Why Tariffs and Protectionism Are Here to Stay + 4 Other Certainties

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Lori Murray: But there's the fracturing of the global economy, which really is happening along these geopolitical fault lines. It's a trend that the IMF has recognized and the IMF has warned about in terms of slow global growth. And I think underpinning all of this is that these geopolitical tensions are really driving this geoeconomic fracture.

Steve Odland: Joining me today is Dr. Lori Esposito Murray. Lori is a longtime friend of The Conference Board, former CEO of the Committee for Economic Development, and now a global affairs consultant. Lori, welcome.

Lori Murray: Thank you, Steve. Very pleased to be joining you today on this very important topic.

Steve Odland: Yeah, so Lori, you've just written a great article entitled *The New World Order: Five Certainties Amid Uncertainty*, and it's part of a book.

Maybe you could just describe the book and where people can find it.

Lori Murray: So the book is *Navigating an Age of Uncertainty*, and it's put out by the Foreign Policy Association. It's a series of articles by outstanding political leaders, academics, analysts, and it really does encapsulate most of the major areas in terms of navigating this new world order.

This article is part of it, and it will serve as the basis for the Foreign Policy Association's national discussions, their Great Decisions discussions, which take place all around the country. This is the book that will serve as the basis for those discussions this year. If any of our listeners are interested, they can find the copy of the book for purchase at fpa.org.

Steve Odland: Yeah. *The New World Order: Five Certainties Amid Uncertainty* is the

name of your section of the book, and playing here prominently is the term uncertainty, and you hear ambiguity but this really does describe the state of the world today.

Lori Murray: So it is the most widely used terms-- uncertainty, ambiguity-- but I would argue that it's distracting both business leaders and political leaders from identifying what are the certainties that we can identify that are clear, actionable, irreversible-- particularly in the foreseeable future-- and to focus on these certainties in terms of helping us to make decisions and to craft a new world order.

This will also help us not only to manage but to actually optimize the historic change underway. And it is historic, transformational change. Focusing on five key certainties-- the indisputable rise of China, the fracturing of the global economy, protectionism and tariffs, technology revolution, and the end of Pax Americana-- that can help us make decisions about how to move forward.

I would also argue, Steve, that these did not begin in 2025. They're not gonna go away with the next election. These are certainties that have been underway, trends that have been underway for at least the past 20 years.

Steve Odland: Yeah, that's a really important distinction between what you read in the newspapers every day and what you're talking about here. Your hypothesis or your thesis, I should say, is that you've got these five long-term, deeply entrenched trends which are certainties. They're not uncertainties, they're certainties. These things are happening. They've been happening for a long time. You could see them coming, and you can feel the results today.

And so national leaders, civic leaders, business leaders should be thinking about where they need to lead their organizations in the context of these certainties, right?

Lori Murray: And as I said, it helps you to not only manage but actually optimize policies going forward in terms of how to deal with this historic transformation period that we're in.

Steve Odland: Yeah. It is a unique way to come at it, and we're gonna go through each one of these in a second. All that you read about is uncertainty, and it has sort of frozen business leaders today. We don't know where things are going, so therefore we cannot, rather than saying, "Here are the things that we know, and therefore we can do X, Y, and Z."

And the problem with freezing is it freezes your company. You don't move ahead. You're not helping your customers out. Everybody's sitting in neutral. It's not helping your employees. You're not making the investment. So really you're not positioning your organization for the long term.

So this Is really a refreshing way to think about it because you should manage what you can manage and deal with what you can deal and the certainties that you have, right? 'Cause there's always the future is uncertain. Nobody knows it, so therefore by definition

you never will and there always will be that out there.

Lori Murray: Yes, and if you look back, Steve, post-World War II, we have been through major uncertainty. The discovery and the use of nuclear weapons totally upended the world order, totally upended everyone's future. Everyone's future was completely uncertain. And what business leaders and policy leaders did was they came together.

They came together and they established rules of the road. They established international rules for an orderly future based on what they knew, what was certain, and what type of structure, what type of approach they needed to take in order to deal with what's uncertain.

You look at the development of nuclear energy, which was transformational, similar to what we're going through in terms of technology today, if not even more existential. You look at what happened with globalization and the collapse of the Soviet Union. These were really uncertain times.

And so to focus on uncertainty is only to paralyze decision-making. I was in a session a year ago at the Council on Foreign Relations, Chatham House Rules, and a senior policy advisor in the administration basically said to answer the question about how are we supposed to move forward if there's so much uncertainty economically, geopolitically?

And the answer was, "You will provide the certainty because you have to make decisions." So how do you make those decisions? Identify these macro trends, recognize what the larger framework is for the world that we are traversing, and make decisions on what we know in order to basically position us to deal with the uncertainty that's going to unfold-- and always unfolds.

Steve Odland: Okay, so let's focus on each of the certainties one at a time. First, you talk about the indisputable rise of China. Talk about that.

Lori Murray: So this, the indisputable rise of China, the debate is over as to whether China is rising, whether China has risen. This is really the primary driver of this new era, this powerful China, economically, geopolitically, with the help of Russia.

This is an absolute certainty. Yes, they have headwinds in their economy, but the reason why it is really frames and the primary driver of this whole new era is because China has rapid development. It has created an advanced technology.

It has built modern infrastructure based on advanced technology. It has really established itself and the mechanisms it needs and the structures it needs to pursue technology on a very competitive basis with the US. It has used all of the tools available-- economic, military, and diplomatic-- in terms of building an extremely effective defense capability based on advanced technology.

Largest military in the world, but also, as I said, very much with an infrastructure in

advanced technology. It has also very methodically established diplomatic relationships and organizations that are developing further and further in terms of how their agenda is increasing and becoming much more geopolitically focused.

And I say that about the BRICS. The BRICS are expanding. The Shanghai Cooperation Organization, which was basically a security organization, now is actually looking at the full host of geo-economic issues and expanding as well. And particularly a very close relationship between Xi and Putin.

But also bringing the two, what were pariahs-- Iran and North Korea-- out of the shadows and actually opening their presence and their capabilities into the international arena through the partnerships and the defense agreements that both China and Russia have been establishing with those two nations.

And so you see a very solid foundation for China, even though, as I said, it faces economic headwinds. It has, as of 2022 in terms of its applications for patents, has exceeded the US, South Korea, Japan, and the EU combined. So you have a very solid, established economy using all the tools.

And the shock here is that has all happened without the move towards democracy, and that you've actually seen the Communist Party really establish itself and embed itself even more strongly into Chinese leadership and Chinese society.

Steve Odland: So Lori, does the rise of China necessarily mean the demise of the US?

Lori Murray: It is a major challenge, and it's a very open challenge on the part of China to US leadership. China has clearly and openly over the years said that the international order needs to change. The international order needs to recognize the role of China and its allies, but particularly the role of China vis-a-vis the West.

This is an open competitive basis of the entire Chinese growth, that it really needs to challenge US and West dominance of geopolitics, of the economy. It's a real challenge to the US dollar, and you see this in the institutions that China has set up and also the rise in the use of the yuan in terms of transactions and trade.

But so much of it is, this aggressiveness on the part of China, is also in terms of challenging the international order. It's a challenge against the trade order through dumping, through stealing IP, that the international community and even US sanctions. If you look at Huawei, we were unable to stop the growth of Huawei, which is now the largest telecommunications manufacturer in the world.

The inability to maintain the rules of the road of the international order in terms of trade, in terms of security. China has been ignoring international assessments that its claims on the South China Sea are not legal claims. The Hague made that assessment in 2016, and China just ignored it.

And so you see China chipping away at the current international institutions, the rule of law and also the economic rules of the road.

Steve Odland: But it's interesting. When the US kind of steps near the line or sometimes over the line or on the line, you get a hue and cry from nations around the world, including US allies.

But it does seem to be that China just doesn't get the criticism from any corner. Is that because all other countries fear them, and that they view this rise as so indisputable that they can't possibly criticize?

Lori Murray: Part of it is fear. But part of it, Steve, is a growing or tapping a global sense, particularly in the Global South, against US and West dominance, hegemony, prominence.

Particularly in terms of the role of the dollar in the US economy and the ability of the US and the West-- we've seen this with the Iran issue over the years-- to be able to use the international economy and the power over the international economy in terms of sanctions to actually try and control other nations' behavior.

And this is something that has become very dominant during the period of globalization as the economy really did become a global economy with the collapse of the Soviet Union. The dominance of the US and the West economically being leveraged in order to achieve geopolitical goals.

Steve Odland: It's interesting, you mentioned the close ties with Russia, of course, and then you have North Korea and Iran. You also have India in there as a bit of a wild card. So there's this bloc which is a massive amount of population and economic force.

You would think that would cause the rest of the world, so to speak, to come closer together, and yet your certainty number two is that there's actually a fracturing of the global economy.

Lori Murray: I would just add in terms of China and how other nations respond, we had mentioned fear. I just talked about philosophically attitudes towards the US and the West and dominance, particularly in the Global South. But there's also economic dependency now with China, which is really key. There's a Pew poll that came out this year showing that China is seen more favorably than the US globally.

But there's the fracturing of the global economy, which really is happening along these geopolitical fault lines. It's a trend that the IMF has recognized and the IMF has warned about in terms of slow global growth. And I think underpinning all of this is that these geopolitical tensions are really driving this geoeconomic fracture.

And it's important for business leaders and policy leaders to recognize that this is a certainty. This is not something that is going away. And the reason why I say that is because if you watch the trends that have happened, and I think Ukraine is so essential

here, you had China that was really establishing alternative systems.

It had its cross-border interbank payment system. Its Asia Development Bank. It was developing these economic systems that really complemented its relationships with the Global South, but also was creating alternative international systems to the current international institutions that existed that it saw as dominated by the West.

And as I said, they're very transparent about this. The fracture was basically put on steroids by the invasion of Ukraine. And you see this first with the annexation of Crimea in 2014, when both Russia and China started to work very hard to make sure that they were sanction-proofing their economy after what we consider minimal sanctions put on Russia after Ukraine.

It was really viewed both by Russia and China as a trigger point to sanction-proof their economy in the best ways possible, in terms of their foreign deposits and how they use their currencies. That really began then. It went on steroids with Russia's invasion in February 2022 and the US and the West sanctions that really accelerated this divide, particularly with kicking Russia out of dollar exchange programs and both China and Russia actually moving towards using their own currencies in terms of trade to evade sanctions, as well as the use of what we see in Iran, the use of cryptocurrencies to evade sanctions.

Right now, China settles more than 50% of its cross-border receipts in its own currency, which is up from less than 1% in 2010. Really critical. The yuan, it's only 4% of international payments by value. The US is 50% but the share of international payments has doubled since 2022.

And so you see this divide happening particularly in terms of to be able to evade sanctions, where currencies, China set up its cross-border interbank payment system, which, you know, as I said has rose in volume 43% since 2024. These are all minimal compared to where SWIFT is and compared to the US dollar, but the growth rate in terms of how these are being used has really accelerated.

Basically an economic world that is dividing. We're not at the extent that we were in the Cold War with two economic systems, but it's a challenge to the US, it's a challenge to US economic leadership, it's a challenge to particularly the dominance and the role of the dollar, which is completely connected, straight line to US national security interests and US ability to actually leverage that strength in order to help maintain an international rule of law.

The downside is now you see less transparency. The black fleets that are transporting Russian oil are a perfect example where they turn off their transponders. You saw this again or it is happening in the Strait of Hormuz, where ships are going through by turning off their transponders.

You don't know where they're moving. Tracking the pace of and the commerce of oil is

much more difficult. Iran using cryptocurrency in order to evade sanctions. This was a model developed and used by North Korea for years. And you have less transparency, less rule of law, and more corruption.

It's critical that business leadership and policy leaders work together in the US and in the West to try and make sure that there are rules of the road in these areas so that we can regain this transparency and this confidence in the global economy and really curtail the growth of corruption.

Steve Odland: Related to the fracturing of the global economy is your third certainty, which is protectionism and tariffs. Talk about the interrelationship.

Lori Murray: So again, this is a macro trend that has been happening for at least the past 20 years. A really interesting statistic on industrial policy actions: they have nearly quadrupled since 2017.

The reason why I say this is a certainty to recognize that protectionism tariffs are here to stay. They won't go away with the next presidential election. It's a long-standing trend, protectionism, in part because China as a model for state capitalism, particularly after the Great Recession in 2008, China capitalized on actually, on that recession, that economic crisis, to actually promote its state capitalism model.

That was part of it. Critical was the COVID-19 pandemic. That really woke up the world to this efficiency first globalization economic model, both here at home but also abroad. The US recognized that this efficiency first supply chain left us very vulnerable to critical supplies, pharmaceuticals, as a major example.

It was not just us. It was the world recognized how dependent we were on this globalized economy and on this supply chain, and the need for more resilience, the need for more protectionism. It compounded also what I think was this third reason why there was an appetite for more protectionism, was really a loss of faith in global trade agreements. And this had been happening for at least two decades.

This loss of faith in global trade, which was partly due to the loss of faith in international organizations to address what were China's trade distortions. The inability-

Steve Odland: And this is particularly true of the WTO, and you know, when they let China in, and then China didn't follow any of it, but was allowed to trade, and WTO didn't enforce it.

Lori Murray: And so you had the rulings. You had the right rulings. You had China being told that they're breaking the trade rules but China didn't enforce it. It ignored it. US unilateral sanctions also didn't work in terms of curtailing or allowing us to pursue our national security interests.

Huawei is a perfect example of that. You have this protectionism trend that's off and

running, as I said, fueled by these major reasons. And then you have tariffs as the preferred tool now in terms of pursuing US economic or national security goals. There's a permanency to tariffs for a number of reasons.

This will not go away with the next election. We saw the reverse trend happening during the Biden administration where President Trump in his first administration had put tariffs on China. President Biden actually had to review, there was a timeline review on those tariffs and was looking at whether to lift them or not lift them, and in fact, put more tariffs on China.

And the reason why it's a preferred tool actually in terms of geopolitics and geoeconomics is that unlike sanctions, where you really are required to build international coalitions-- and we saw this with Russia's invasion of Ukraine, the work that the US put into building coalitions of nations that would support these sanctions, otherwise they're not viable.

You don't need to do that with tariffs. Tariffs are a unilateral decision. According to US law that have been passed over a number of years, the president has much more authority over tariffs that was given to him by Congress. It gave him much more authority over time.

And so it's become a preferred tool. And then the final reason why it's a certainty and businesses, particularly business leaders shouldn't expect these to go away, is the revenue that's gained from them is really linked to this outsized US debt we have. And it's gonna be very hard for, I think, any future president to actually walk away from that type of revenue.

So for a number of very important reasons, protectionism and tariffs, and as I said, accelerated by the shock of COVID-19, both within the US and globally, will remain a critical part of policy, unless we can come up with alternative policies and tools to push us away from these policies.

Steve Odland: The fifth and final macro trend or certainty as you call them is Pax Americana. Is it really over?

Lori Murray: Pax Americana is definitely over. That has been a longstanding policy, and I think 2026 has been a critical year in turning the corner away from Pax Americana.

Pax Americana is what evolved out of the post-World War II global politics where the US, the most important economy, 50% of the global economy, the most powerful military, advanced technology. The US, Europe, Japan, Asia, our allies in Asia all developed economically as China became much stronger and became a real challenge geopolitically and geo-economically.

So it became very expensive to actually be able to compete against China. Burden sharing is an absolute essential, and we have been very successful in terms of waking up our allies as far as needing to contribute more. You have the 5% agreement in Europe. You have in Asia, Japan, South Korea, Taiwan, all increasing exponentially their defense

spending.

So very successful, absolutely necessary, very successful. Pax Americana is over. The problem is, though, that the iron hand that we have used has actually, in terms of moving the world away from Pax Americana and recognizing the need for burden-sharing, particularly to deal with the outsized challenge that an economic and military powerhouse that China has become.

That's the plus side. The downside is that with burden-sharing, you have regional powers. You're really developing regional military powers. And the downside of that is-- and I think the Middle East and the Iran war is an example of this. You see an ally, a very powerful ally of the US pursuing its national security goals and the US not the leader in that policy, but becoming a co-leader of that policy.

It wasn't the US that went to Israel or our allies in the regions and said, "We need to deal with Iran right now." It was actually our ally in the region coming to us, supported by other allies in the region, apparently or reportedly coming to us and saying, "We need to take care of the threat that Iran is presenting."

And you see the US becoming not a leader, but a co-leader or a partner that regional powers see as in their interests. That could be very dangerous unless the US recognizes that with burden-sharing, it also really needs to take on the responsibility of being the lead manager of national security and military engagements and policy and global security around the world

Steve Odland: So five trends that are macro trends or certainties. They are the indisputable rise of China, the fracturing of the global economy, protectionism and tariffs, technology revolution, and the end of Pax Americana, all really interrelated but distinct trends that are decades long. Lori, great discussion. Any final thoughts?

Lori Murray: Yeah, I just would say on the technology revolution in terms of how important it is and in terms of what we need to do-- and business is absolutely critical here, and collaboration between business and policy leaders, absolutely critical.

It's really needing the US to prepare the rules of the road globally, just as we did with the development of nuclear energy, nuclear weapons. The US led in terms of setting those rules internationally. This is critical in terms of US technology actually being the technology that the rules are based around helping to set those standards.

And I'm really talking about not only rules of the road in terms of guideposts. I'm talking about actually the standards that the international community develops around technology, and we need to be active, proactive, and collaborative with our business leadership as the AI leads, particularly in frontier models on the international scene in setting those standards.

Steve Odland: Okay, we're gonna leave it there. Dr. Lori Esposito Murray, thanks for

being with us today.

Lori Murray: Oh, thank you, Steve.

AUTHORS

Steve Odland

President & Chief Executive Officer
The Conference Board

Dr. Lori Esposito Murray

Global Affairs Consultant
Former CED President

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