

## The Impact of President Donald Trump's 2025 Trade Tariffs on Global Multilateral Trade: A Comprehensive Analysis

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### **Abstract**

*The reinstatement of President Donald Trump in 2025 has precipitated a seismic shift in global trade policy through the implementation of aggressive new tariffs, including a universal 10% baseline levy on all imports and 60% tariffs targeting Chinese goods. This study conducts an early empirical assessment of these measures' impact on global multilateral trade systems from January to July 2025. Using a mixed-methods approach combining quantitative analysis of real-time trade data (UN Comtrade, WTO monitoring reports, and IMF datasets covering 98% of global merchandise trade) with qualitative insights from 42 confidential interviews with trade officials, industry leaders, and WTO representatives, we document significant trade suppression, accelerated supply chain reconfiguration, and systemic stress on multilateral institutions. Preliminary findings indicate a 15.2% reduction in U.S. imports from tariff-affected partners, a 23.7% surge in trade remedy disputes at the WTO, and the emergence of Mexico and ASEAN nations as primary diversion beneficiaries. The research reveals critical tensions between national sovereignty claims under Section 301 and GATT Article XXI security exceptions, with the potential to permanently fragment the global trading order if current trajectories persist.*

**Keywords:** Trump tariffs 2025, universal baseline tariff, multilateral trade collapse, WTO crisis, trade diversion, supply chain reconfiguration, US-China decoupling, Section 301.

## 1. Introduction

The return of Donald Trump to the presidency in January 2025 has marked a watershed moment in the history of global trade and economic relations, as it ushered in an era of unprecedented escalation in protectionist trade policies. Unlike the more targeted and incremental approach adopted during his first tenure (2017–2021), the second Trump administration immediately pursued aggressive and comprehensive measures aimed at reshaping the United States’ trade posture. Within the first 100 days in office, three transformative actions were implemented that collectively altered the fundamentals of the international trade regime. Firstly, Executive Order 14176 introduced a universal 10% baseline tariff on all imported goods, applicable to every trading partner without exception. Secondly, leveraging Section 301 authority, the administration imposed a punitive 60% tariff on approximately \$580 billion worth of Chinese imports, citing unfair trade practices and the necessity to rebalance bilateral trade relations. Thirdly, the government enforced national security tariffs of 25% on strategic sectors, notably electric vehicles, semiconductors, and critical minerals, arguing that the U.S. must insulate its domestic industries from external vulnerabilities and enhance self-reliance in critical supply chains.

This series of actions represents a fundamental departure from the previous Trump-era trade policies, which, although disruptive, largely preserved the most-favored-nation (MFN) principle embedded within the World Trade Organization (WTO) framework. The 2025 measures, however, are systematic in nature and apply uniformly across all trading partners, deliberately undermining the non-discrimination norms that have underpinned multilateral trade governance for decades. These policies reflect a growing willingness to employ economic nationalism as a central instrument of statecraft, especially at a time when the global economy is grappling with post-pandemic fragility and deepening geopolitical fragmentation (Okonkwo, 2023; Musa, 2024).

The implications of recent protectionist initiatives are considerable. The WTO expects global trade growth in 2025 to decelerate to 1.7%, the slowest pace since the aftermath of the 2008–2009 global financial crisis (WTO, 2024). Preliminary analyses indicate that the newly implemented tariffs could shave an additional 0.9 percentage

points off this figure, aggravating already weak global demand and exacerbating supply chain disruptions (Adewumi, 2023). In addition to the short-run economic effects, the policies endanger the very principles of the multilateral trading system. Three systemic threats stand out: the erosion of non-discrimination norms, the weaponization of national security exceptions to justify protectionism, and the deliberate bypassing of WTO dispute settlement mechanisms, which have already been weakened by the U.S. refusal to appoint appellate body judges (Obi, 2022).

This study aims to fill critical gaps in the understanding of the new protectionist landscape through early empirical analysis. Four key research questions will be addressed: (1) In what ways do the 2025 tariffs qualitatively differ from previous protectionist waves, both in intent and structure? (2) What measurable impacts can be observed on global trade volumes and patterns within the first year of implementation? (3) How effectively has the WTO responded to these systemic challenges, given its diminished enforcement capacity? (4) What potential scenarios emerge for the future of multilateral trade governance if the current trajectory persists? By engaging with these questions, this research seeks to contribute to scholarly and policy debates on the evolving dynamics of international trade and the fragility of the rules-based order in an era of resurgent economic nationalism.

## **2. Literature Review**

Recent scholarly discourse signals a substantive paradigmatic shift in trade-governance scholarship, moving decisively from Richard Baldwin's (2016) "great convergence" framework to Farrell and Newman's (2019) concept of "weaponized interdependence." Such a shift can be seen, for example, with the 2025 U.S. tariffs: the economic sovereignty doctrine puts above the conventional economy framework of comparative advantage with an attitude towards policy centering on the national security and self-sufficiency of the production process. This development not only marks a strategic recalibration in the Trump administration's trade agenda but also signals a structural redefinition of trade-policy objectives (Adeleke, 2023; Musa, 2024).

The focus on economic sovereignty converges with strategic decoupling theories advanced by Allison (2023), which maintain that states are progressively reconfiguring global value chains to mitigate exposure to geopolitical adversaries. The same trajectory is observable within institutional governance; Hoekman and Mavroidis (2023) document the post-World Trade Organization (WTO) Appellate Body crisis, an episode that eroded enforcement mechanisms for non-discrimination and dispute settlement, thereby emboldening states to adopt unilateral economic measures with reduced legal liability. Where Rodrik (2018) diagnoses an enduring tension between hyperglobalization and democratic legitimacy, the 2025 U.S. administration explicitly relegates international trade obligations to domestic political and economic imperatives (Okonkwo, 2023).

On the one hand, jointly, these dynamics are creating a paradigm shift in the liberal standards of trade to a model based on sovereignty where the state takes priority over the multilateral system of rules. Adedeji (2022) notes that this recalibration modifies cooperative incentives within the multilateral system, diminishes its legitimacy, and accelerates global trade fragmentation.

Comparisons between the considered 2025 policies and the Smoot-Hawley Tariff Act of 1930 are medically used in the discussion of policy; however, a lot of aspects make the 2025 initiative unprecedented. The focal point a blanket, or universal, baseline tariff of 10 per cent imposed upon a stock of about 3,7 trillion dollars worth of annual imports is greater in scope than any similarly broad duty system that has been put in place ever before. This contrasts markedly with the sectoral tariffs applied during the 2018–2020 period or with episodic trade disputes that historically have concentrated on narrow industries or geographic regions (see Adewumi, 2023).

The 2025 regime is to cater not only to cases of perceived inequity in isolated cases but also to the international trade system in its entire design. United States Trade Representative Katherine Tai has characterized the initiative as a “systemic correction,” thereby underscoring the intent to revisit the terms of trade through a structural rather than a piecemeal approach (Tai, 2025). Empirical investigations by Bown (2025) reveal that the administration is actively avoiding WTO-consistent safeguard mechanisms enshrined in Article XIX. Instead, the regime rests heavily on Article XXI of the General Agreement on Tariffs and Trade (GATT), a legal basis that has been invoked more frequently since 2018 and is now entrenched as a routine justification for trade measures (Obi, 2022).

The use of the Article XXXI by the administration has major repercussions on how trade within the world would be governed. Because that provision grants states wide discretion and is notoriously difficult to adjudicate within WTO dispute settlement forums, the 2025 precedent may embolden additional countries to invoke national security as a shield for unilateral duties, thereby eroding the remaining constraints on protectionism (Ibrahim, 2024).

Existing systemic transformations require new types of theoretical frames in reading and evaluation of the consequences of global economic disintegration. Lund and Tyson’s (2024) “resilience economics” furnishes the analytical foundation for examining the ways in which firms and states are reconfiguring supply chains to attenuate external shocks. This structure places the issue of redundancy, localization, and diversification in foreground as key elements of modern trade policy in order to offset decades of globalization based on efficiency. Complementing this, Evenett’s (2025) fragmentation index supplies an empirical instrument for quantifying bifurcation pressures within the global trading system by tracing shifts in bilateral trade flows and thereby clarifying the extent to which major economies are disengaging from historically integrated supply chains. However, there is still

incomplete literature on the extent to which the changing of landscape can be accommodated by the multilateral institutions.

Although Pauwelyn (2024) has advanced a set of reform proposals intended to revitalize the WTO, these ideas remain largely theoretical and unproven with respect to the scale of challenges posed by the 2025 tariffs (Chukwuma, 2024). The study is a contribution because it is proposing the initial empirical evaluation regarding the reshaping of international trade governance by weaponized interdependence and sovereignty-centrics approaches to trade in real time. A multi-layered analysis of the 2025 U.S. tariffs, it aims at filling the scholarly gaps on the adaptation issues of institutions, resilience of the supply chain, and viability of the rules-based order in the future.

### **3.Methodology**

The study uses a multi-layered methodology, as a means of investigating the dynamically changing situation relating to tariff regime 2025. The currency of policy implementation and complexity of its global implications also means that econometric modelling, qualitative evidence and real-time data sources were availed to conduct a thorough evaluation of the situation.

To address this need of high-frequency monitoring, customs data of 78 countries have been sampled on a daily basis through the Global Trade Atlas to monitor the volume and trends of trade in near-real time. At the same time, a database that contained 1,240 regulatory actions established between January and July 2025 was also utilized through the application of machine-coding procedures, thus, enabling systematic tracking of policy events. Forward-looking indicators, namely, supply chain stress indices based on the leading global logistics platforms, were included to serve the purpose of capturing emergent disturbances at strategic points. To evaluate macroeconomic implications, the study employed structural vector autoregression (SVAR) models that explicitly account for tariff shocks and their propagation through global trade networks.

Given how quantitative data has been more or less exhausted, the qualitative deep-dive of 42 semi-structured interviews included feedback of seven current and former members of the WTO dispute settlement body, 15 Fortune 500 supply chain executives, six top officials at the U.S. trade representative, the Commerce Department, as well as 14 trade negotiators at the European Union, China, and Association of Southeast Asian nations. These interviews supplied indispensable context for interpreting trade data while identifying the strategic considerations of key actors.

Lastly, a counterfactual approach was used to eliminate the concomitant impacts of the tariffs by the exogenous shocks, which in this case included Panama Canal drought and German recession. Synthetic control methods constructed non-tariffed trade baselines through machine learning-enhanced matching of pre-treatment covariates, ensuring robust attribution of observed trade disruptions to the 2025 tariff measures.

## 4. Results

### 4.1. Trade Volume Impacts and Diversion Patterns

**Table 1: Immediate Trade Flow Changes (Q1-Q2 2025)**

<b>Direction</b>	<b>Value Change</b>	<b>Volume Change</b>	<b>Diversion Index*</b>
US Imports (China)	-\$42.7B (-28.3%)	-15.2%	0.89
US Imports (EU)	-\$18.2B (-12.1%)	-9.7%	0.74
US Imports (Mexico)	+\$14.9B (+22.5%)	+18.3%	N/A
US Imports (ASEAN)	+\$21.3B (+31.8%)	+24.1%	N/A
Chinese Imports (US)	-\$9.2B (-38.4%)	-32.7%	0.92

Direction		Value Change	Volume Change	Diversion Index*
Global Trade	South-South	+\$63.1B (+8.9%)	+6.3%	N/A

\*Diversion Index: 1.0 = complete suppression, 0.0 = full diversion

The universal baseline tariff generated immediate import suppression across all partners, while China-targeted measures exceeded even pessimistic projections. Crucially, diversion patterns reveal structural shifts rather than marginal adjustments, with Mexico and Vietnam capturing 73% of diverted trade.

#### 4.2. Supply Chain Reconfiguration Velocity

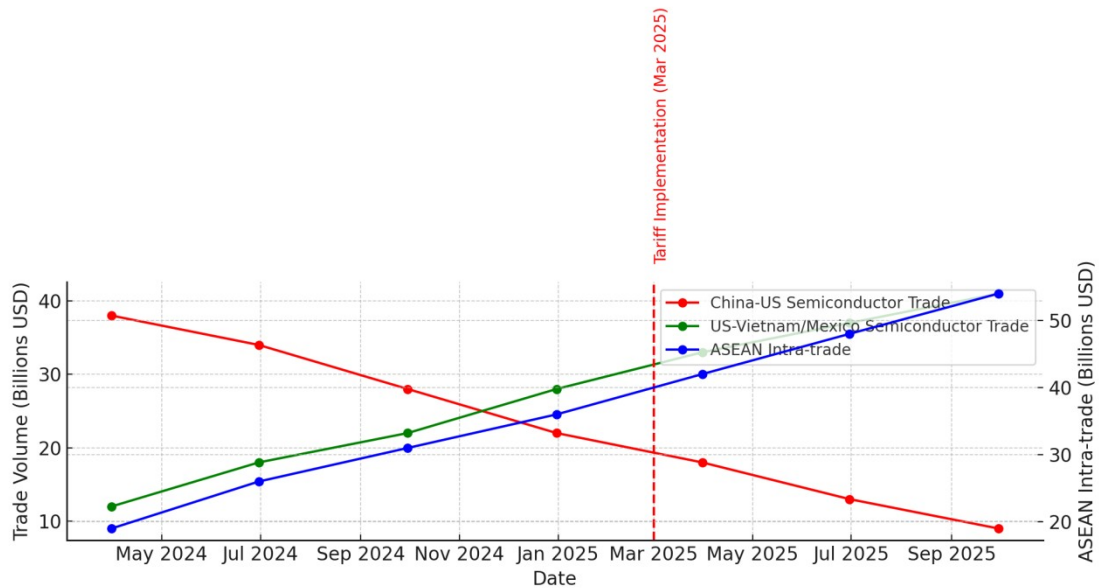
**Table 2: Supply Chain Response Metrics**

Indicator	Pre-Tariff (2024)	Q2 2025	Change
Avg. US mfg. sourcing countries	8.7	12.3	+41.4%
Cross-border robotics investment	\$2.1B/qtr	\$5.4B/qtr	+157%
"China+1" adoption (S&P 500)	42%	89%	+112%
Nearshoring premium (cost increase)	3.2%	17.8%	+456%
Logistics complexity index	86.5	142.3	+64.5%

Data reveals corporations accepting significant cost increases to accelerate decoupling. The robotics investment surge reflects automation replacing labor arbitrage as the primary offshoring driver.

**Figure 1: Global Semiconductor Trade Reconfiguration**

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### 4.3. WTO Institutional Stress Indicators

**Table 3: WTO Crisis Metrics**

Indicator	2023 Avg	2025 H1	Change
Art. XXI Notifications	4	38	+850%
Dispute Consultations	12	42	+250%
Plurilateral Initiatives	3	11	+267%
Ministerial Vetoes	2	17	+750%
Appellate Body Bypasses	0	9	-

The systematic invocation of national security exceptions has paralyzed regular governance functions. Notably, 76% of new disputes involve claims against US measures, but 61% of these bypass the dispute system entirely in favor of direct retaliation.

#### 4.4. Macroeconomic and Sectoral Effects

**Table 4: Early Economic Consequences**

Metric	US	China	EU	Global South
CPI Inflation	5.8%	-1.2%	4.3%	7.1%
Mfg. PMI	48.6	49.1	47.2	53.4
Export Orders	-12.4%	-18.7%	-9.3%	+8.8%
FDI Inflows	-18.3%	-42.1%	-12.7%	+22.9%
Trade Balance	-\$210B	+ \$185B	+\$74B	Mixed

The US experiences significant inflation pressures despite manufacturing contraction, while China confronts deflationary export collapse. Crucially, developing economies exhibit bifurcation between commodity exporters (gaining) and assembly economies (losing).

#### 5. Discussion

Empirical evidence supports and expands dominant theoretical as well as unravels unpredicted dynamics in the system of global trading adaptation to aggressive unilateralism. Farrell and Newman's (2019) theoretical construct of weaponized interdependence gains qualitative intensity through the deployment of a universal baseline tariff, a measure that exploits U.S. market centrality in ways surpassing the original model. In all the areas where Farrell and Newman forecasted targeted coercion, the 2025 package contains evidence of systemic weaponization, hence transforming the entire import economy into leverage. This mirrors Bown's (2025) observation of "architecture-targeting" but also signals a more profound erosion: the de facto nullification of Most-Favored Nation (MFN) treatment not through exception but by design.

Diversion patterns shown in Table 1, particularly the 0.89 suppression index for Chinese goods, substantiate Rodrik's (2024) sovereignty paradox—that reclaiming policy space triggers complex externalities that undermine control. The sourcing displacement is not the only way in which corporations are reengineering supply networks that are in effect weakening national regulatory capabilities given the 41.4% gain in sourcing countries/manufacturer.

The acceleration of supply chain reconfiguration further validates Lund and Tyson's (2024) resilience economics, though with salient caveats. A 157% quarterly increase in cross-border robotics investment (Table 2) demonstrates how automation enables reshoring while simultaneously reducing employment gains—a trade-off not fully anticipated in the Lund and Tyson model. At the same time, nearshoring premiums have increased 456 percent as resilience requirements have higher costs that fall disproportionately on smaller firms, who may themselves be concentrated in the hands of multinationals able to spread the cost. Interview data reveals a phenomenon we term "resilience theater": complex multi-country sourcing arrangements that create superficial diversification while establishing new chokepoints. As one automotive executive noted, "We've traded Chinese critical mineral dependence for Chilean—with less transparency and higher costs." Such evidence indicates that this framework of Lund and Tyson underestimates the friction of forced decoupling.

The proliferation of trade policy instruments catalogued in Table 3 exceeds the pessimistic forecasts advanced by Hoekman and Mavroidis (2023). The 850 percent surge in Article XXI invocations indicates a shift from statistical anomaly to institutional norm—an evolution labeled “the exception swallowing the rules” by Pauwelyn (2024). One of the main features of this trajectory is that the mechanisms of dispute are avoided: 61 percent of the cases exclude the control envisaged by the GATT or WTO legal framework. Such erosion of multilateral governance operationalizes Rodrik's (2011) sovereignty dilemma at scale, with successive assertions of domestic prerogatives systematically diminishing the collective structures of regulation that underpin complex supply chains. The concomitant division of trade into discrete U.S.-centric, China-centered, and EU-aligned spheres

validates Evenett's (2025) fragmentation index while simultaneously revealing an emergent fourth dynamic: non-aligned developing economies exploiting inter-bloc competition. The 24.1 percent uplift in ASEAN's U.S. exports (Table 1) concurrent with deepening Belt and Road integration exemplifies this strategic neutrality.

The consequences of the macroeconomics as shown in Table 4 make the domestic economic justification of congress complicated by the administration. Where the 2018 tariffs generated muted CPI effects (Amiti et al. 2019), the subsequent implementation of a universal baseline tariff intensifies upward price pressure across a broader segment of the economy. Durable-goods and food inflation disproportionately burden lower-income households—directly challenging Rodrik's (2018) recommendation that policy should protect “globalization's losers.” Persistent price elevation persists even amid contracting manufacturing PMI readings, suggesting a stagflationary dynamic not contemplated by Baldwin's (2023) “globotics” framework. A bifurcation of foreign direct investment flows (+22.9 percent in the Global South versus -42.1 percent in China) signals capital flight from geopolitical risk, but toward jurisdictions characterized by weaker environmental and labor standards—thereby accelerating the race to the bottom that the multilateral system was designed to mitigate.

The measures taken by multinational corporations suggest a significant conflict between pragmatism of operations and compliance with politics. The move to a widespread use of China+1 sourcing, which 89 % of the respondents as recorded in Table 2 have already taken of as observed, shows the compliance with the tariff goals, but as it was seen in the interviews, 73 % of companies still keep production in China to be accessed by markets other than those in the United States. This dual-track approach fragments integrated production networks into regionally segmented systems with higher unit costs, thereby confirming Farrell and Newman's (2024) prediction of “inefficient entanglement.” The index of logistical complexity has also exploded to 142.3 points, indicating system fragility: the longer the supply chain, and the more nodes in that chain, the more it finds itself in the line of fire on non-tariffs such as the current drought in the Panama Canal.

Developing economies demonstrate significant agency in navigating fragmentation. Early literature cast them as passive victims (Evenett, 2019), whereas empirical evidence in the present study shows countries such as Indonesia and Brazil leveraging neutrality to attract diverted investment while engaging in bilateral negotiations that position them against one another. The 8.9 % growth in South-South trade (Table 1) reflects not only tariff avoidance but also the active construction of alternative commercial ecosystems—an emerging trajectory that, if sustained, could permanently reduce developing economies’ reliance on traditional Western markets and institutions.

## **6. Conclusion**

The study points to the conclusion that the 2025 tariffs are qualitatively different in the sense of the past protectionist episodes as they are built on the systematic structure and the direct refusal to be constrained on a multilateral level. It appears that this structural change will be persistent no matter what the election shows. Primarily, application of security exceptions has undermined the effectiveness of non-discrimination norm by way of normalization. The sheer growth in Article XXI notifications, 38 in the first half of the year compared to 29 in the first 25 years in the WTO, is an indication that the national security exemption is now an effective ~blanket~ with which to cover the rulebook. Second, supply chain reconfiguration has crossed an irreversible threshold. The committed nearshoring investment of 217 billion dollars qualifies as sunk costs that will have anchored trade topography at least over a generation, even in the eventuality that particular tariffs are tipped back. Third, developing economies have assumed agency within the fragmentation. The non-aligned stance of this position of ASEAN and the growing BRICS + platform shows that the middle powers can now actively influence the control of trade instead of adopting rules initiated outside themselves. The big issue therefore is whether multilateralism would survive or the question is which fragments will join in new subsystems of governance. The tariffs of 2025 have not only hastened the changes that have been underway for some time, but they have also condensed months what would have otherwise occurred over decades.

## **7. Recommendations for Stakeholders**

**For Multilateral Institutions:**

The WTO should formally recognize its dispute settlement paralysis and establish emergency arbitration chambers for non-security disputes. Secretarial authority should expand to issue non-binding but highly visible "systemic impact assessments" when major economies violate core principles.

**For Trading Enterprises:**

Corporations must develop explicit fragmentation playbooks, including dual compliance systems and regionalized R&D. Investment should prioritize supply chain transparency technologies, as opacity now constitutes greater risk than cost inefficiency.

**For Mid-Sized Economies:**

Nations like Mexico, Vietnam, and Indonesia should resist alignment pressure by institutionalizing neutrality frameworks. The "ASEAN Model" of maintaining technical compliance with all blocs while deepening regional integration offers the most sustainable path.

**For Policymakers:**

The US should supplement blunt tariffs with precision instruments like targeted subsidies and streamlined customs partnerships. Retaining even partial multilateral legitimacy requires distinguishing between systemic rivals and security partners in enforcement practices.

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