



## US tariff policy and a transformation of global trade architecture

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### ABSTRACT

The second Trump administration's tariff regime has triggered a profound transformation of the global trade architecture, extending beyond traditional protectionism to a systematic dismantling of multilateral institutions. This paper examines how the collapse of trust in US trade commitments and the erosion of export-led development pathways across the Global South are catalyzing the construction of alternative institutional frameworks. Through analysis of the EU–CPTPP partnership initiative, the acceleration of Asian regionalism, and BRICS expansion, it demonstrates that states are engaging in purposeful institutional innovation rather than descending into fragmentation. The findings indicate that the coming years constitute a critical window for determining whether emerging regional arrangements evolve into inclusive multilateral alternatives or harden into competing economic blocs. Sustaining open trade in this environment will depend on building coalitions grounded in predictable, rules-based governance that move beyond reactive responses to U.S. disruption.

### Introduction

The global trading system confronts an unprecedented crisis as of October 2025. US President Donald Trump's second-term tariff policies represent systematic dismantling rather than mere protectionism (Politico, 2025). Former Canadian Trade Minister Mary Ng's observation that "trust is the real currency of global trade" captures the essence of contemporary institutional collapse—that currency faces systematic devaluation through what she terms "the collapse of trust" in foundational trade assumptions (Ng, 2025). Institutional collapse coincides with existing agreement violations. Foreign governments legitimately worry that current US promises provide no future protection. When agreements remain reliable only until the next election cycle, modern trade governance foundations crumble. This crisis extends beyond bilateral disputes to threaten multilateral trade governance extinction. The World Trade Organization (WTO)'s institutional paralysis exemplifies this transformation. Simultaneously, export-led development gains across the Global South face systematic reversal, with manufacturing employment decline, forcing millions into subsistence activities.

This article asks three questions: (i) How has the US' 2025 tariff regime—implemented largely under emergency powers—altered the incentives and constraints of the multilateral trade system? (ii) What new institutional responses are emerging among small, middle and large powers, and how do these responses differ from traditional regionalism

and bilateral exemption bargaining? (iii) Under what conditions can these responses reconstruct credibility and predictability—the core currencies of trade governance? The article contributes in three ways. First, it connects the legal-institutional shock to the political economy of coalition formation. Second, it theorizes 'coalitional multilateralism' as a distinct pathway from 'competitive regionalism,' using EU–Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) bridge-building, the Future of Investment and Trade Partnership (FIT-P) as comparative cases. Third, it provides a structured process-tracing of country and coalition behavior to derive testable propositions about trust reconstruction in a fragmented order.

'Competitive regionalism' in this paper refers to parallel, partly substitutive regional agreements that primarily allocate market access and rule-making authority among proximate groups, often generating negative externalities for non-members. 'Coalitional multilateralism,' by contrast, is a pluralistic, multilateral route to multilateral rule-making that (a) starts with small, like-minded coalitions, (b) focuses on narrow functional workstreams (e.g., NTB reduction, digital trade facilitation, critical-supply protocols), (c) embeds open accession and conditional Most-Favored-Nation (MFN) principles, and (d) explicitly designs portability of rules to larger forums, including the WTO. This approach contrasts with individual exemption bargaining under US tariff pressure (e.g., investment-for-tariff relief deals) and with traditional mega-regionals whose 'substantially all trade' scope can paralyze expansion.

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Institutional theory suggests that when a hegemonic guarantor withdraws from enforcing open trade smaller coalitions can step in to "re-embed" liberal market rules. Keohane and Martin's minilateralism posits that flexible, issue-focused clubs of like-minded states can solve collective-action problems more rapidly than universal bodies (Keohane and Martin, 1995). Ruggie's embedded liberalism emphasizes that trade liberalization must be underpinned by mechanisms that buffer domestic adjustment costs and rebuild trust (Ruggie, 1982). This paper applies these frameworks to analyze how coalitions such as the EU–CPTPP bridge, the FIT-P, and Canada–Mexico coordination reconstruct predictability and openness amid U.S. policy volatility.

The empirical strategy integrates responses to map how actors translate legal shocks and tariff schedules into institutional design choices. Rather than offering a single-country narrative, the analysis identifies cross-case mechanisms—exemption bargaining, regionalist design, minilateral club formation—that drive outcomes.

## 1. The collapse of trust

The WTO's transformation from global trade arbiter to institutional relic illustrates systematic disruption. Unlike previous multilateral governance challenges, current crisis stems from deliberate abandonment by the system's principal architect. The US has engineered institutional death through systematic defunding and core function withdrawal. Accelerating abandonment follows a clear timeline. After blocking Appellate Body appointments that paralyzed dispute resolution since 2019, the Trump administration suspended financial contributions in March 2025, creating existential budget crisis. As the largest contributor of the annual budget, US withdrawal threatens operational viability (Reuters, 2025a). The institutional crisis extends beyond US actions to encompass broader multilateral governance breakdown. At the July 2025 UN Conference on Financing for Development in Sevilla, ministers from New Zealand, Brazil, Spain, and Mexico warned of WTO's 'existential crisis'. Brazil's Secretary for Economic and Financial Affairs Philip Gough characterized the current situation as "the worst possible scenario" where "some respect the rules while others apply them selectively or ignore them entirely," leading to loss of system predictability. Spain's President Pedro Sánchez warned that tariffs and trade wars could cause a 3 % decline in global growth, with "the most vulnerable bearing the brunt" as "tariffs are a brake on progress." New Zealand's Minister Shane Reti emphasized that 'the stability provided by the international trade system is no longer guaranteed' due to "growing disregard for international trading rules and norms" (UN Press, 2025).

More fundamentally, US Trade Representative Jamieson Greer's August 7, 2025 New York Times essay, "Why We Remade the Global Order," provides intellectual framework for systematic multilateral governance replacement with unilateral enforcement. Greer explicitly rejects "the drawn-out dispute settlement process favored by trade bureaucrats," announcing the US will "closely monitor implementation and swiftly reimpose higher tariffs for noncompliance" (Greer, 2025). This represents wholesale rules-based system abandonment favoring power-based enforcement. Recent scholarship underscores that the proliferation of unilateral trade measures—particularly the escalation and reciprocation of tariffs since 2025—has become a critical threat to the MFN core of the WTO system. The U.S. invocation of bilateral 'reciprocal tariffs', calculated according to perceived bilateral imbalances, directly subverts the MFN principle and encourages other major powers to respond in kind. Not only do these reciprocal tariffs and countermeasures undermine the MFN principle, but they also deepen regulatory uncertainty. With more trade disputes going unresolved or being met with 'self-help' national measures, the rules-based order faces a system failure, where WTO mechanisms are bypassed and general international law on countermeasures is invoked by default (Ma and Wu 2025).

Credibility destruction's psychological impact extends beyond institutional mechanics. Center for a New American Security (CNAS)

trade war simulations reveal that even experienced allied negotiators prioritize bilateral US market access over multilateral coordination under pressure. Simulations demonstrate classic "prisoner's dilemma" dynamics where countries "sprint to the front of the line" despite recognizing US unreliability (Kilcrease and Gertz, 2025). Major economies negotiated individually with the US for preferential treatment (BBC, 2025a; Merco Press, 2025). While Chile and the EU secured copper and pharmaceutical exemptions respectively, Japan and South Korea leveraged investment commitments for reduced tariff levels. These states worked to "flatter Washington for a time, in hopes of avoiding US penalties" (Yarhi-Milo 2025). However, these apparent diplomatic successes proved pyrrhic. Despite securing 15 % reciprocal rates down from 27.5 %, Japan's \$550 billion investment commitment and political humiliation led to Prime Minister Shigeru Ishiba's downfall on September 7, 2025, immediately after finalizing the agreement, demonstrating domestic political costs of capitulation (Reuters 2025b). Subsequently, South Korea rejected to sign on the documentation of the negotiation, resisting the conditions of the investments totaling \$350 billion. Similarly, European Parliament members demanded changes to the July 2025 deal, threatening ratification after Trump expanded 50 % metals tariffs to cover hundreds of steel and aluminum-containing products, subjecting European manufacturers to rates exceeding the agreed 15 % baseline (Wall Street Journal, 2025b).

All these volatile anecdotes demonstrate systematic scope expansion through regulatory changes after agreement signatures, contradicting 'successful negotiation' narratives and revealing bad faith implementation. Bilateral deals cannot substitute for institutional reconstruction because bilateral exemption-seeking ultimately fails to restore predictability. Trump's 'transactional approach' gives countries opportunities to "play the great powers off one another," but this creates the so-called 'hedging fatigue'—the unsustainable cost of maintaining multiple bilateral relationships without institutional anchors. The Global South increasingly recognizes that 'amoral pragmatism' without multilateral frameworks leaves them "vulnerable to the law of the jungle" (Spektor 2025; Yarhi-Milo 2025). This explains why even successful bilateral dealers like Chile (copper exemptions) and Japan (15 % tariff deals) simultaneously pursue institutional alternatives through FIT-P and CPTPP expansion.

From China's perspective, as articulated through official channels, US tariff policies represent systematic 'double standards' that undermine multilateral principles. Beijing argues that developed countries historically shaped trade rules to reflect their strategic interests, advocating liberalization in areas of strength while protecting sensitive sectors through subsidies and non-tariff barriers. China contends that when Global South exports begin threatening domestic industries in developed countries, safety, labor, or environmental standards are strategically enforced to undermine competitive threats. This narrative has gained traction across developing economies, with China positioning US unilateral tariffs as validation of Global South concerns about the traditional North-South economic hierarchy being challenged by developing nations' advancement in high-tech industries (Li, 2025).

## 2. The systematic destruction of export-led development

Current disruption encompasses systematic destruction of development pathways that have lifted hundreds of millions from poverty. The export-led manufacturing model enabling countries from South Korea in the 1970s to Vietnam in the 2010s to narrow wealth gaps with developed economies faces unprecedented assault. For the past decades of globalization, export manufacturing served as the primary poverty-to-prosperity pathway for developing nations. Countries followed proven models: integrate into global supply chains, build manufacturing capacity, accumulate capital and technology, then ascend global value chains. This strategy enabled remarkable transformation, particularly with East Asian economies achieving sustained 7–10 % annual GDP growth through manufacturing exports (World Bank, 2024).

Today three concurrent and inter-related forces create the so-called "triple shock" undermining traditional export-led development: US tariff weaponization, Chinese overcapacity, and supply chain militarization (UNCTAD, 2025). First, new tariffs operate through three layers—universal 10 % rates, "reciprocal" tariffs announced in April 2025 under the International Emergency Economic Powers Act (IEEPA), and sectoral tariffs under Section 232 of the Trade Expansion Act of 1962 to impose 25 %~100 % tariffs on steel, aluminum, automobiles, trucks, furniture, copper, patented medicines, etc. in the name of national security. This represents "the greatest US trade policy restructuring since World War II" (Wall Street Journal, 2025a) though the August 29, 2025 Court of Appeals ruling that Trump exceeded IEEPA authority represents significant legal constraint.<sup>1</sup> The structure creates systematic trade diversion, shifting commerce from efficient to less efficient sources based on political rather than economic logic. Second, China's excess manufacturing capacity under the US pressure flooded global markets despite trade tensions, resulting in exports surging 7.2 % in July 2025 despite global slowdown. This export surge overwhelmed smaller economies' industrial bases, boxing out traditional low-cost producers unable to compete with China's state-subsidized manufacturers. Third, the shift toward 'reshoring' prioritizes political over economic efficiency, systematically disadvantaging countries that built development strategies on cost advantages rather than strategic proximity to major powers (McKinsey Global Institute, 2025). This reorganization fragments global production networks essential for developing country industrial integration.

As a result, the human dimension appears starkly in communities like Pekalongan, Indonesia, where rice farmers transitioned to textile manufacturing, earning sufficient income for children's university education and infrastructure development. By 2022, factory closures forced workers back to rice farming for "meager pay," while children sell snacks instead of attending university (Wall Street Journal, 2025a). This personal tragedy represents millions experiencing systematic development gain reversal globally. Results include 'premature deindustrialization'—manufacturing employment decline before achieving middle-income status. Manufacturing employment in developing countries declined 15–20 % since 2020, representing systematic structural transformation reversal. UNCTAD analysis reveals 95 of 195 member countries remain commodity-dependent, with 85 % classified as developing economies (UNCTAD, 2025). Return to commodity dependence represents regression to the 'commodity trap' characterized by low productivity, volatile export earnings, and limited technological spillovers. This regression occurs precisely when developing countries most require industrial capacity for climate change, urbanization, and demographic transitions. Export manufacturing capability destruction threatens not only current livelihoods but long-term development prospects for billions in the Global South.

In this context, Indonesia's recent policy responses demonstrate developing country attempts to preserve inclusive multilateralism despite trade disruption. At the October 2025 WTO Informal Working Dinner, Indonesia called for comprehensive reforms rooted in "inclusivity and shared commitment among member states," emphasizing that reform must extend beyond institutional restructuring to include updated trade rules and negotiation mechanisms. Indonesia's approach advocates consensus-based decision-making while preventing

procedural deadlocks, proposing that countries clearly state national interests behind consensus objections to prevent tactical blocking. This represents developing country recognition that WTO revival or similar scheme requires both procedural improvements and substantive rule modernization (ANTARA News, 2025), which may coincide with coalitional multilateralism this paper supposes.

### 3. Institutional alternatives: the scramble for new architectures

Once that countries lived a dynamic liberal multilateralism until recently, systematic multilateral trade governance destruction may catalyze sophisticated institutional responses transcending fragmentation. Rather than 1930s-style autarkic retreat, countries can engage in 'competitive regionalism'—accelerated alternative integration frameworks maintaining openness while reducing dependence on unreliable US leadership (Chatham House, 2025). As of this writing, countries confronting WTO governance collapse pursue three distinct strategies: bilateral proliferation, regional integration acceleration, and alternative multilateral construction.

#### *The diversification-insurance policy model*

In response to the reimposition of broad-based US tariffs under the Trump Administration's second term, a number of major trading partners accelerated negotiations on alternative trade agreements. Canada exemplifies sophisticated diversification strategies providing middle power templates for navigating US unreliability. Through the Canada-EU Comprehensive Economic and Trade Agreement (CETA), CPTPP participation, and bilateral agreements spanning Latin America and Asia-Pacific, Canada secured preferential access to over 65 % of the global economy across 51+ countries (Government of Canada, 2025). Ng characterizes these as "insurance policies against an increasingly uncertain and fragmented global economy," emphasizing countries must "fully leverage negotiated agreements" rather than over-rely on unreliable traditional partnerships (Ng, 2025).

The model recently evolved into the Canada-Mexico Action Plan 2025–2028, formalizing institutional cooperation across ports, railways, aerospace, and energy infrastructure. With bilateral trade reaching C\$56 billion (US\$40.5 billion) in 2024 and Mexico achieving its third-largest partner status (El País, 2025), Canada attempts to sophisticate the model, learning from strategic mistakes. After 2024 tensions when Canada pursued separate US negotiations damaging Mexico relations, Prime Minister Mark Carney's September 2025 Mexico City visit represents institutional learning toward coordination over competition. This validates the model's requirement for genuine partnership rather than opportunistic arrangements (BBC, 2025b). Canada-Mexico coordination timing precisely as USMCA review consultations begin demonstrates strategic insurance policy implementation. Rather than competing for favorable US terms, both countries chose coalition building as primary institutional uncertainty response, validating middle power coordination strategies in multipolar governance.

Such diversification-insurance model also can be found on the part of many other trading economies. South Korea that has a large of FTA network covering 59 countries attempts to resume the once-deadlocked trade negotiations with Japan and Mexico, and to join CPTPP (Korea Times 2025). The United Kingdom and Japan finalized terms for a digital-focused free-trade agreement in September 2025 (Reuters, 2025e). The EU concluded the trade agreement negotiation with the Southern Common Market (MERCOSUR) in December 2024 after a prolonged negotiations of 25 years, and is on the process of internal ratification while Brazil emphasized ratifying its EU-MERCOSUR trade deal. It also plans to negotiate FTA with UAE, and expand its FTA network in Southeast Asia from Indonesia toward the Philippines, Thailand, and Malaysia by 2027 (Wall Street Journal, 2025c; Phillips 2025). Several Southeast Asian economies deepened their collaboration within ASEAN+3 frameworks. All these moves reflect a strategic shift

<sup>1</sup> The judicial challenge to Trump's IEEPA-based tariffs is currently at a critical juncture before the US Supreme Court, following a definitive federal appeals court ruling against the administration. On August 29, 2025, the U.S. Court of Appeals for the Federal Circuit ruled 7-4 in *V.O.S. Selections v. Trump* that the IEEPA does not authorize President Trump's sweeping "reciprocal" and "trafficking" tariffs, affirming earlier decisions by both the Court of International Trade and a federal district court in Washington D.C. The Supreme Court scheduled oral arguments for early November 2025 (Dorsey & Whitney LLP, 2025).

toward diversifying market access and reducing reliance on the US market amid growing tariff uncertainty.

#### *The eu-cptpp partnership initiative*

An empirical study by the [Kiel Institute \(2024\)](#) shows that a collapse of the WTO would have a far more severe effect on the EU economy than on the United States. While sectoral US tariffs would reduce EU GDP by about 0.1–0.5 percent, a breakdown of the multilateral system would amplify losses up to four times, with Germany, for example, facing an immediate 3.2 percent GDP decline in the event of global economic fragmentation. Moreover, the study emphasizes that the EU's highest priority must be to restore and defend the rules-based system, as trade order instability would hurt its advanced, highly integrated sectors the most. For the EU, this implies a defensive and proactive posture in international forums, as its vulnerability to systemic disorder is acutely greater than suggested by protectionist tit-for-tat calculations alone. As the third largest economy in the world, the EU would need to construct a second-best architecture in the medium-term. If Plan A aims to preserve multilateral trading systems through targeted WTO reforms, and expanded FTA networks, Plan B may represent contingency strategies for multilateral collapse through coalition-building with CPTPP partners, emphasizing economic security doctrines to reduce weaponizable dependencies while maintaining balanced agendas with both the US and China ([Arroyo, 2025](#); [Dadush and Sapir, 2025](#)).

Specifically at a June 26, 2025 EU heads of state dinner, Commission President Von der Leyen proposed linking the EU with the 12-nation CPTPP, describing this as "the beginning of redesigning the WTO" ([Hinrich Foundation, 2025b](#)). This transcends trade cooperation to signal alternative multilateral institution construction designed for US-free operation. Strategic logic becomes clear through institutional mathematics. The EU maintains bilateral economic agreements with 10 of 12 CPTPP members, only lacking comprehensive frameworks with Australia and Brunei ([European Commission, 2025](#)). Combined EU-CPTPP structure would create a 39-country economic powerhouse representing the world's most developed market economies. ECB President Christine Lagarde's August 2025 statements calling for EU to expand trade beyond the US also provide crucial contemporary evidence supporting a new institution building ([Investing.com 2025](#)).

The proposal carries revolutionary implications because for the first time since 1945, major democratic powers envision constructing multilateral trade architecture explicitly excluding rather than including universal participation. Unlike traditional approaches seeking universal participation based on sovereign equality, this model deliberately excludes what European officials term "overtly obstructionist countries" that have "habitually thrown sand in WTO gears" ([Hinrich Foundation, 2025b](#)). Exclusion strategy targets specific systematic obstruction actors: the US, China, India, Indonesia, South Africa, and Brazil. The US, once WTO's principal champion, now pursues "outright hostility" toward the organization ([Hinrich Foundation, 2025b](#)). China, despite public multilateral trade proclamations, creates systematic market distortions through state-backed manufacturers pushing foreign competitors from global markets ([Peterson Institute, 2025](#)). Yet current WTO rules inadequately address China's state-driven economy distortions while Beijing refuses to acknowledge their systematic nature. India maintains systematic WTO agreement blocking patterns—including trade facilitation, fisheries subsidies, and e-commerce frameworks—while refusing environmental or investment discussions requiring policy adjustments ([WTO Secretariat, 2025](#)). Similarly, Indonesia, South Africa, and Brazil regularly obstruct negotiations, viewing multilateral trade rules primarily as constraints on their development strategies rather than frameworks for mutual benefit.

#### *Asian regionalism and china's strategic repositioning*

Asian institutional responses demonstrate sophistication in

converting US pressure into regional integration acceleration. The Regional Comprehensive Economic Partnership (RCEP)'s appeal transcends traditional market access considerations. RCEP rather emerged as primary institutional beneficiary of US trade disruption, providing predictable, rules-based access among one-third of global population and GDP when US policies create systematic uncertainty ([RCEP Secretariat, 2025](#)). Under intense US pressure, countries prefer deepening integration through RCEP rather than large dependence on volatile US policies. The framework could enable manufacturing diversification outside China while maintaining access to Chinese markets and supply chains.

ASEAN's differential US tariff impact responses demonstrate institutional maturation under pressure ([Politico, 2025](#)). Rather than fragmenting competitively, the April 2025 90-day negotiating pause catalyzed coordinated diplomatic responses leveraging collective economic weight. Malaysia's 2025 ASEAN chairmanship developed unified regional strategies balancing "diplomacy, resilience, and regional solidarity," representing evolution from individual bilateral negotiations toward collective bargaining ([ASEAN Secretariat, 2025](#)). Meanwhile, China overtook both the US and EU as ASEAN's largest export market in 2023, providing opportunities through cheap industrial inputs while creating challenges from potential overwhelming of domestic industries ([ASEAN Trade Statistics, 2025](#)).

Within this framework, China skillfully leveraged US trade assaults to strengthen Asian regionalism positioning while avoiding confrontational approaches that might unite countries against Chinese influence. Despite facing US tariff pressures, China deepened ASEAN integration through President Xi's visits to the region, unilateral market opening measures, and ASEAN—China FTA upgrade acceleration ([China Ministry of Commerce, 2025](#)). China's strategic repositioning reveals the limits of US leadership in multipolar trade governance. As [Spektor \(2025\)](#) observes, China has shifted "from partner to aspiring hegemon" in Southeast Asia, imposing "draconian conditions on trade and investment deals" that many view as neocolonial. This transformation still validates concerns within ASEAN about over-dependence on any single great power, whether the US or China. This suggests that successful Asian regionalism must balance Chinese economic integration with institutional safeguards against hegemonic capture.

#### *BRICS: alternative architecture construction*

Developing countries' intra-trade growth from 25 % in 1995 to 45 % by 2024 represents systematic resilient network construction less vulnerable to developed country policy volatility ([UNCTAD, 2025](#)). This South-South commerce increasingly bypasses traditional North-South patterns, creating alternative industrial development and technology transfer pathways. Brazil exemplifies this reorientation, with agricultural exports to Asia now exceeding those to North America, while India's pharmaceutical exports serve global markets through production networks spanning multiple continents ([Brazilian Development Bank, 2025](#); [India Export-Import Bank, 2025](#)). These patterns demonstrate practical alternatives to US-dominated trade relationships that provide both market access and industrial development opportunities. Developing countries seek "new, creative strategies to maintain international trade flows and sidestep restrictions" imposed by the Trump administration. BRICS attempts to construct an alternative South-South architecture. BRICS recent expansion to include Egypt, Ethiopia, Iran, UAE, and Indonesia as new members plus ten partner countries including Malaysia, Thailand, and Vietnam represents systematic alternative global economic architecture construction rather than mere diplomatic coordination ([BRICS Secretariat, 2025a](#)). BRICS positions itself as Non-Aligned Movement heir, offering developing countries a third way.

Recent BRICS analysis quantifies the multilateral crisis's economic impact, projecting that US tariff policies will cause 0.2 % decline in global merchandise trade in 2025, potentially reaching 1.5 % if escalation continues. Regional effects demonstrate systematic developing

country vulnerability: South America facing 0.8 % contraction, Asia 1.7 %, while Africa and Middle East—with fragile productive structures—expect only marginal 0.1 % growth. BRICS positions itself not as opposition but as “realistic alternative,” proposing UN reform, economic governance modernization, and institutional strengthening pointing toward “new multilateralism: more inclusive, effective, and connected to 21st-century challenges” (BRICS Secretariat, 2025b). BRICS’s appeal lies not in replacing Western institutions but in providing ‘collective action’ capabilities that allow members to “extract economic, security, and technological concessions” through coordinated leverage. Trump’s November 2024 threat to impose “100 percent tariffs on BRICS countries should they pursue an alternative currency” validates the coalition’s strategic significance (Spektor 2025). Key BRICS members faced peak US reciprocal-tariff targeting: India<sup>2</sup> and Brazil at 50 % each, China averaging 51 % as of August 2025. India subsequently faced 70 % decline in textiles, gems, and jewelry exports—another “premature deindustrialization” case. Trump imposed highest tariffs on India and China for Russian oil purchase punishment, and on Brazil explicitly targeting Supreme Court Justice Alexandre de Moraes over former President Jair Bolsonaro’s prosecution (Al Jazeera, 2025; Reuters, 2025c).

The New Development Bank (NDB) as the official multilateral financial institution of the BRICS bloc operates with \$100 billion authorized capital and \$52.7 billion paid-in capital, approving 120 projects totaling \$39 billion since 2016, demonstrating substantial operational capacity (Brazil’s Foreign Ministry, 2025). This represents tangible progress creating parallel financial architecture operating independently of Western-dominated institutions (New Development Bank, 2025). Unlike traditional multilateral banks imposing structural adjustment conditions, BRICS institutions emphasize infrastructure development and industrial capacity building supporting rather than replacing domestic manufacturing capabilities.

However, this also comes in line with China’s individual approach to international development cooperation. It should be noted that even within BRICS expansion, founding members worry that “China sees the grouping as a vehicle to project influence rather than a shared platform for collective action” (Spektor 2025). Such internal concerns about Chinese dominance suggest BRICS effectiveness depends on maintaining genuine multilateral governance rather than Beijing hegemony.

#### 4. Determinant Factors for Future Scenarios

Ultimate global trade architecture trajectory depends not merely on US policy choices but critically on how other nations respond to US disruption. Early empirical evidence as discussed above suggests potentially sophisticated coordination rather than fragmentation, challenging inevitable economic bloc formation assumptions. Several factors will shape institutional construction to determine whether emerging frameworks can transcend reactive responses toward proactive inclusive governance construction.

#### *Competitive regionalism vs. coalitional multilateralism*

Contrary to chaotic fragmentation predictions, countries

<sup>2</sup> Trump’s 50% tariffs on Indian goods tariffs, which combined a 25% “reciprocal” rate with an additional 25% penalty for India’s Russian oil purchases, were imposed on August 27, 2025. However, recent developments suggest potential relief: India’s Chief Economic Adviser V. Anantha Nageswaran expressed optimism on September 18 that the punitive 25% penalty could be eliminated “within the next few months, if not sooner,” and the reciprocal tariff reduced from 25% to 10-15%. This optimism follows “positive” and “forward-looking” trade talks in New Delhi on September 16, Trump’s birthday call to Modi on September 17, and continued discussions in New York during the UN General Assembly week (Reuters, 2025d).

demonstrate remarkable coordination in alternative trade architecture construction. Individual diversification responses, EU-CPTPP coalition-building, ASEAN’s unified diplomatic responses to differential US tariff pressures, and BRICS expansion may represent systematic efforts building trade governance around rather than merely without US participation. This coordination pattern differs markedly from 1930s trade disruption responses when countries retreated into autarkic policies reducing global commerce and contributing to geopolitical instability. Contemporary responses can exhibit “competitive regionalism”—still an alternative integration framework acceleration maintaining openness while reducing dependence on dominant economies. Response sophistication can appear through specific institutional innovations. EU-CPTPP frameworks could create standards-setting capacity influencing global norms without universal participation. ASEAN’s collective bargaining leverages combined economic weight rather than allowing individual destructive competition for US market access. BRICS expansion provides alternative development finance reducing Western-dominated institution dependence while maintaining market integration principles.

Institutional transformation, however, increasingly depends on middle power leadership constructing bridging coalitions transcending great power competition. Countries like Canada, Australia, and Singapore possess both economic weight to influence institutional design and strategic flexibility avoiding single great power relationship capture (Higgott, 2024). The FIT-P exemplifies sophisticated middle power coalition building. Co-initiated by Singapore, Switzerland, New Zealand, and UAE in 2024 and launched with 14 founding members in September 2025, FIT-P represents first-mover minilateral coalition commitment to strengthening open, fair, rules-based trade and investment globally. FIT-P explores “startup” approaches to multilateralism, leveraging flexible membership and issue-specific rules rather than universal consensus. This willing coalition building explicitly aims to “scale up to more multilateral frameworks like the WTO” (Prime Minister’s Office 2025). FIT-P’s expansion from 14 to potentially more countries demonstrates that institutional innovation can proceed despite great power obstruction. Prime Minister Wong’s statement that “We are not passive bystanders. We will do what we can to shape our own destiny and make our own living in this new world” encapsulates proactive institutional construction approaches. If FIT-P expands and catalyzes convergence among CPTPP, RCEP, and African Continental Free Trade Area standards, this “coalitional multilateralism” can outpace bilateral deals and stalled WTO reform, charting viable paths to inclusive global rules (African Union, 2025).

In this sense, Australia’s response adds to sophisticated middle power adaptation to US multilateral withdrawal. Rather than choosing sides in US-China competition, Canberra pursues strategic hedging through deepened engagement with Indo-Pacific middle powers including ASEAN, MIKTA coalition members (Mexico, Indonesia, South Korea, Turkey), and enhanced minilateral partnerships like the Quad. This approach enables Australia to advance priorities independently of US-led frameworks while continuing to encourage US involvement in key regional institutions like the Pacific Islands Forum. Australia’s trade-focused minilateralism through mechanisms like the Supply Chain Resilience Initiative with India and Japan demonstrates how middle powers can create new spaces for economic security cooperation with key trading partners. This validates the coalitional multilateralism model, where middle powers construct bridging coalitions transcending great power competition (Gyngell, 2025).

In the medium term, contemporary institutional responses reflect the systematic construction of multiple institutional relationships to avoid dependence on any single great power. Unlike Cold War nonalignment, which emphasized political neutrality, ‘strategic trade nonalignment’ involves active coalition building to maximize leverage and preserve policy autonomy. This approach explains the simultaneous pursuit of EU-CPTPP partnerships, BRICS expansion, and FIT-P participation as complementary rather than competitive strategies. Reconstruction

requires moving beyond reactive US policy responses toward proactive governance framework construction addressing 21st-century realities. This includes incorporating digital trade standards, environmental sustainability requirements, and labor protection mechanisms inadequately addressed in existing multilateral arrangements. Success will depend on whether emerging institutions can provide improved governance rather than merely alternative venues for traditional relations.

#### *Historical precedent and design principles*

Historical analysis provides both cautionary examples and encouraging precedents for contemporary institutional transformation. The British-to-US trade leadership transition during the early 20th century demonstrates that hegemonic transitions need not result in commerce collapse but can yield reconfiguration around new power centers (Kindleberger, 1973). However, that transition occurred over decades between countries with shared liberal democratic values and complementary rather than competitive economic systems. Contemporary challenges differ substantially from historical precedents. Multipolar economic power distribution, democratic-authoritarian ideological competition, and climate change urgency create complexity previous transitions avoided. Institutional reconfiguration should serve broader international community interests rather than merely reflecting great nation power balances. The current moment may parallel the post-2008 financial crisis when ‘the West found itself needing the Global South’ and ‘non-Western institutions became vibrant arenas of collective action’ (Spektor 2025). This suggests that institutional alternatives emerge not from great power design but from coordinated responses by affected middle and smaller powers.

Alternative institutions must incorporate design principles addressing current system breakdown shortcomings. First, credible enforcement mechanisms independent of single-country cooperation are essential (Hinrich Foundation, 2025a). US ability to paralyze WTO dispute resolution through non-participation demonstrates consensus-based system vulnerability to deliberate major power disruption. Alternative institutions face central challenges demonstrating capacity to provide predictability, reliability, and mutual benefit that US leadership no longer offers. Yet this reconstruction represents essential prerequisites for successful multilateral commerce. The question becomes whether emerging institutions can establish credible commitment mechanisms transcending political volatility undermining contemporary US trade policy. Second, flexible membership criteria enabling institutional evolution without unanimous consent can prevent institutional sclerosis. EU-CPTPP model ability to engage willing countries while excluding obstructionists provides templates for adaptive governance maintaining forward momentum despite specific country political obstacles. Third, built-in mechanisms addressing power asymmetries can prevent institutional capture by dominant members. BRICS expansion demonstrates how alternative institutions can provide smaller countries voice and representation that traditional Western-dominated organizations often denied, though questions remain about maintaining inclusive governance as they mature and face internal power competition.

#### **5. Conclusion**

This study finds that legal uncertainty surrounding US tariff authority and episodic exemption bargaining cannot sustain predictable trade relations. Bilateral initiatives show that partners are forging new alliances to offset US tariff pressures, but lasting governance will depend on coalitional multilateralism—a shift from defensive fragmentation to proactive institution-building.

Three concurrent processes will shape the next phase of trade governance. While bilateral preferences yield short-term results, regional coordination offers greater long-term resilience. EU-CPTPP cooperation exemplifies high-standard integration among developed democracies, embedding labor and environmental standards and new

enforcement mechanisms beyond the WTO’s consensus model. Asian regionalism through deeper RCEP integration provides a framework to manage China’s rise while maintaining strategic autonomy. BRICS expansion gives Global South economies alternative development and finance channels, free from traditional structural adjustment constraints.

Developments through late 2025 confirm that coordinated adaptation, not fragmentation, defines responses to US multilateral withdrawal. The WTO’s financial crisis, EU-CPTPP negotiations, Asian integration, and BRICS expansion represent overlapping experiments in institutional reconstruction. Viewed through minilateralism and embedded liberalism, new initiatives such as FIT-P suggest a pragmatic rebuilding of liberal order from the ground up—linking trade openness to domestic stability and using modular rulemaking to restore predictability.

Policy implications follow. Middle powers should prioritize cross-regional coalition-building over great-power alignment. Developing countries must participate actively in alternative institutional design rather than await a WTO revival. Developed democracies face a choice between exclusive high-standard arrangements and more inclusive, adaptive frameworks. Policymakers should also anticipate that unilateral tariff actions will hasten regional and plurilateral restructuring. Emerging strategic trade nonalignment—coalition-building to preserve autonomy—illustrates a pragmatic middle path in an era of systemic volatility.

Ultimately, the choice between fragmentation and inclusive prosperity will hinge on whether new institutions can prove that multilateral cooperation remains viable without US leadership. The outcome will determine whether trade continues to serve as a pathway to development for billions. The present moment demands frameworks grounded in reconstructed trust, capable of delivering predictability, reciprocity, and shared growth—the foundations of sustainable global commerce.

#### **CRediT authorship contribution statement**

**Won-Ho Kim:** Writing – original draft.

#### **Declaration of competing interest**

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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