

Several ways of imposing asymmetric trade arrangements

Methods, successes and limitations of the Trump administration's tariff policy

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Didier Chambovey¹

Introduction

Shortly after taking office, President Trump imposed additional customs duties on a wide range of products from all origins. He thus honoured an electoral promise based on the conviction that tariff increases would reduce the trade deficit and, as a result, revitalise the industrial fabric, create decently paid blue-collar jobs and help replenish the federal budget. This article does not address the merits of this policy, which are a matter of intense debate. We shall instead undertake an examination of the methods employed by the United States in its dealings with international trading partners.

On 14 October 2025, the average effective² rate of new levies varies from 5.6% for Ireland to 47.3% for China for the top 20 countries from which US imports originate. The differences are due to several factors, sometimes combined, such as the size of the US bilateral trade deficit, recently concluded intergovernmental arrangements, sectoral surcharges, the volume of exempted products and additional duties targeting political or security objectives. While economic goals remain predominant, tariffs are also used for other purposes in diplomatic relations.

Washington has hence imposed a sharply asymmetric regime where countries³ that have reached a deal meaningfully improve access to their markets for American goods (notably through the elimination of most tariffs on U.S. goods and the reduction of some non-tariff barriers) and raise the prospect of large purchases from and investments in the United States. Concurrently, they yield to a significant deterioration in their access to the American market (as a result of additional U.S. tariffs) in order to escape even more unfavourable conditions (even higher U.S. tariffs).

These settlements resemble informal commitments more than they do legally binding international agreements. Interpretations may vary and, in some cases, specific points still need to be clarified. Furthermore, customs duties have been unilaterally imposed on countries that have not yet concluded agreements with the United States, including two of its

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² The new US tariff regime is complex and does not consist of a single rate applicable to all products from each country. It includes reciprocal tariffs, numerous exemptions granted at the national level (products benefiting from preferential treatment under the United States-Mexico-Canada Agreement (USMCA)) or for numerous specific products, sectoral customs duties (e.g. on steel, aluminium and automobiles), sanctions against certain countries for non-economic motives (measures related to Fentanyl, the Bolsonaro case, secondary sanctions against Russia, etc.), tariff penalties imposed on China since President Trump's first term, etc. The figures mentioned here are the effective tariff rates weighted by the corresponding 2024 import value for each origin of US imports. They therefore significantly differ from the announced nominal rate assigned to a particular country. This is the situation as of 14 October 2025, which will certainly change in the more or less short term (as is the case for China after the 10% tariff reduction conceded by the United States in accordance with the 30 October 2025 deal concluded in Busan, South Korea). Cf. Johannes Fritz, *Relative Trump Tariff Advantage: Chart Book*, Global Trade Alert, 31 October 2025, [Relative Trump Tariff Advantage Chart Book - Global Trade Alert](#).

³ The United States has concluded arrangements with the following trading partners: Argentina, Cambodia, China, Ecuador, El Salvador, the European Union, Guatemala, Indonesia, Japan, Malaysia, Pakistan, the Philippines, South Korea, Switzerland, Thailand, the United Kingdom and Vietnam. Interested readers may consult the regularly updated inventory of the Peterson Institute: [Trump's trade war timeline 2.0: An up-to-date guide](#) | PIIE.

main suppliers: Canada and Mexico, and two leading figures of the 'Global South', India and Brazil⁴.

How did the United States' partners resolve to accept such onerous conditions? Why did they not, with the notable exception of China and, to a lesser extent, Canada, stand up and push back? The following lines offer preliminary answers.

Negotiating from a position of strength

President Trump's approach is to make a clean sweep of the past, including his country's international commitments on customs duties⁵. He has nothing to fear from the WTO dispute settlement system, which the United States has disrupted under both Democratic and Republican administrations over the past decade.

The President considers that he is authorised to impose or revoke customs duties in order to deal with an economic emergency or guarantee national security. Two courts have already ruled that the most frequently invoked legal basis, the International Emergency Economic Powers Act (IEEPA) of 1977⁶, does not bestow unlimited powers on the President to institute such measures. This competence should lie with the U.S. Congress.

The government has appealed to the Supreme Court, which will make the final ruling. In the meantime, the additional tariffs will remain in place. These developments add a degree of uncertainty to the regime that will prevail in a few months' time. Notwithstanding the outcome of the ongoing proceedings, the government will certainly seek to implement its policy through other options such as Section 232⁷ of the Trade Expansion Act related to national security or Section 301 of the Trade Act of 1974⁸. Both Section 232 and Section 301 investigations have been upheld in court. Since the fate of tariffs under the IEEPA has become uncertain, the administration has increasingly resorted to Section 232 measures to propose or issue new sector-specific surcharges that may cover a sizable percentage of U.S. imports.

As most tariffs imposed on trading partners fall under the IEEPA (reciprocal tariffs), a partial or complete invalidation of these measures by the Supreme Court could weaken the US

⁴ For a complete and up-to-date inventory of nominal tariffs ($\geq$ effective tariff rates, cf. footnote 2) imposed by the Trump administration, [See Trump's Latest Tariffs on Countries and Products - The New York Times](#).

⁵ The simple average of customs duties that the United States has undertaken to not exceed under its WTO commitments is 3.4%, cf. [US E.pdf](#).

⁶ According to the Congressional Research Service, the International Emergency Economic Powers Act (IEEPA) grants the President authority to implement various economic measures to "deal with any unusual and extraordinary threat, which has its source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States, if the President declares a national emergency with respect to such threat." Cf. [The International Emergency Economic Powers Act: Origins, Evolution, and Use | Congress.gov | Library of Congress](#). In 2025, President Trump became the first U.S. president to invoke the IEEPA for imposing tariffs. Examples of IEEPA tariffs include the so-called "fentanyl" tariffs on Canada, China, and Mexico, as well as reciprocal tariffs on many other countries.

⁷ Section 232 of the Trade Expansion Act and IEEPA (IEEPA) tariffs are two different U.S. statutes, each with its own legal basis, purpose, and method of application. Section 232 is focused specifically on trade and involves an investigative process. It allows the U.S. government to impose tariffs on imported products that are found to threaten national security. For example, tariffs on aluminium, copper, and steel were imposed under Section 232. The process begins with an investigation by the Department of Commerce, which then submits a report to the President. Based on the findings, the President decides whether to take action.

⁸ Section 301 of the Trade Act of 1974 targets unfair trade practices by other countries such as intellectual property theft, forced technology transfers, or discriminatory market access. A prior investigation, usually lasting 12 to 18 months, is required to decide if tariffs are justified. President Trump applied Section 301 tariffs on Chinese imports during his first term. President Biden later kept and expanded those tariffs to cover items like electric vehicles, batteries, and semiconductors.

administration's negotiating position or call into question agreements that have already been concluded⁹. However, it remains to be seen how countries that have accepted asymmetrical terms will react. For example, the European Union, Japan and Korea obtained more favourable treatment for a crucial export sector: automobiles and auto parts (15% instead of 25%). These sectoral tariffs were enacted under Section 232 and are not currently challenged before the Supreme Court. And the car industry is not the only potential sector of interest. The countries concerned may prefer to preserve the terms already agreed rather than run the risk, by requiring adjustments, of receiving more detrimental treatment in some important economic areas.

Furthermore, it seems unlikely that Congress will play a major role in this matter. There is also no guarantee that a future Democratic government will rescind all tariffs. Why? Custom duties bring in valuable revenue, benefit influential lobbies, and dropping them could make leaders appear weak in defence of U.S. trade interests¹⁰. It is true that the US Senate voted by a narrow majority against the tariffs imposed on the grounds of economic emergency. That said, and assuming that the House eventually follows suit, Congress would need a two-thirds majority to override a presidential veto¹¹.

So far, President Trump enjoys extensive discretionary power that allows him to act with great flexibility in negotiations. He makes quick decisions without getting embroiled in a tedious process of inter-agency consultations. He kicks things off, enters talks when he sees fit and sets the timelines. He intensifies the pressure by threatening to increase surcharges and vowing a systematic escalation to quash any inclination to retaliate. He masters the manoeuvre and compels the opposing party to react, an undeniable advantage in negotiation. Most of the time, his interlocutors do not enjoy the same leeway and have to cope with constituencies or stakeholders with fluctuating and even divergent positions.

Such an approach would be doomed to failure if Washington were not acting from a position of strength. It is true that the United States accounts for only 13 per cent¹² of global merchandise imports. However, its market remains the largest. It is coveted and constitutes a significant outlet for many countries. Few could afford to do without it undamaged. Washington's position is all the stronger given that most of its trading partners export a larger proportion of their goods to the United States than vice versa. Furthermore, the United States has low exposure to international trade. Its exports of goods and services accounted for around 11% of GDP in 2024¹³.

This is a first approximation of economic dependencies and the ensuing leverage effects. Richard Baldwin¹⁴ proposes refining and supplementing this approach to take into account the vulnerability of the international supply chains to which companies are linked. Many of them are heavily dependent on the supply of peculiar essential foreign inputs that are very difficult and costly, if not impossible, to replace in the short or medium term. American producers are no exception.

⁹ Cf. Deborah Elms, [What the Supreme Court IEEPA ruling would mean for global trade | Article | Hinrich Foundation](#), 11 November 2025.

¹⁰ Cf. Alan Wm. Wolff, US tariff policy: *At this time, the brakes don't work*, Peterson Institute for International Economics (PIIE), 1 October 2025. <https://www.piie.com/commentary/speeches-papers/2025/us-tariff-policy-time-brakes-dont-work>.

¹¹ Cf. [Senate rejects Trump's global tariffs, the final vote in a series of rebukes - Live Updates - POLITICO](#).

¹² Cf. [Trade Profiles 2023](#).

¹³ Cf. [Exports of goods and services \(% of GDP\) | Data](#).

¹⁴ Cf. Factual Friday with Richard Baldwin, 8 august 2025, Who has Trade Leverage over America?, LinkedIn and Factual Friday with Richard Baldwin, Should the EU Play Hardball with the US on Tariffs?, 26 May 2025, LinkedIn.

Here again, the United States retains an advantage. The percentage of American industrial inputs imported by its 10 main partners is greater than the reverse, with two notable exceptions. In 2023, 23% of US imports of industrial inputs came from the European Union and 11% from China, whereas each of them imports only 5% of US inputs. This asymmetry underscores the clout the EU and China can wield in terms of strategic supplies.

Full-spectrum leverage

We will discuss the case of China below. Given the United States' dependence on inputs from the European Union, the latter could have retaliated and risked escalation in the hope that the United States would quickly back down. American companies (automotive, advanced electronics, chemicals, pharmaceuticals and aeronautics) would have suffered greatly from a dramatic increase in the cost of components and intermediate products originating in the EU. The same would have been true for capital goods (machine tools, measuring and control instruments, electrical and agricultural equipment, etc.).

The EU therefore seemed well equipped to retaliate, including by penalising US service providers through its new anti-coercion instrument. However, this was not the path chosen. Even though trade policy is a Community competence and the European Commission can leverage the EU's economic power, a standoff was avoided. Influential Member States and economic sectors wanted to prevent an escalation of uncertain outcome which, in their view, would only produce losers.

Furthermore, intimidating through a brinkmanship policy requires a high degree of discretion in risk management and strategy. While the U.S. administration currently enjoys broad prerogatives in this regard, the EU Commission does not have the same latitude. Among other things, the EU's anti-coercion apparatus cannot be used without prior agreement from Member States and its lengthy implementation process gives rivals time to foment internal opposition to its use.

In these circumstances, the EU's alleged strengths carried little weight in the face of the White House's full-spectrum leverage based on a broad array of critical economic and geostrategic dependencies¹⁵, either explicitly or implicitly. The United States also controls cutting-edge technologies that European companies badly need: vital IT systems, digital and financial infrastructure, latest-generation microprocessors, etc. Compounding the situation is the EU's growing reliance on American hydrocarbons, which were its main source for petroleum oils and liquefied natural gas (LNG) in 2024¹⁶. Above all, the EU's vulnerability stems from its current dependence on the United States for its defence, which has grown since Russia's invasion of Ukraine and which has reportedly been harnessed by American negotiators¹⁷.

Faced with fragmented domestic constituencies and a determined opponent, the EU sought to reach an agreement with the United States at all costs. It thereby admitted its relative weakness. The terms¹⁸ the EU was compelled to accept, perceived as a capitulation by many, are undoubtedly unbalanced and arbitrary. But the conditions are among the least unfavourable that the United States has conceded, and moderation was probably the most

¹⁵ Cf. Henry Farrell and Abraham Newman, ["The Weaponized World Economy Surviving the New Age of Economic Coercion"](#), Foreign Affairs, 2025.

¹⁶ Cf. Jaller-Makarewicz, Ana Maria [Déjà vu as EU risks overreliance on one gas supplier](#) | IEEFA Institute for Energy Economics and Financial Analysis), 30 July 2025.

¹⁷ Cf. [Brussels says US trade deal is also 'about Ukraine'](#) - Euractiv, 28 July 2025.

¹⁸ Cf. [2025 State of the Union Address by President von der Leyen](#), 10 September 2025.

reasonable¹⁹ option. Ultimately, it is widely acknowledged that trade wars result in mutual losses. However, the matter is not yet definitively settled.

Some days after the parties clarified the terms of the agreed settlement, President Trump threatened to impose substantial additional tariffs and restrictions on the export of technology and computer chips on countries that have adopted digital taxes or regulations deemed discriminatory against US companies. Many countries, including the EU, are seeking to prevent illegal online activities and the spread of disinformation, combat anti-competitive practices by tech giants, and ensure that they pay what is deemed to be their fair share of taxes. EU legislation and the digital services taxes levied by some of its Member States are certainly in the White House's sights.

Despite headwinds, the European Commission fined Google nearly €3 billion for abusing its dominant position in the online advertising sector. President Trump immediately stepped up pressure by reiterating his threats. The future will tell whether the high political sensitivity of this issue will prompt the EU to remain unyielding in the face of American diktats and to craft a clear, decisive and tactically bolder response. A preliminary response was provided in President von der Leyen's 2025 State of the Union address²⁰, in which she insisted that the EU will always decide for itself about digital regulation.

US full-spectrum leverage generated similar results with Japan, South Korea, and the Philippines, countries dependent on American military protection.

Impossible defensive alliances

The nations most affected by Washington's policy could have coordinated their responses to take advantage of a united front. Nothing of the sort happened. Each player has tried its luck to assert its most vital interests and obtain some tailor-made concessions or exemptions. Short-term opportunism is ill-suited to a collective approach.

The United States has succeeded in dividing and ruling, i.e. negotiating separately and reaching differentiated agreements with its main partners. Among other things, unequal tariff treatment for the same product confers a competitive advantage in the US market to exporters who are less burdened²¹. The beneficiaries may be less inclined to resist. Moreover, the tariff differential tends to narrow as deals are concluded, which should spur countries that have not already done so to compromise with the United States.

Furthermore, the international political climate is not conducive to new strategic alliances. Last July's China-EU summit was shortened and took place in a tense atmosphere, partly due to trade tensions between the two powerhouses²². It should also be noted that the EU has negotiated a much more favourable agreement with the United States than the treatment currently reserved for China. The relative advantage this gives the EU, also in relation to

¹⁹ Cf. Charles Wyplosz, Guerre tarifaire: et si on parlait d'économie? - Telos, 6 août 2025 and Aslak Berg, In defence of a bad deal | Centre for European Reform, 07 August 2025.

²⁰ «*And I want to be crystal clear on one point: Whether on environmental or digital regulation. We set our own standards. We set our own regulations. Europe will always decide for itself.*» Cf. 2025 State of the Union Address by President von der Leyen.

²¹ Treatment disparities can be quite substantial. Cf. Johannes Fritz, Relative Trump Tariff Advantage: Chart Book, Global Trade Alert, 30 September 2025, 1759307628566_GTA - Relative Trump Tariff Advantage - Chart Book.pdf.

²² Simone McCarthy, Analysis: Both targets of Trump's tariffs, the EU and China still can't get along | CNN, 22 July 2025 et Keith Bradsher, China and E.U. Reach Narrow Agreements on Climate and Rare Earths - The New York Times, 23 July 2025.

other competitors, was highlighted by President von der Leyen²³. This turn of events does not encourage alliances with countries that are more unfortunate.

It is also unlikely that India and China, both heavily impacted by tariff surcharges, would set aside their deep-seated border dispute and join forces to counter the United States. According to many observers, the recent rapprochement between the two countries will yield only limited results. All the more so as the Indian government is committed to its policy of strategic autonomy and intends to re-establish good relations with Washington as soon as conditions are propitious²⁴. A fundamental realignment of its policy does not appear to be on the agenda²⁵.

In addition, maintaining good cooperation with India may serve the long-term strategic goals of the United States in Asia²⁶. Washington's decision to levy a specific additional 25% tax in response to India's purchase of Russian oil (bringing the total tariff burden to 50% on the affected products²⁷), will complicate New Delhi's delicate balancing act. Negotiations have recently resumed²⁸ and it is difficult to predict the outcome, except that any agreement is likely to be unbalanced to India's disadvantage, while mitigating the shock treatment it is currently undergoing.

Without strong leadership from India and China, it is unrealistic to expect the BRICS countries to adopt a forceful course of action to counter Washington. In fact, Brazil, which has also been heavily sanctioned by the United States, aspires to an autonomous and pragmatic foreign policy in order to avoid excessive dependence on a single superpower²⁹. At the time of writing, more than 50% of Brazilian goods are subject to a specific additional duty of 40%³⁰ of an eminently political kind³¹. President Lula has vigorously rejected any

²³ Cf. [2025 State of the Union Address by President von der Leyen](#).

²⁴ Cf. Shanthie Mariet D'Souza, [India's China Embrace and US Decoupling – The Diplomat](#), 30 August 2025.

²⁵ Cf. Dr Chietigj Bajpae, [Trump's tariffs put strain on US–India ties, but relations will endure in the long run | Chatham House – International Affairs Think Tank](#), 12 August 2025, Basu, N. and A. García-Herrero (2025) "India-China rapprochement: what are the longterm prospects?", Working Paper 09/2025, Bruegel and Shashi Tharoor, [India's Strategic Balancing Act - Project Syndicate](#), 3 October 2025.

²⁶ Cf. Kurt M. Campbell and Jake Sullivan, [The Case for a U.S. Alliance With India Washington Should Draw New Delhi Closer, Not Push It Away](#), Foreign Affairs, 2025 and [Secretary Rubio's Meeting with Indian External Affairs Minister Jaishankar - United States Department of State](#), 22 September 2025.

²⁷ By the end of September 2025, the United States imposed an average effective tariff rate (see footnote 2) of 38% on imports from India—lower than the nominal rate of 50% - due to exemptions granted to key products such as generic pharmaceuticals, electronics, and petroleum goods. Cf. Johannes Fritz, [Relative Trump Tariff Advantage: Chart Book](#), Global Trade Alert, 30 September 2025, [1759307628566_GTA - Relative Trump Tariff Advantage - Chart Book.pdf](#).

²⁸ Cf. [A softened US and India reboot talks. What can happen? - The Economic Times](#), 15 September 2025.

²⁹ Cf. Hussein Kalout, [Trump's Collision Course With Brazil How U.S. Policy Is Playing Into China's Hands—and Remaking Latin America](#), Foreign Affairs, 2025.

³⁰ The executive order published on 30 July includes a list of nearly 700 products excluded from the additional 40% specific duty. These goods are either subject to zero duty or to the 10% base duty announced on Liberation Day. This represents approximately 45% of Brazilian exports to the United States: certain silicon metals, pig iron, civil aircraft and their parts and components, metallurgical alumina, tin ore, wood pulp, precious metals, energy and energy products, and fertilisers. As a consequence, the average effective tariff rate (see footnote 2) imposed by the United States on Brazilian goods amounted to 29% at the end of September 2025. Cf. [Addressing Threats to The United States by the Government of Brazil – The White House](#) and Johannes Fritz, [Relative Trump Tariff Advantage: Chart Book](#), Global Trade Alert, 30 September 2025, [1759307628566_GTA - Relative Trump Tariff Advantage - Chart Book.pdf](#).

³¹ This additional customs duty sanctions among other things the « ...persecution, intimidation, harassment, censorship, and prosecution of former Brazilian President Jair Bolsonaro... ». Cf. [Fact Sheet: President Donald J. Trump Addresses Threats to the United States from the Government of Brazil – The White House](#).

interference in his country's internal affairs and has clearly stated that 'Brazil's democracy and sovereignty are non-negotiable'³². The Brazilian judiciary has not been deterred and has sentenced former President Jair Bolsonaro to a 27-year prison term for attempting a coup d'état.

American pressure may push Brasilia further into the orbit of China, which has become its main economic partner. But in an increasingly multipolar world, and despite the current crisis, the United States will remain an irreplaceable global player for Brazil. Although President Lula has made preparations for possible retaliation, he has emphasised that his aim is to bring Washington to the negotiating table. The mood eased in October following interactions between Presidents Trump and Lula, and negotiations between the two sides resumed with a view to finding a satisfactory solution.

Economic constraints

US trade policy is not completely unrestrained. Certain limitations appear unavoidable. The clearest illustration is the worldwide panic sparked by the maximalist protectionist announcements of 2 April 2025 (Liberation Day). Under pressure from the financial markets, the President suspended many differentiated reciprocal duties (ranging from 11% to 49% depending on the country) for 90 days as early as 9 April. During the reprieve, the United States applied, as a general rule, an additional base tariff of 10%. Negotiations were also held with its main trading partners and the surcharge levels were adjusted. The new unilateral or negotiated reciprocal tariffs that came into force on 7 August were normally lower³³ than those announced on 2 April.

Since then, markets have stabilized, seemingly acclimating to the White House's erratic announcements, and have continued to reach record highs. Preliminary assessments suggest that the economic impact of additional tariffs on the United States may be less severe than initially feared, particularly in light of the maximalist declarations made on "Liberation Day". A modest increase in inflation is anticipated as well as downward pressure on investment and recruitments in sectors most exposed to trade, notably in durable goods manufacturing, mining and agriculture. Border measures may slightly reduce the US growth rate in 2025 but the prospect of a recession caused by tariffs only is unlikely³⁴. These moderate effects are probably attributable to the boom in AI-related investments but also to the extensive exceptions from tariff surcharges that have been granted thus far.

It is true that rising costs for key industrial materials such as steel and aluminium have negatively impacted a wide range of downstream manufacturers³⁵. However, the government cannot completely ignore the needs of businesses and consumers. Multiple exemptions representing a considerable volume of trade³⁶ have been granted: hydrocarbons, pharmaceuticals, semiconductors, mobile phones, computers, some electronic devices, critical raw materials (rare earths), coffee, etc. The aim is to ensure the security of supply chains and mitigate the negative impact on industry and households. For instance, the United States' decision to forego, in their deal with the EU and Japan, additional duties on

³² Cf. Luiz Inácio Lula da Silva, [Opinion | Lula: Brazilian Democracy and Sovereignty Are Non-Negotiable - The New York Times](#), 14 September 2025.

³³ Cf. FitchRatings, [U.S. Effective Tariff Rate Monitor](#), 1 August 2025.

³⁴ Cf. Warwick J. McKibbin, Marcus Noland and Geoffrey Shuetime, [The global trade war: An update | PIIE](#), 1 October 2025.

³⁵ Cf. [How the Steel and Aluminum Tariffs Are Hurting U.S. Manufacturing](#) | U.S. Chamber of Commerce, 25 March 2025.

³⁶ Just under half of US imports (by value) would be exempt from additional customs duties. Cf. Factual Friday with Richard Baldwin, 5 September 2025, [Why Haven't Trumpian Tariffs Done More Damage?](#), LinkedIn.

aircraft and aircraft parts, generic medicines and their ingredients, and chemical precursors follows the same logic.

Some of the products mentioned above and other goods could be subject to sectoral taxes under section 232 of the Trade Expansion Act, in the same way as steel, aluminium, automobiles, furniture, etc. This may increase the scope and/or impact of the surcharges. However, based on recent announcements - still pending formalization through executive orders - companies that expand manufacturing and agree to lower prices in the United States may be exempt from additional tariffs in one critical sector: branded pharmaceutical products. Depending on the conditions for exemptions, such provisions would mitigate the impact of tariffs on production chains and consumers alike.

The most notable exclusion still in place at the time of writing covers the vast majority of products from Canada and Mexico that comply with the rules of origin of the United States - Mexico - Canada Agreement (USMCA)³⁷. These imports³⁸ account for the bulk of trade among contracting parties. *Inter alia*, the imposition of massive tariffs on goods from Canada and Mexico would hurt the many U.S. companies that are deeply integrated into the North American 'Great Factory,' where intermediate products constantly cross borders to move from one production site to another. Nevertheless, the exclusion's scope is diminishing with the introduction of section 232 sectoral tariffs³⁹, even though the United States has granted USMCA exemptions for key products from Mexico and Canada: automobiles and trucks (the additional duty only applies to the non-U.S. content), as well as their parts (exempted).

Canada imposed relatively limited retaliations as a reaction to U.S. actions. Prime Minister Mark Carney announced on 22 August that these countermeasures would be lifted from 1 September, except for those concerning automobiles, steel, and aluminium. This move was intended to appease the southern neighbour amid ongoing negotiations. However, tensions rose again when President Trump announced on 26 October that he would levy an extra 10% tariff on Canada shortly after he halted negotiations with the country. The reason was a television ad, bought by the province of Ontario, featuring audio of former President Ronald Reagan criticizing customs duties.

A resolution could emerge in the context of the upcoming review of the USMCA, due to take place before 1 July 2026. Negotiations may also unfold bilaterally rather than in a trilateral context and lead to separate country-specific deals with Mexico and Canada. Given Washington's present stance, the new regime will most probably include imbalances similar to those found in arrangements made with other U.S. trading partners.

The Chinese exception

China is the only country that has so far put up strong resistance to the American offensive. It has learned useful lessons from the trade dispute during the first Trump administration. The imposition of additional tariffs on Chinese products in 2018 (maintained by President Biden) provoked retaliatory measures from Beijing. Concomitantly, Chinese companies have adapted to the new situation and China's share of US imports fell apparently from around

³⁷ Goods that comply with the USMCA rules of origin must be primarily produced in the United States, Canada or Mexico and contain a certain percentage (which varies depending on the goods) of value originating in North America.

³⁸ Cf. Kelsea Ansfield, Leveraging USMCA Exemptions to Offset Rising Tariffs in 2025, Gain Consulting, August 2025.

³⁹ Products compliant with USMCA rules of origin are exempt from the additional tariffs imposed under the International Emergency Economic Powers Act (IEEPA). As a general rule (automobiles and trucks are one notable partial exception), this exemption does not apply to sectoral tariffs imposed under Section 232 of the Trade Expansion Act such as aluminium, steel, copper, softwood lumber, upholstered wooden products and kitchen/bathroom cabinets and vanities (see also footnotes 5 and 6).

22% to 14% between 2017 and 2024⁴⁰. Note that circumvention of US restrictions has likely led to an underestimation of actual trade. Despite the reorientation of trade flows, China remained the second largest source of direct imports to the United States in 2024, behind Mexico.

The situation changed dramatically in 2025, when surcharges on Chinese products regularly increased from the beginning of the year. Faced with the unpredictability of U.S. decisions, China initially reacted cautiously. However, the sharp increase in customs duties announced on 2 April 2025, on “Liberation Day”, forced President Xi Jinping to respond in kind, including by introducing strict controls on rare-earth exports. This led to a dizzying protectionist escalation in which the two rivals imposed triple-digit tariffs on each other, effectively creating an untenable mutual embargo that lasted no more than around one month.

By his tenacity, China brought Washington to agree, on May 12, to a truce involving the reciprocal dismantling of the astronomical tariffs imposed since Liberation Day. While additional customs duties between the two countries have decreased from crisis-level highs, they still remain substantial. The respite allowed time for negotiation. After initially taking an intransigent stance, Beijing has shown its willingness to compromise, notably by avoiding to take on President Trump personally.

Both countries suffered from the escalation, but it was the antagonist that was more dependent on the other for essential supplies that has been hit the hardest⁴¹. This is the United States, which purchases many Chinese industrial inputs for which there are no sufficient substitutes in the short or medium term, such as active pharmaceutical ingredients, cheap semiconductors and critical minerals.

More specifically, the standoff initiated in April revealed a crucial vulnerability: the dependence of entire sectors of the US economy on Chinese rare earths⁴². Today, China controls 70% of global rare-earths mining, refines between 85% and 90% of these minerals and produces around 90% of high-performance rare-earth magnets⁴³. Such materials are essential for the manufacture of electric vehicles and motors, wind turbines, industrial robots, aircraft, advanced defence systems, etc.

China's chokehold on rare earths is a decisive lever, more powerful than customs barriers, which would have paralysed the most exposed American companies within a few months⁴⁴. The restrictions were lifted following an agreement reached between the two parties on 11 June in London. For its part, Washington ended export curbs on chemical ethane, jet engines and chip-design software, the latter being crucial to China's semiconductor industry⁴⁵.

⁴⁰ Cf. [Trade Diversion: Blessing or Curse? – Rhodium Group](#), 7 May 2025.

⁴¹ Cf. Adam S. Posen [Trade Wars Are Easy to Lose: Beijing Has Escalation Dominance in the U.S.-China Tariff Fight](#), Foreign Affairs, 2025.

⁴² Cf. Max Bearak and Harry Stevens, [Not Just 'Rare Earths': U.S. Gets Many Critical Minerals From China - The New York Times](#), 16 April 2025. Cf. Zongyuan Zoe Liu, [China Is Winning Trump's Trade War by Zongyuan Zoe Liu - Project Syndicate](#) 14 July 2025.

⁴³ Cf. Angela Huyue Zhang, [Rare Earths Are China's Trump Card by Angela Huyue Zhang - Project Syndicate](#), 7 August 2025.

⁴⁴ From 2020 to 2023, the United States relied on China for 70% of its imports of rare-earth compounds and metals, according to a report by the U.S. Geological Survey. Cf. Mineral Commodity Summaries 2025, U.S. Department of the Interior U.S. Geological, Reston, Virginia First release: 2025, online, [mcs2025.pdf - Mineral Commodity Summaries 2025](#), p. 144.

⁴⁵ Cf. Henry Farrell and Abraham Newman, [“The Weaponized World Economy Surviving the New Age of Economic Coercion”](#), Foreign Affairs, 2025 and [US lifts chip design software curbs against China following London trade talks | CNN Business](#), 4 July 2025.

Despite efforts by other nations to expand mining and processing, analysts believe that China's dominance in the rare-earth market is unlikely to be challenged in the near future. This virtual monopoly may serve as a powerful means of pressure in the coming years. The latest developments clearly demonstrate China's technical and institutional capacity to impose export restrictions by exploiting its dominant position in the manufacture of an even wider range of critical products. Moreover, it can retaliate with the same speed and flexibility as the current U.S. administration. This may explain the United States' leniency towards China, which, unlike India, has not been sanctioned for importing large quantities of Russian oil.

After a period of relative détente, tensions reignited sharply in the autumn following the United States' September 29 decision to significantly broaden the scope of existing export restrictions on sensitive technologies⁴⁶. The updated rule targets subsidiaries that are at least 50 percent owned by foreign firms already listed on the U.S. Entity List or designated as Military End-Users. While the measure applies to companies across multiple countries, its impact is especially pronounced in China, where the number of blacklisted entities could rise dramatically from around 1,300 to over 20,000⁴⁷.

On 9 October, China responded by expanding its rare-earth export control measures on national security grounds. Under the new regulations (which were to come into force between 8 November and 1 December) licences are required for the export of technologies for the extraction and processing of rare earths, as well as for the manufacture of magnets. Foreign companies have to secure approval from the Chinese government before exporting magnets that include even minimal traces of rare-earth materials originating from China or made with Chinese technology. Applications involving potential military use are denied. This was the first time that Beijing envisaged resorting to extraterritorial measures modelled on the foreign direct product rule (FDPR), a tool long wielded by the United States⁴⁸.

President Trump upped the ante by threatening to charge an additional 100% tariff on imports from China and to cut off its access to U.S. critical software. Another dispute involves high port fees the United States placed on ships made in China or owned by Chinese firms. In response, China imposed tariffs on American-built ships and on ships owned U.S. companies or investors.

At the end of October, a temporary truce was agreed upon between Presidents Trump and Xi Jinping in Busan, South Korea to put an end to the second crisis in six months. On 1 November, the White House published a fact sheet⁴⁹ detailing the components of the deal. Here are the main elements, which have also been corroborated by Beijing until 10 November⁵⁰.

The United States agreed to suspend for one year the September 29 export restrictions on sensitive technologies (the "50 percent ownership rule") and the port fees. In return, China will pause for one year the implementation of its own rare-earth

⁴⁶ These restrictions cover strategic sectors such as artificial intelligence, semiconductors, advanced robotics and the equipment required for their production.

⁴⁷ Cf. Martin Chorzempa, [A new export rule escalates US-China tensions](#) | PIIE, 27 October 2025.

⁴⁸ Cf. Baskaran, G., [China's New Rare Earth and Magnet Restrictions Threaten U.S. Defense Supply Chains](#), Center for Strategic and International Studies, 9 October 2025.

⁴⁹ Cf. [Fact Sheet: President Donald J. Trump Strikes Deal on Economic and Trade Relations with China – The White House](#), 12 November 2025.

⁵⁰ Cf. [Trump-Xi Meeting: US and China Agree to Tariff, Rare Earth Concessions](#).

licencing regime announced on 9 October and its port fees, two measures that would probably not have been enacted had the United States not made the first move.

Furthermore, the United States committed to lowering the tariffs on Chinese imports by removing 10 percentage points of the cumulative rate in exchange for increased efforts to combat the illicit trade of fentanyl. China will reduce additional tariffs on a variety of U.S. agricultural products and buy more American farm products. In particular, it should resume its purchases of U.S. soybeans halted since May⁵¹.

China will suspend export controls for one year on items related to lithium-ion battery materials and superhard materials, and will also lift, for a one-year period - the export ban on certain dual-use items destined for the United States.

Beijing confirmed for the first time that it will “work with the United States to properly resolve issues related to TikTok”⁵², a matter of secondary strategic importance to China but dear to the White House.

Once again, the rare-earth card proved effective, prompting Washington to compromise. Nevertheless, the situation remains unstable as both protagonists are focused on strategic competition and safeguarding national security. The current state of affairs is akin to a gradual thaw which is still far from a proper normalisation. From this year’s two flare-ups, the United States may have learned that seeking to gain the upper hand in an escalation with China is difficult, if not counterproductive. This could lead to greater caution in the use of coercive trade policies and foster relative stability. In an optimistic scenario, the current respite may give space for further negotiations towards more predictable trading conditions.

The successive appeasements agreed upon over the past few months do not mean that China has been successful in all respects. The 10% reduction just conceded by Washington will actually narrow the tariff differential between China and other countries and somewhat improve its companies' competitiveness on the American market. However, after several years of accumulation, U.S. effective tariffs on most of Chinese imports remain at unprecedented peaks, well above 30% per cent⁵³. So far in 2025, Chinese businesses suffered a sharp decline in their share of the American market. In response, they intensified efforts to diversify export destinations and reconfigure supply chains, turning increasingly towards neighbouring Asian countries, the European Union, Africa, and Belt and Road Initiative partners in Latin America.

This shift is not just about circumventing U.S. restrictions, but also about securing alternative markets⁵⁴. Export growth has clearly outpaced import growth, with the result that China’s global trade surplus is set to exceed \$1 trillion this year, breaking last year’s record. While exports to the U.S. have significantly declined, sales to other markets have surged, fuelled by investment in export industries and import substitution policies. Exports drove about a third of China’s growth over the past year, a pace that may be hard to maintain. Rising global

⁵¹This is especially significant, given that American farmers export half of their soybean production to China.

⁵² Cf. [Trump-Xi Meeting: US and China Agree to Tariff, Rare Earth Concessions](#).

⁵³Following the countermeasures adopted since the onset of the tariff spat (before Liberation Day), China still maintains double-digit average tariffs on many U.S. imports, albeit at lower levels. [US-China Tariff Rates - What Are They Now?](#)

⁵⁴Cf. Gerard DiPippo, [Changing Course in a Storm: China’s Economy in the Trade War](#), China Leadership Monitor, Fall 2025 Issue 85, Camille Boullenois and Jeremy Smith et [Trade Diversion: Blessing or Curse? – Rhodium Group](#), 7 May 2025.

concerns over overcapacities have led trading partners like the EU, India, Mexico⁵⁵ and Brazil to impose new trade barriers on Chinese products⁵⁶.

The present challenges (property crisis, debt, deflation, high youth unemployment) have encouraged Beijing to achieve de-escalation in order to prevent an overly abrupt and damaging break with the United States. To date, China has probably emerged stronger from the confrontation. Its longer-term strategy is to consolidate economic resilience by preparing for a growing but not complete decoupling from the United States. Recent developments have reinforced Chinese leaders' confidence in the appropriateness of policies focused on technological and strategic autonomy implemented over the past decade.

Provisional conclusions

Up to now, the U.S. approach has proven effective. The parties that have engaged with Washington have shown limited resistance, refrained from implementing countermeasures, and accepted agreements that are clearly asymmetric. Major U.S. trading partners that have yet to reach a settlement, such as Canada, Mexico, Brazil and India are actively seeking accommodations to reduce or avoid prohibitive surcharges. The arrangements they may ultimately accept are also likely to involve imbalanced terms.

The considerable weight of the American market, combined with a full-spectrum diplomacy - where security and commercial interests are interwoven - and a wide margin for manoeuvre have enabled the United States to dominate trade negotiations and drive its counterparts into defensive positions. Furthermore, contemporary geostrategic constraints hinder the formation of defensive coalitions capable of effectively challenging U.S. objectives. In this context, Washington enjoys significant latitude to impose its terms.

The White House must nonetheless temper its protectionist impulses and ease the tariff burden in cases where the United States does not produce a critical good, and where consumers and vulnerable industries suffer disproportionate harm. Numerous exemptions have been granted, which mitigate the adverse effects of tariff surcharges.

Furthermore, if the U.S. Supreme Court were to confirm the illegality of most additional duties (the reciprocal tariffs), the government may be compelled dismantle and reimburse a substantial portion of the levies introduced in 2025. The repercussions of such a setback will most likely be alleviated through recourse to less flexible statutory instruments which still offer opportunities to pursue a protectionist policy. This is illustrated by the increased use of Section 232 of the Trade Expansion Act to impose sector-specific surcharges on substantial trade volumes.

Power dynamics change dramatically when a major player responds with determination and relies on a strategy of market diversification. China stands out as the only actor to have mounted genuine resistance and its strongest assets have exposed critical vulnerabilities in the United States. Control over the supply of rare-earth elements quickly pushed Washington into de-escalation. When a counterpart equipped with agile, targeted and effective decision-making mechanisms puts forward weighty arguments, the U.S. approach does not deliver the intended outcomes.

Skilled in balancing pressure and incentives, Beijing is seeking to avoid a rupture that would be too abrupt and potentially damaging for its stressed economy. Its strategy - oscillating between firmness and conciliation - may foster a gradual thaw and help attenuate the most

⁵⁵ Cf. Brendan Kelly, [Higher tariffs in U.S., Mexico part of global response to China export surge](https://dallasfed.org/outlook/2025/10/31/higher-tariffs-in-u-s-mexico-part-of-global-response-to-china-export-surge) - Dallasfed.org, 31 October 2025.

⁵⁶ Cf. [Chain Reaction: US Tariffs and Global Supply Chains](#) – Rhodium Group, 9 October 2025.

sensitive geoeconomic tensions, though without necessarily leading to full normalization. As both parties are prioritizing strategic competition and safeguarding national security, any détente will remain fragile. In the longer term, China is expected to further reduce its commercial and technological dependence on the United States.

The situation remains fluid, and only provisional conclusions can be drawn from the developments observed thus far. For instance, if President Trump's threats against digital regulations were to materialize, tensions between Brussels and Washington could be reignited. Will the European Union assert its economic strength or remain cautious, constrained by security concerns? Will it seek an agreement at any cost from a position of weakness, or adopt a more intransigent stance? The next chapter is yet to unfold.

Geneva, 18 November 2025