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How Trump's America is remaking global trade

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In his drive to compete with China, President Trump has used bilateral trade deals to pursue geopolitical goals, accelerating the World Trade Organization's slide into irrelevance.

The world trading system, it's fair to say, is a bit of a mess these days. The World Trade Organization, the Geneva-based body established in 1995 to craft rules for international commerce and adjudicate complaints of rule violations, is largely dysfunctional; the March meeting of trade officials from 166 countries in Yaoundé, Cameroon, failed to reach agreements on much of anything. Optimism about the WTO's future is rare even in the organisation's secretariat. None of the world's major trading nations seems eager to take the hard steps that would be needed to revive it, leaving the question hanging: is globalisation over without the WTO to smooth the way?

The answer is clearly no. The United States excepted, faith in the benefits of a globalised economy is very much alive around the world. The international value chains that define modern manufacturing are not breaking apart, and the number of containers passing through the world's ports reached a record level in 2025. Rather than stifling trade, the WTO's decline has fuelled an array of less sweeping agreements intended to lower barriers to trade and foreign investment.

But all is not well. Once, trade negotiators focused on satisfying domestic political concerns by boosting exports, limiting injury to domestic farmers and factories from imports, and generally encouraging more international trade to stimulate economic growth and improve relations with neighbours. In contrast, these newer arrangements among pairs or small groups of countries often tie reductions in tariffs, quotas, and other sorts of trade barriers to concessions on matters not directly related to importing and exporting. Geopolitical concerns often loom larger than economic ones, making trade negotiations more complicated.

Over time, these accords will reshape trade patterns. Some may offer ways to address issues on which the WTO is unable to reach consensus. On the other hand, bargains that are 'reciprocal' (between two countries) or 'plurilateral' – trade-speak for a deal among a smaller group of countries than the 'multilateral' WTO – have the potential to make cross-border trade more costly and more complicated. They may leave smaller countries at a marked disadvantage in one-on-one dealings with more powerful trading partners. Many of them will fall victim to the same underlying problem that has torn the WTO apart: the inability to quickly resolve disputes when one country claims that another is unfairly inhibiting imports or subsidising exports.

The WTO's rules are extensive. In addition to the nine-page treaty signed in 1994 to create the organisation, it oversees a raft of 'understandings', 'schedules', and 'agreements' addressing such matters as each country's commitment to reduce its tariffs, how to determine an import's country of origin, and how a country may respond if it alleges that another unfairly subsidises exports. Unlike its predecessor organisation, the General Agreement on Tariffs and Trade, which could act against alleged rule violators only with the unanimous consent of its members, the WTO's legal tribunals can order a country to change its policies in order to resolve trade disputes – or at least they could until 2019, when the United States' refusal to accept the appointment of new judges made it impossible for the tribunals to function.

WTO rules explicitly encourage small-scale trade arrangements so long as they cover most trade and do not raise barriers against countries that are not involved. Nearly 400 such accords are in force, ranging from a 2023 pact eliminating customs duties on many goods traded between China and Ecuador to a 'Comprehensive Economic Partnership Agreement' between Indonesia and Canada to a provisional deal between the European Union and Mercosur, an association of four Latin American countries, which eliminates tariffs on many products and opens government procurement contracts to foreign bidders. With fewer participants, these smaller agreements can break new ground even as discussions in the WTO have stalled.

Under Donald Trump, the United States has largely shunned the WTO and has also avoided multi-country trade deals in general. There is even speculation that the US-Mexico-Canada Agreement that took effect in 2020, an extension of the 1994 North American Free Trade Agreement, will be broken into three separate pacts when it is renegotiated later this year, as the Trump Administration prefers to deal with trade partners one-on-one. This ties into his basic view that individual countries' trade with the United States should be more or less in balance. The lack of reciprocity in the tariffs and restrictions other countries apply to US exports, he has asserted, 'created large and persistent annual US goods trade deficits.' Fair reciprocal trade, in his view, seems to mean that other countries should treat US exports the way the United States treats theirs. As he has explained, trade should be 'Reciprocal. That means they do it to us, and we do it to them.'

Few economists agree with Trump's analysis. The United States has persistently imported more goods than it has exported since 1976, running a deficit of $1.2 trillion in its merchandise trade last year. Economists generally attribute that large imbalance mainly to the fact that US investment needs, including funding the government's budget deficits, far exceed domestic savings. In order to amass the dollars necessary to purchase US stocks, Treasury bonds, property, and businesses, foreigners need to export more to the United States than they import from it; conversely, if the United States were somehow able to bring its foreign trade into balance, foreign investors would have fewer dollars to invest in US assets, potentially pushing interest rates higher. While other countries' import barriers and export subsidies may dramatically affect trade in specific products, they are minor contributors to the overall deficit in US goods trade, and they have not stopped the United States from running a surplus in trade in services.

Nonetheless, Trump has sought to force trading partners to the bargaining table by slapping a 10 per cent tariff on all imported goods and, on top of that, 'reciprocal tariffs' that varied from country to country, ranging as high as 49 per cent. While some imports have been exempted, these tariffs have made imports such as auto parts and building materials markedly more expensive in the United States and have led some manufacturers to shift production for the US market to countries facing comparatively low tariff rates.

The frequent result of higher tariffs is a cat-and-mouse game. One round was played on 20 May, when the US International Trade Commission, which investigates whether US producers have been harmed by imports sold at unprofitably low prices, ruled that US makers of the steel chassis on which trucks haul shipping containers have been injured by artificially cheap imports from Mexico, Thailand, and Vietnam. The guilty chassis will face punitive tariffs in addition to whatever 'reciprocal' tariff rate the US maintains on those countries' goods. Chassis manufacturing for the US market moved to those three countries after the United States imposed punitive tariffs on chassis imported from China in 2021, and it may now migrate to countries that, at least for the moment, face lower tariff rates.

Although the most sweeping tariff actions have since been blocked by US courts, the Trump Administration has used higher tariffs as a cudgel to negotiate reciprocal trade agreements with nine countries during its 17 months in office and to reach 'framework agreements' – non-binding agreements in principle – with several more. To say these accords are one-sided would be an understatement.

Consider, for example, the 37-page agreement between the United States and Argentina, signed on 5 February. The United States makes very few concessions, mainly lowering tariffs on imports from Argentina. On the other hand, the phrase 'Argentina shall' appears in the text no fewer than 113 times. Along with reducing tariffs on goods from the United States, Argentina agreed it will not impose its own emissions standards on American-made cars, will not seek to inspect pharmaceutical plants exporting to Argentina that have been approved by the US Food and Drug Administration, and will not restrict imports of live poultry due to a US outbreak of avian influenza except within 10 kilometres of the site of the infection, in addition to many other commitments. The United States faces no corresponding obligations with respect to Argentina.

Or comb through Indonesia's agreement with the United States. The world's fourth most-populous country 'shall adopt and implement good regulatory practices.' It agrees to punish companies from third countries (read China) operating in Indonesia that increase exports to the United States by charging a 'below-market price.' It also pledges to exempt US companies and US-made goods from any requirements that they contain Indonesian content, to allow imports of US dairy products without further safety checks, and to purchase at least 163,000 metric tons of US cotton annually for the next five years. As with the Argentine deal, the Indonesian agreement imposes no similar obligations on the United States.

The most novel aspect of these deals, though, is how the United States employs them to coerce trading partners to support US foreign policy goals far removed from trade.

All bilateral agreements signed during the Trump Administration require trading partners to cooperate with US export controls; if Washington bars the sale of an advanced technology product to China, Russia, or other countries, nations with reciprocal trade agreements with the United States must do the same. Taiwan must refrain from hosting satellite ground stations on behalf of 'countries of concern' (read China again). Trading partners must mirror US sanctions meant to keep Russian oligarchs and Venezuelan generals from moving their money abroad. They must welcome US firms to mine and refine 'critical minerals' and must promise not to buy nuclear reactors, fuel rods, or enriched uranium from certain countries (China once more). They must allow the United States to review any foreign investments in their countries and heed any US objections on national security grounds (beware Chinese and Russian investors). And they may not enter any other trade agreement that undermines their agreement with the United States, effectively keeping China at a distance.

The United States, it should be said, is not the only power to employ trade agreements in a coercive way. China has free trade agreements with 17 countries as well as the 11-member Association of Southeast Asian Nations, and a dozen or so more such deals are in various stages of negotiation. It freely wields trade policy to enforce non-economic demands. When it granted tariff-free access to goods from 53 African countries in May, it offered no such benefits to Eswatini, a landlocked state formerly known as Swaziland. The reason? Eswatini, with 1.3 million residents squeezed between South Africa and Mozambique, has insisted on maintaining diplomatic recognition of Taiwan, which the government in Beijing claims to be a part of China.

It will probably be these smaller, less prosperous nations that are harmed the most by the WTO's slide towards irrelevance. With tiny domestic markets, they rely heavily on cross-border trade and investment to support their economic growth but have little ability to resist demands from larger countries that they choose sides in a geopolitical struggle in order to win market access. They also are likely to have only small staffs of trade negotiators and technical experts, who may be challenged to manage simultaneous negotiations with multiple countries and to evaluate how other countries' trade proposals might affect their domestic economies.

Poorer countries are particularly harmed by the fact that many of these new-generation trade pacts ignore a subject that has been fundamental to the explosive growth of international trade since the Second World War: a commitment known as 'most-favoured-nation' status. What this essentially means is that, under the WTO Agreement, if Country A lowers the tariff rate on onions from

Country B, it must extend the same benefit to any other WTO member that exports onions – all must be equally favoured. But this principle need not apply if a smaller group of countries reaches a further-reaching agreement to liberalise trade as permitted under WTO rules. A growing share of trade is governed by such deals among smaller groups of countries, leaving countries that are not parties exposed to higher tariffs and trade barriers. The European Union's 2024 free trade agreement with Kenya specifies that if the EU extends better terms to any other country, Kenya will receive them as well, but not all bilateral trade agreements include such promises.

In a world in which the United States, China, and perhaps India and the European Union will jockey for economic and political dominance, countries will face conflicting pressures to side with one power or another if they wish to open markets for their exporters and their investors. In its bilateral agreement with the European Union, announced on 26 March but not yet ratified, Australia agreed (with a few exceptions) to limit the use of the term 'feta' to a cheese from Greece; this may eventually lead to discord between Australia and the United States, as all US bilateral free trade agreements to date include clauses protecting US exporters' right to sell their version of a similar cheese as 'feta.' Some countries' bilateral agreements with the United States ensure US access to minerals and promise American investors priority in developing mines, potentially creating conflicts with China, which is equally eager to ensure its access to natural resources. Countries that open doors to China, though, may find the United States less willing to welcome their exports. Under a bilateral trade agreement, they would have no recourse.

The manifold agreements that are gradually supplanting the WTO will keep the globalisation of goods trade from going into reverse. Indeed, goods trade grew smartly in 2025, despite the widespread imposition of new import restrictions and export controls. It is imaginable, as the economist Richard Baldwin has suggested, that as countries that join smaller trade arrangements experience significant economic benefits, exporters in other countries will lobby their governments to sign up, thus laying the groundwork for even larger agreements. A 'solar system of regional trade agreements', Baldwin contends, could enable relatively barrier-free trade through much of the world even if the WTO continues its descent into irrelevance.

Perhaps so. But the complications of these agreements are already evident. None of them, to date, addresses one country's ability to block exports to another – a major concern at a time when China is keeping tight controls on exports of rare earth minerals and the United States is trying to forestall exports of advanced semiconductors and chipmaking equipment to China. Many of them provide for complaints that one party or another is violating the agreement to be addressed by consultations between the governments concerned – a remedy more toothless than the WTO's sluggish dispute resolution process. And the one-sided nature of many of these trade deals suggests that they may be short-lived. When an aspiring politician in Argentina or Indonesia asks why the nation's leaders have signed an agreement that imposes many obligations on the country and very few on its foreign trading partners, voters may find the answer difficult to comprehend.