

Report on the Roundtable Talk ‘Trump’s Tariff Policy and the Reshaping of the World Order – the End of Orthodoxy or the Beginning of the New Normal?’*

Pál Péter Kolozsi 

The Center for Economic Policy of Mathias Corvinus Collegium (MCC) and the Financial Section of the Hungarian Economic Association (MKT) held a panel discussion with the title ‘Trump’s tariff policy and the reshaping of the world order – the end of orthodoxy or the beginning of the new normal?’ on 10 July 2025. The participants in the roundtable meeting were *Gyula Pleschinger*, President of the MKT and former member of the Monetary Council of the Magyar Nemzeti Bank, *Zoltán Pogátsa*, Associate Professor at the University of Sopron and professor at Eötvös Loránd University (ELTE) and the University of Verona, *Géza Sebestyén*, Associate Professor at Corvinus University of Budapest and Head of the MCC’s Center for Economic Policy, and *Barnabás Virág*, Deputy Governor of the Magyar Nemzeti Bank and Member of the Board at the MKT’s Competitiveness Section. The discussion was organised and moderated by *Pál Péter Kolozsi*, General Deputy CEO of the Government Debt Management Agency (Államadósság Kezelő Központ Zrt.) and Chair of the Financial Section of the MKT. The participants explored the potential economic effects of US tariff policy, the responses to this policy and the transformation of global financial architecture.

In his introduction, *Pál Péter Kolozsi* noted that the major changes in the economic policy environment in recent months had primarily been driven by three factors. The first was the tariff war launched by Donald Trump on 2 April 2025, which was suspended by the US president for 90 days – this period ended on 9 July, which prompted this discussion. In the 100 days that had passed since ‘Liberation Day’, announcements about tariffs were made in the US on average every three to four days, showing how uncertain the international economic and market environment had become. The second factor was the responses to the US tariff measures, in particular the Chinese restrictions on strategic raw materials, notably rare-earth metals, and other trade restriction measures, such as the digital services tax proposed by Canada. The third factor was connected to the Rio de Janeiro summit

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of the BRICS countries during this period – these countries were working to devise and eventually build an alternative to the Western world order.

The experts first reviewed the period between 2 April and 9 July 2025. *Géza Sebestyén* explained that the events associated with 2 April had in fact started earlier and that we had to go back at least to the first Trump administration and possibly to the 2008 financial crisis to find the causes. “In the new economic policy environment, investment decisions are less financial in nature; they rather follow a non-economic logic and fit in the context of security, sovereignty and geopolitics,” said the researcher, who believed that the current US–China conflict was following the pattern of previous periods and that several aspects of it could be compared to the US–Japan rivalry in the 1980s. “What we see today is not the effect of the trade war, it is the effect of the threats of tariffs,” said *Sebestyén*. *Gyula Pleschinger* agreed that the trade war had not started recently and pointed out that the initial panic had led to a significant increase in US imports in the first quarter, as everyone was trying to protect themselves against the tariff measures. “We can expect changes in the regulatory environment where products and countries that are important for the US will have more favourable tariffs than indifferent or hostile ones,” said the President of the MKT. *Barnabás Virág* highlighted we might lose focus if we only pay attention to trade, as this was about so much more than trade policy. “Two issues lie beneath the trade war that everyone needs to consider: the first is geopolitics, and the other is how budgets and debts are and can be financed,” he explained, adding that when it came to tariffs, the time window we consider was also important. “The past 50 years have really been characterised by hyper-globalisation, but for centuries before that, there were tariffs in place. The fact that countries today want to have more active tariff policies is not unprecedented historically speaking. In today’s world economy, supply-side barriers to economic growth are increasingly effective. This is something we must consider when trying to understand the trade war,” he added. *Virág* pointed out that there were three macrotrends that were close to the tipping point in many countries around the world: the deterioration in the demographic situation, the increase in sovereign debt and the changes in the political environment. In relation to debt, he pointed out that public debt in the most developed countries was around 40 per cent in the 1970s and now stood at 110–120 per cent. What exacerbated the situation was that the cost of debt was now beginning to rise. “The debt service-to-GDP ratio is an important metric of financial sovereignty, and today, it is higher than defence spending in an increasing number of countries. The situation will or may become truly dangerous when debt service exceeds nominal GDP growth,” said the Deputy Governor, who believed that the biggest challenge for policymakers would come from the interaction between the need for adjustment and political instability. “The most important question will be how a country can maintain its stability in such a global economy. All of this is

exacerbated by the significant distribution anomalies in the world economy, which are present in at least three areas: economic resources, the monetary system and wealth,” said Virág, adding that in the future, he expected tariffs to be higher than in recent years, but not high enough for trade to grind to a halt.

According to *Zoltán Pogátsa*, nobody could have expected the trade war. “Very few people are alive today who saw tariffs go up, not down, in their adult life. Practically from 1947, the trend has been that quotas are being eliminated and tariffs are going down. It does not follow that we are about to enter an era of high tariffs, but surely there is no longer a strong consensus that the world will always be moving towards free trade,” said the economist, who believed the US president was using tariff policy as a kind of political tool to make other states meet his expectations. “I agree with those who say that one key aim of the trade war is to ‘stop’ China, but it is also important that tariffs are a source of revenue. And so far, the numbers confirm this,” said Pogátsa.

The second question to the panel was about the sustainability of budgets and debts, considering, in particular, that significant fiscal easing had started in major economic centres. *Gyula Pleschinger* pointed out that, even before the Covid pandemic, the debt ratio of the developed world exceeded the ratio seen during the 2008 financial crisis. “For fiscal sustainability, you need productivity growth and real growth. Otherwise, the interest on debt makes fiscal planning impossible, which may lead to increasing dissatisfaction,” said the former member of the Monetary Council, emphasising that the currency in which countries finance their debt was particularly important and that financing in domestic currency offers many advantages. *Géza Sebestyén* added that in the long term tariffs were not a solution to budgetary problems. “The aim in the US is not to impose tariffs, but to bring production home. This is in line with the fundamental idea that the sustainability of debt and whether a country can or cannot manage its debt will depend on growth. This is why the US strategy that aims to strengthen its domestic economy through tariffs is good. The situation of China is also important from this aspect. So far, its outstanding growth has suggested that debt is sustainable, but the question arises as to what will happen when growth slows down. Japan was in a similar situation, which shows a potential way out from such a debt burden – there, the central bank has become the main source of financing for the debt,” said Sebestyén.

According to *Zoltán Pogátsa*, there was an alternative to fiscal orthodoxy and not everything needed to be balanced immediately. “Spending more is not a problem in itself, if you are spending on the right things. If investments are directed to areas that are necessary for competitiveness and the green transition, there will not be a downside. It is also important that public debt should be in the domestic currency, because when there are reasonable investments and debt is in the domestic currency, it means there is no budgetary limit. From here on, the question is

simply whether these economic policy measures and stimuli support investment in education, human capital, the green transition and a sustainable society. Obviously, currently, this is not the case,” said the professor, who believed that yield curve control was also an option. “The challenge comes from the fact that there are no guarantees that these stimulus packages are really spent on ‘reasonable’ and progressive projects that support social and economic development. The real problem is when these incentives do not promote growth, justice and sustainability,” concluded Pogátsa.

Barnabás Virág presented three ways known from economic history to tackle higher debt. The first was that debt must be outgrown, for which the conditions are currently not fully met. The second was fiscal orthodoxy, for which you needed political consensus, but that seemed difficult to achieve now. The third was yield curve control, an option mentioned before. According to him, this was a potential solution in certain countries, including directing liquidity to the government bond market. “I’d be very cautious about what the central bank of a small, open country can do in this regard. The path and possibilities of large economies will be very different from those of small, open economies,” he explained. Virág pointed out doubts regarding the role of the central bank, explaining that while central banks were very active in the 2010s, the results were far from unambiguous. “We could rather say this decade was wasted. For example, in Europe, what was achieved with regard to the energy transition, the green transition, innovation and infrastructure development in a permanently negative yield environment? Europe could have financed a number of important technological developments for free, but it didn’t,” explained the Deputy Governor of the MNB, who believed the key question would be who could finance the transition and at what cost. “To be able to meet the global challenges, we will also need monetary reform. We saw the effects of simple monetary easing in the past decade. Therefore, we need a monetary system where the process of money creation can be much more controlled and targeted,” Virág said.

Finally, the participants of the roundtable talk discussed the fragmentation of the global financial system, the potential change in the position of the US dollar, and the importance of innovations related to central bank digital currency (CBDC) and gold. *Zoltán Pogátsa* emphasised that while the financial aspect was important, the outcome of the rivalry between China and the US would eventually depend on the real economy and technology. “The primary questions are who will produce what, who will provide what services and in what quality,” according to the researcher, who believed we had to pay attention to the achievements of the two countries in sectors such as electric cars, high-speed trains, artificial intelligence, space technology and chip production, and that China had already surprised the world

several times. According to Pogátsa, what will be important in finance is who will be the first to really use central bank digital currency, as it will allow for targeted money creation and may influence the global position of the dollar as well. "Gold is an underdiscussed field in international finance. The fact that central banks have started to add to their gold reserves is a paradigm shift similar to the tariff war. In part, it is gold fetishism, but one of the underlying causes is that certain countries have started to experience the controlling role of the US," said the professor, referring to the seizure of Russian dollar reserves.

Géza Sebestyén believed the development of the Chinese electric car industry was impressive, but in his opinion, the US was still ahead in artificial intelligence, and he agreed that the fragmentation of the world would not depend on the events in finance, but rather on developments in the real economy. "The Chinese CBDC project is currently stagnating; it is not in use abroad. But if a fragmentation happens in the global economy, a number of countries will likely use the digital yuan in their transactions," according to Sebestyén, who believed that while the increasing trust in gold was linked to mounting international uncertainty, it was not a permanent trend but probably a periodical 'wave'.

Gyula Pleschinger agreed that the future of the global economy hinged on developments in the real economy, but he added that the developments in the real economy must be supported by money as well. "As far as central bank digital currency is concerned, China is ahead, but the European Central Bank is also working hard on the digital euro. Digital central bank money does allow for targeted money creation, but the question arises what will happen to the banking system if it is introduced," he said. Pleschinger believed that gold was a very good risk management tool, since when there was uncertainty on the markets, it was seen as a safe haven. "Therefore, it is really useful if central banks have gold in their reserves. However, I don't think we could go back to the gold standard system," he said.

Speaking about the rivalry between the US and China, *Barnabás Virág* pointed out that economic history suggests that its outcome would depend on who could control more of the scarce resources. "There are three types of relevant scarce resources: rare-earth metals, human capital and data. If we consider these, we see that China has a very good hand in the current geopolitical game," said the Deputy Governor, supporting his claim with statistics. China's direct and indirect share in rare-earth metals was 60–80 per cent. In terms of human resources, the advantage of China and Asia was increasing: last year, 40 per cent of science degrees were awarded in China, 20 per cent in Europe and about 15 per cent in the US.

There were 27 million IT engineers globally. One-third of them were in China, one-third were in India, and one-third were in all the other countries. “Data is also the basis for financial transformation. This means we must not underestimate the Chinese central bank digital currency project – data that will make development possible are being gathered now. It is important to add that 70 per cent of digital payment transactions in Europe use the American payment infrastructure, which means this data can be utilised by US companies, Visa and MasterCard. One of the reasons that the ECB has launched its digital euro project was to compensate for this,” Virág pointed out. He believed that, in relation to essential resources, the trend was clear and pointed to the further rise of the Chinese economy. “Where the US clearly still has an advantage is management capabilities, as US companies can translate new innovations into economic growth much more quickly and dynamically than competing countries. It is also true, however, that Asian countries are more ready to adopt new technologies than Western countries, which puts Asian countries at an advantage,” he pointed out. Finally, he said that the monetary system would definitely see a technological revolution. “The bad news is that when we look at the history of money, we see that these revolutionary transformations have always happened in crises. The crypto world can potentially be the starting point of such a future crisis,” he added. Virág believed that the financial system would gravitate towards centres, meaning that there would be a US dollar area, a euro area and a renminbi area, and there would be mobility between them. “Since the 1970s, the US economy has been running a current account deficit, and for a currency to become a global currency, the issuing country must also have an external deficit. Currently, this is not true either for the euro area or for China,” said Virág, pointing out a macroeconomic nexus.

The panel discussion is available on the MKT’s YouTube channel (in Hungarian).