Donald Trump Meets *the* Paris Accords

By Philip K. Verleger, Jr.

How a trade war-induced economic collapse could improve the climate.

Donald Trump has twice withdrawn the United States from the Paris Climate Accords. His second withdrawal includes additional measures that, if fully implemented, will sharply increase harmful global warming emissions. Not surprisingly, his recent actions have frightened those who believe that eliminating greenhouse gas emissions is critical to the world's survival. Trump's actions have horrified environmental activists, who fear they can do nothing to stop his environmental rampage and that he has doomed their efforts to reach net-zero emissions.

These concerned net-zero advocates would be correct if the Trump administration had limited its agenda to removing or eviscerating environmental protection regulations. However, other administration activities during its frenetic first hundred days will undercut Trump's determination to invigorate the fossil fuel industry while shunting environmental concerns aside. The president's policies could separate the United States from the global market, which would allow the rest of the world to ignore the United States and move ahead on the environmental front. The nations attempting to reduce emissions will achieve greater success if the United States is out of the world market. Ultimately, a diminished United States will capitulate to other nations demanding that it comply with their emissions standards.

The United States will lose this battle because President Trump has overestimated our country's leverage relative to the world. In an interview with the *Financial Times'* Martin Wolf, trade scholar Richard Baldwin noted that "U.S. imports account for only about 11 percent of world imports

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overall, and the U.S. economy is only about 25 percent of the world economy."

As an unintended step toward alienating America from global markets, Trump's tariff actions have incensed our trading partners, just as the Smoot-Hawley tariffs angered our partners in 1930. (*The Economist* editors noted that the latter were infuriated by Trump's economic punishment inflicted on them but even more so by feeling betrayed by an ally.) These nations have retaliated with tariffs of their own and quotas such as those employed in the 1930s. They are also attenuating U.S. intellectual property rights, boycotting American goods and services, and restricting U.S. access to critical materials.

For example, China has severely hampered the U.S. manufacture of the robots critical to modern manufacturing by banning exports to the United States of rare earth magnets that it alone produces. China implemented this ban in response to U.S. tariffs, and in doing so has hamstrung our country's ability to compete in a critical manufacturing area.

New regulations and taxes aimed at American technology firms such as Meta, Amazon, and Google by the European Union and other nations will make these firms less competitive globally. Some nations may refuse to protect American intellectual property rights altogether.

In short, the United States has weakened its position in the world economy by aggressively punishing its "allies." As economist Josh Lipsky wrote, "U.S. President Donald Trump has launched a global economic war without any allies. That's why—unlike previous economic crises in this century—there is no one coming to save the global economy if the situation starts to unravel."

Lipsky observed that the leaders of the largest world economies had cooperated in a "London Moment" in 2008 in response to the global fiscal crisis and prevented a depression. "Such a response will not occur in 2025 or 2026," he observed, "because the United States can't call for a coordinated response to a trade war it initiated—one that is predicated on the idea that the rest of the world is taking advantage of the United States."

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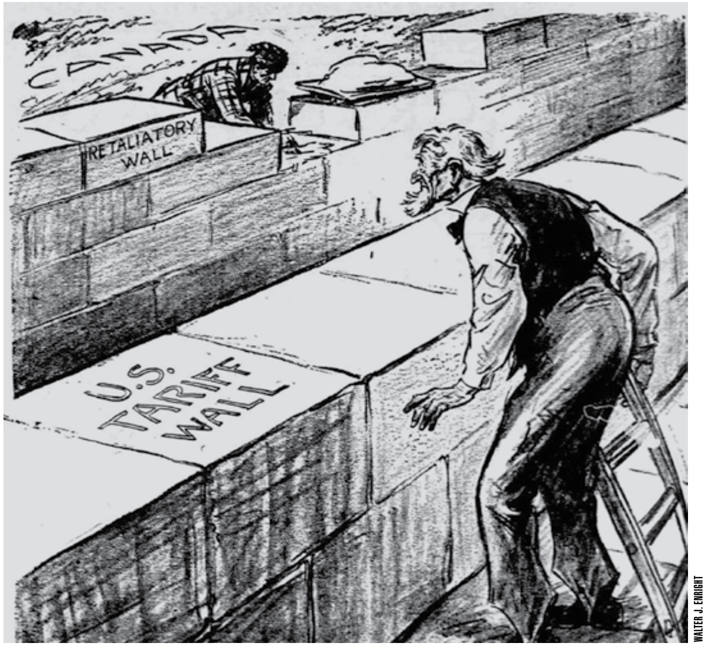
The United States has made international cooperation impossible during the economic crisis that may result from its trade war with the world.



Canada and other nations enacted retaliatory tariffs after **President Herbert Hoover** *signed the Smoot-Hawley Tariff Act on June 17, 1930. More than a thousand economists had signed a petition the month before urging Hoover to veto the bill.*

The late Charles Kindleberger, who published several insightful works on the Great Depression, once explained, as quoted by journalist Robin Harding, that a similar lack of cooperation deepened and prolonged that depression.

> *The 1929 depression was so wide, so deep, and so long because the international economic system was rendered unstable by British inability and United States unwillingness to assume responsibility for stabilizing it.*

Harding also wrote similar words about today: "We have two competing superpowers, the United States and China. Both fancy themselves as hegemons; neither is willing to accept the responsibilities of the role."

In an April 2025 Substack blog, Paul Krugman described this dispute's potential consequences for the United States:

> *What we're seeing now is something familiar to those of us who have studied economic crises in other countries, usually but not always emerging markets. For this is looking more and more like a "sudden stop." That's what happens when a country that has relied on large inflows of foreign capital loses the confidence of international investors.*

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> *The inflow of money dries up—and the economic consequences are usually ugly.*

Citing the impacts of such "stops" for Portugal in 2008 and 2011 and Argentina in 2001, Krugman warned of a sharp downturn, although the U.S. risk is moderated by the nation's debt being denominated in dollars and thus free from devaluation exposure. "This means," Krugman wrote, "that a plunging dollar won't cause the domestic-currency value of our debt to explode, the way it typically does in emerging market crises." However, he continued, "Portugal in 2011 or even Argentina in 2001 had mostly sane leadership. We don't."

A real risk exists that the Trump tariffs, reciprocal retaliations, and the dollar's gradual weakening as foreign capital flies from the United States will lead to a rapid economic slowdown and a commodity price collapse, particularly for oil and gas. U.S. energy dominance will die.

A sharp oil and gas price drop would bring exploration and development investment to a screeching halt. Smaller firms would go bankrupt. Larger companies, pressed by outside investors, would curtail most capital expenditures to maintain dividends. Fossil fuel use, especially oil consumption, would fall quickly in the United States and any nations still allied with it. The industry's growth would slow and then end.

Meanwhile, investment and innovation in renewable technology would continue, spurred on by China's resolve to sustain its economy and conquer the world's auto industry. Chinese technology would spread globally except for the United States, and fossil fuel demand would plunge everywhere. The EU members, blocked by U.S. tariffs from exporting to the United States and intent on pursuing their "green" agenda, would fall into the Chinese orbit.

This transformation is already in the works. In April 2025, two Chinese firms announced their development of new battery technologies that would reduce electric vehicle charging time to five minutes, roughly what it takes to fill a traditional auto with gasoline. As the *Wall Street Journal* noted, the new "technologies serve as the latest example of how China is years ahead of the United States in EV technology, even as the Trump administration intensifies efforts to curtail Chinese companies' access to cutting-edge technology."

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Today, high debt and the likelihood of a reduced ability to borrow on world markets, except at exorbitant interest rates, will limit the United States' economic options, especially if Trump enacts his "beautiful" tax bill. U.S. interest rates will rise, worsening the economic downturn. Our country's "energy dominance" will prove a curse thanks to low prices and diminishing global demand.

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Meanwhile, non-tariff barriers will constrain U.S. exports of other goods, particularly as new international environmental regulations prohibit many U.S.-produced products and commodities from being sold elsewhere.

On the plus side, U.S. greenhouse gas emissions will decline with falling GDP, while emissions from other countries decrease due to low-cost renewable energy alternatives to fossil fuels.

The adoption of "carbon equalization taxes" by the European Union and other nations will force U.S. manufacturers and farmers to adopt the conservation and other "green" measures scorned by the Trump administration as they struggle to recapture the international markets they lost because of the ill-conceived U.S. tariff war.

By 2050, the International Energy Agency may even declare that the Paris emissions targets are in sight and that Trump's pursuit of international economic dominance made this achievement possible. ◆