawrapper](#)

...but even greater when you factor in global value chains...

A large share of UK manufacturing relies on hidden foreign imports

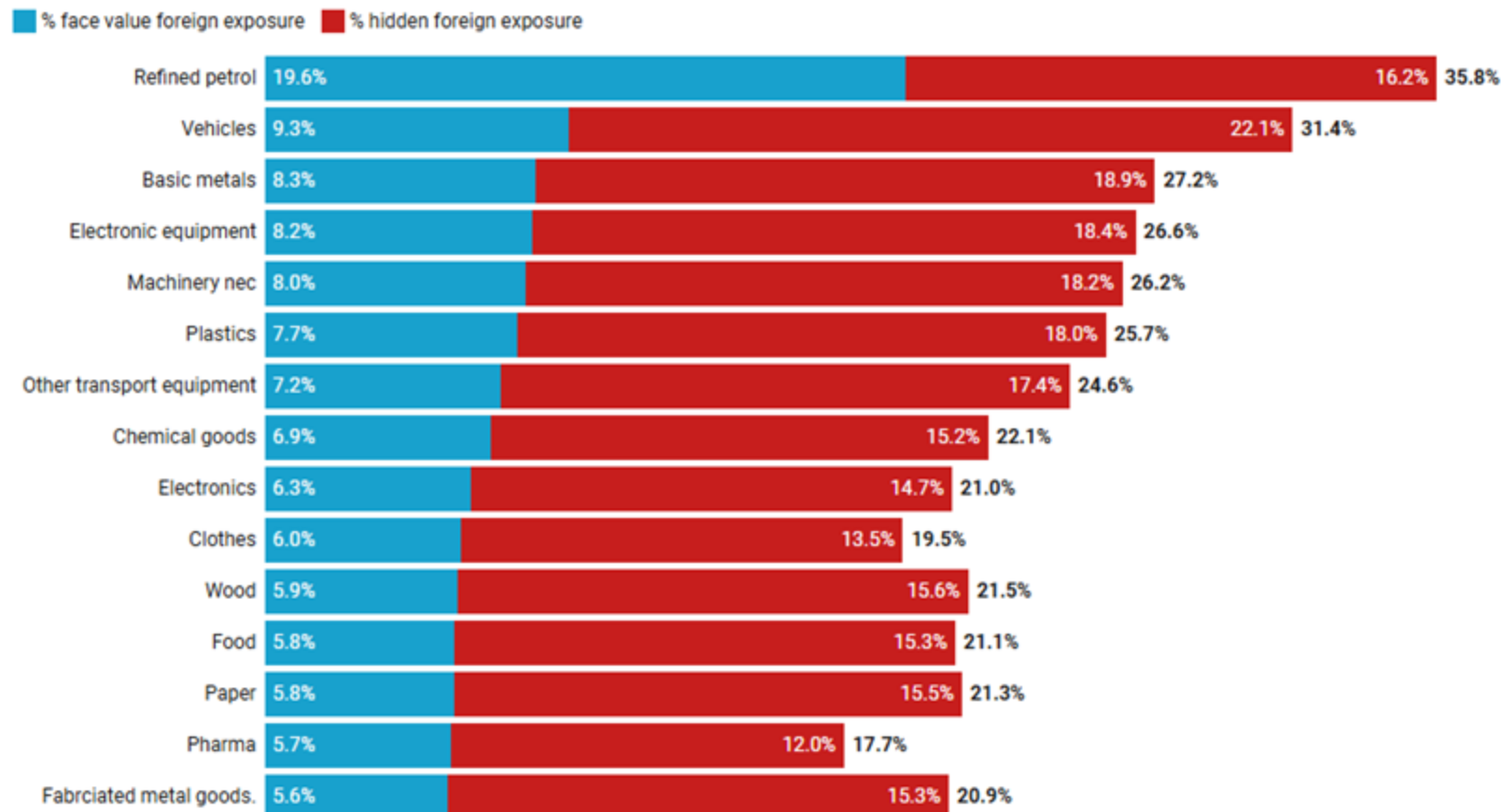


Chart: Ben Chu • Source: Bank of England • Get the data • Created with Datawrapper

...and UK vehicle manufacturing is a case in point...

A large share of UK manufacturing relies on hidden foreign imports

■ % face value foreign exposure ■ % hidden foreign exposure

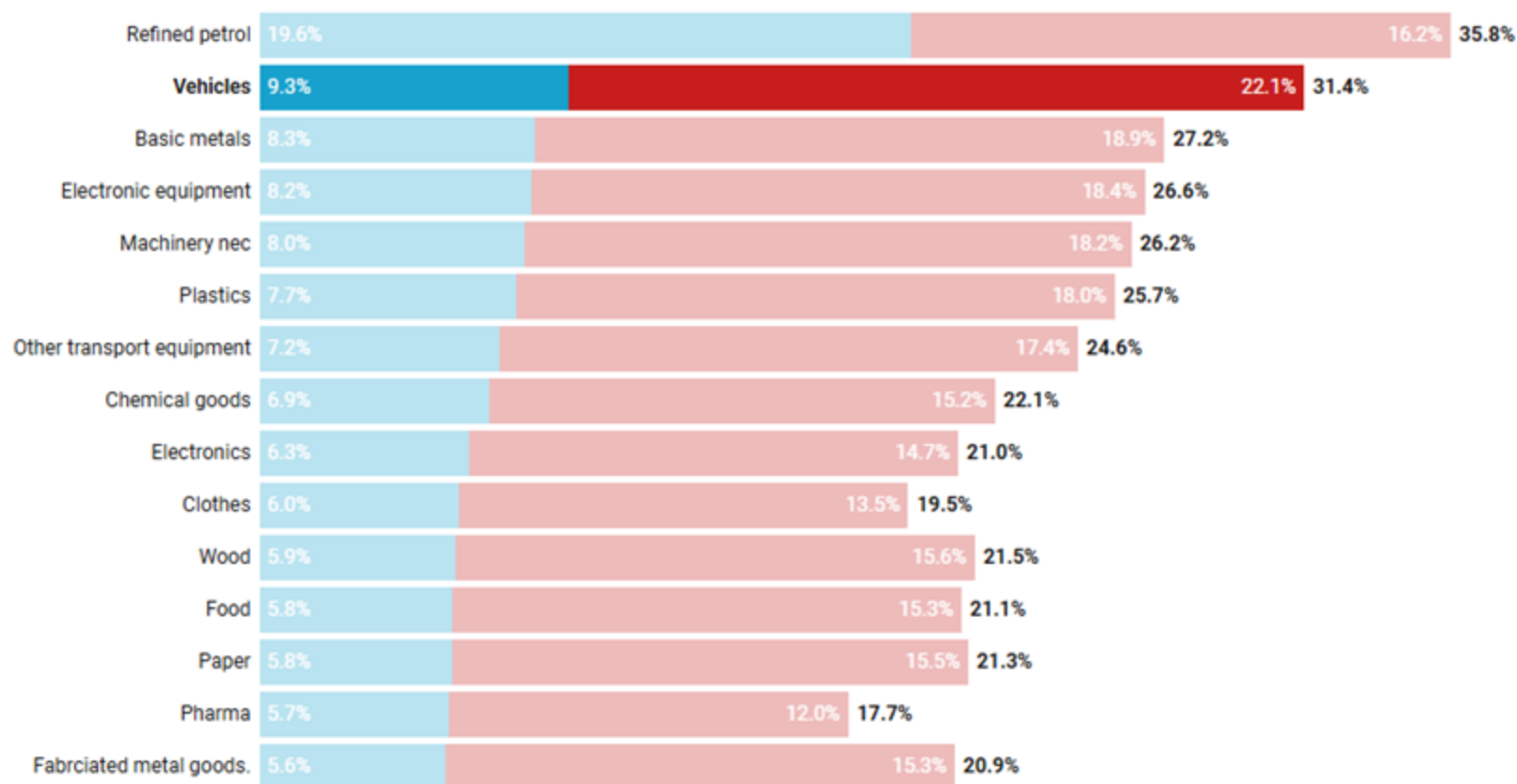
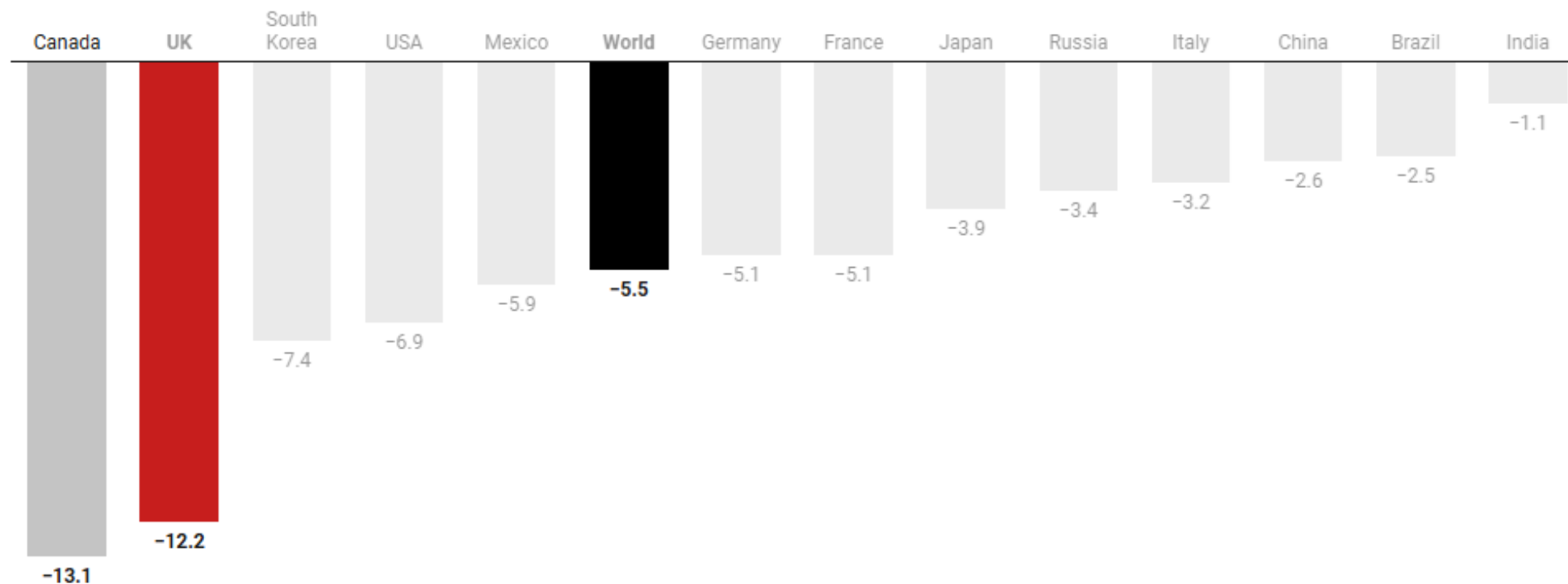


Chart: Ben Chu • Source: [Bank of England](#) • [Get the data](#) • Created with [Datawrapper](#)

...meaning the UK has more to lose from exile economics than most...

The estimated negative economic impact of moving to a localised global trading regime

% GDP



Model assumes 25% global tariff on all traded merchandise and 1% of GDP in subsidies for local production

Chart: Ben Chu • Source: [OECD](#) • Created with [Datawrapper](#)

...because of our key manufacturing sectors.

*“The more the country relies on foreign inputs for production, the larger the drop in GDP when shifting to a localised regime. Canada and the United Kingdom, for example, **which are highly integrated in the motor vehicle and parts value chains and where these activities account for important shares of economic activities** experience large reductions in output in these sectors and also some of the largest GDP reductions in the countries analysed.”*

Source: OECD, 2020

Key takeaways

- Exile economics is rising
- It might fail/be aborted because of the complexity of global value chains
- But trying to achieve it will be costly
- And the UK is especially vulnerable

Thank You



Ben Chu

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Author of "Exile Economics: What Happens If Globalisation Fails"*
BBC