

Fear, Uncertainty and Doubt and the rise of Economic Nationalism

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It goes without saying that the world is in a fragile state, where we are living in a FUD culture. (Fear, Uncertainty, and Doubt). These sentiments are pervasive economic forces and even psychological drivers that influence behaviour of buyers and sellers across the globe.

Critical events such as significant stock market losses and rebounds, that were typically experienced years apart (such as the South Sea Bubble, Wall Street crash, sub-prime banking crisis) are now almost daily occurrences.

In our interconnected global economy, international trade is vulnerable to tariffs and sanctions, and more intangible elements such as poor perception, lack of trust, and low confidence.

So how does fear, uncertainty and doubt manifest itself in trade?

Firstly fear. What economies dread most are threats from home and abroad that may destabilise current process, necessitate uncoded, unexpected and unpredictable rapid changes in policy, and importantly, unforeseen outcomes and demands that may take years to unravel, such as suddenly needing to find alternative supply chains.

Then, uncertainty. Challenges in making logical provisions, understanding constant changes to regulations, customs incompatibility, and regulatory mandates affecting single countries and larger trading blocs. This may also affect trade agreements, movement of labour and the resulting bureaucracy around cross border activity. And it could all change overnight.

And finally, doubt. Basic mistrust and scepticism abounds regarding the stability, intent and means of partners, suppliers and institutions, whether local or global to act ethically and morally. Trust is key, as is the hope that product will not be stolen, counterfeited, misrepresented or your intellectual property and patents are not misappropriated.

As companies de-risk, delay large investments, try to prevent currency flight, make more product in home markets, international trade is becoming hijacked by economic nationalism.

Thankfully today nobody throws themselves off buildings when experiencing financial loss, and large banks survive, the wealthy remain unaffected and buses still run.

But for the small investor, home owning saver and man in the street without bitcoin, these times are increasingly challenging.

Of course, this is not helped by fluctuating political sentiment. Diplomatic u-turns, attempts at high level talks and conflict resolution failing, are not helping, nor are the predictions in a TV interview of legendary banker Jamie Dimon 'Global fiscal deficits

are inflationary. I think the remilitarization of the world is inflationary. The restructuring of trade is inflationary.”

The eyes of the world have recently witnessed the ‘just in time’ avoidance of a major conflict between India and Pakistan, continued posturing of a peace agreement between Ukraine and Russia, and continued action in Gaza, whilst armaments manufacturers prosper, ordinary people are under extreme hardship.

So, its easy to see why traders are reticent in making big commitments, noting serious rapidly evolving geopolitical tensions, almost daily economic policy changes and headline seeking implications. These elements affect market sentiment, trust and confidence, wondering how to deal with disrupted global supply chains, and engendering a feeling of being out of control.

For SMEs, which account for up to 90% of global businesses, these are yet more challenges to their existing issues of lack of liquidity and funding, and frequent and onerous regulatory challenges.

In a recent article, I wrote about how the continent of Africa was seeking to extend the free trade agreement African Continental Free Trade Area (AfCFTA) with its Project 54 ideals, announced in Rwanda in April. The project starts with implementation of new technologies, for a Next-Gen Digital Payment Infrastructure.

The goal is to see the benefits of technological innovation become inclusive, sustainable, and transformative, reaching every individual and enterprise, regardless of geography.

The objective? A seamless, trusted, interoperable and efficient cross-border payment system, promoting data exchange economic empowerment, financial resilience, and ensuring that Africa's digital economy is built on an infrastructure that meets the needs of businesses and individuals alike.

The simple outcomes are to further digital interconnectivity, standardise, rationalise and re-use resources and systems, reduce trade barriers and harmonise regulations.

Additionally working collaboratively for the common good in realising assets, processing raw materials closer to the point of extraction, and taking the true economic value of rare commodities would further stimulate trade and allow the continent to truly benefit from its natural resources, manpower and cost of production.

And this is possible, with free trade and fair trade working together. However, these valiant efforts may well be thwarted at the first hurdle.

With great fanfare, and fair amount of shock (especially when announcing new tariff rates for China) the US openly declared its global intentions.

To make America great again, the administration has a clear policy to rebuild industries, re-invigorate infrastructure, efficiently and economically supply its home markets, restrict expensive imports and provide new employment opportunity.

But after the hue and cry, and thought that this was just another tax, many countries will potentially be better off. India's rate was 26%, Vietnam 46%, Botswana 27%, Lesotho 50%, Mauritius 40% and South Africa 30%. Now, or for the time being at least until July, they are rated at 10%.

And this has already affected trade. The dollar has been falling against other currencies (1.22 to Stirling in January up to 1.33 in May). The global impact could be a fall in global GDP of 1%, with latest economic outlooks indicating a 40% likelihood of US recession.

And economic nationalism is the result and actively encouraged. Through trade policy, industrial policy, competition policy, restricted foreign direct investment (FDI), immigration, and macroeconomic policy, offensive use of tariffs rather than unbounded free trade, restricted rather than free labour movement, and tight control on movement of funds to prevent capital flight, no nation is immune from its effects.

By advocating protectionist policies and routes to self-sufficiency, there is a much more aggressive involvement by the state, often stifling entrepreneurial flair, to satisfy nationalistic, isolationist policy.

The thought-process of trading with all with liberalism and benefits for all has been hijacked, in favour of nationalist goals, not personal or corporate, enabling the building of greater military power and national security.

The construct of economic nationalism has never been more prevalent, designed to maximize exports and minimize imports for an economy, accumulating resources for one-sided trade with one-sided benefits, and clearly anti-globalisation.

In this scenario, international trade is not viewed as a 'win-win' between nations, a meeting of minds, a sharing of revenue, but where success, especially economic success, is only possible at the expense of other people's failure, or where the aim is to achieve gains for oneself only.

As with all nations suffering huge trade gaps, mercantilism aims to reduce a possible current account deficit, attempting to secure domestic funds, and build reserves of finished goods through investment in industrial processes.

History shows us that such policies may have contributed to conflicts and with little agriculture or manufacturing, countries then embarking on aggressive foreign policies, embracing colonial expansion.

The 16th century saw the rise of the East India Company, in its day the worlds' largest company, accounting for half of world trade, with global influence and value of more than 7.9 trillion USD in today's money.

However, nations were already restricting trade, promoting tariffs and subsidies, and building domestic infrastructure with a view to creating the framework for long term exports.

Scroll forward to the twenty first century, and nothing much has changed.

Challenges of globalisation, economic inequality, security issues, limited critical raw materials required in new technology industries and political extremism and unrest now abound.

Through tariffs, sanctions and blatant discrimination, with adoption of protectionist policies, these factors have created an ever-changing complex landscape compromising the global trade arena, especially in the area of global supply chains.

Where in the past economies relied on relatively few products, new technologies have created unprecedented demand for critical raw materials (i.e. used in mobile phones and communications devices powering the internet) requiring lengthy, costly extraction processes, from small deposits in unique areas.

Traditional sources are in many instances no longer economically viable or exhausted (i.e. for critical materials and metals), where companies are forced to seek materials further afield, or even resorting to moving manufacturing to avoid having to import goods and face restrictions, regulation and risk.

And tariffs, either by design or retaliatory, have certainly been an effective means to beat off competition in agriculture, automotive and electronics industries. Indeed, by creating more barriers, nations are creating their own standards and regulatory arenas, pulling away from a once cooperative contact surface to fierce competition, leaving a disrupted, fragmented trading and technology landscape.

By decoupling technology, stopping collaboration on strategic projects in defence, Ai, cyber security, blockchain and crypto are compromised, with missed opportunity, additional risk and duplicated excessive cost.

Just as important will be the continued dependency on the US Dollar. Wars may rage, but international deals continue with the majority still undertaken in the dollar, which remains the official currency for reserves and for global cross-border trade.

Countries need dollar reserves to pay for imports and to cover local liabilities in dollars in crises. But, whilst the US seeks to protect its primary position and flex political muscles through imposition of financial sanctions and tariffs, it is no wonder that affected countries are looking to find alternatives to circumvent lack of liquidity, high rates of exchange and contraction of trade through non-participation among domestic

institutions. However, as the world's leading reserve currency, this is not likely to change any time soon.

Even as China expands use of renminbi loans for oil and commodity deals, the question remains whether they would effectively open capital accounts and float the currency on world markets. Probably not, with the short to medium prospect of the currency becoming mainstream and eventually eclipsing US dollars remaining remote.

More likely is the uptake of unregulated crypto currency, consensus in trading blocs such as BRICS to determine their own payments, trade movement and collective currency, and further reliance on the digital form of a country's fiat currency through central banks namely CBDCs, fully regulated, protected and not wildly fluctuating.

Demand for gold as a commodity but not any longer a reserve currency has certainly grown, forcing up prices by 28% in 2024 and reaching record highs in 2025. Where the gold standard was once the primary factor affecting currency, and limiting the amount of printed money in circulation, with finite supply, it did control volatility a situation where an increase in the price of gold can create a trade surplus or help offset a trade deficit

In Conclusion

Events are cyclical. From the East India company world domination to independent states, emerging economies, new supply chains, collective trading blocs, free trade agreements across continents, the breakup of the former USSR, the formation and divergence within the European Union, we see a return to isolationist, protectionist and economic nationalism.

World economies are experiencing fear, uncertainty and doubt, unprecedented challenges, greater fragmentation, unseen critical cyber threats from state actors, intellectual property theft, possible economic destabilisation and trust in fiat currency from cryptocurrencies, unethical trade practices, and unfortunately, rather than a golden age, sustained and growing risks of global political instability and conflict.

