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Why the Tariff Damage Can't Be Undone

President Trump's tariff shock is forcing a reassessment by countries on how to respond and pushing investors to revise assumptions about profit margins, investments, and inflation.

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The scope, speed and magnitude of the Trump administration's tariff blitz left investors with a lot of questions. But one point came through crystal clear: The post–World War II global world economic order is no longer.

That is forcing a reassessment by countries on how to respond and pushing investors to reassess long-held assumptions about profit margins, investments, and inflation.

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Over the medium to longer term, Trump's tariff and trade policy will likely accelerate the move to diversify supply chains, emphasize regionalization over globalization, and invest in becoming more self-reliant. The trend began in Trump's first term and was kicked into higher gear amid the supply-chain disruptions of Covid 19 and Russia's attack on Ukraine.

But given the uncertainty and increasing costs of inputs, companies may rethink where they allocate long-term capital. "These tariffs plus associated uncertainties provide more incentives to build around the U.S., not in the U.S.," says Mary Lovely, who focuses on U.S.-China relations at the Peterson Institute of International Economics.