

THE TRUMP POLICY VS. GLOBAL TRADE TRANSFORMATION

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ABSTRACT. *Donald Trump's second term, starting in 2025, has intensified U.S. trade policy with tariffs on over 70% of goods imports, driven by the Heritage Foundation's Project 2025 and economic nationalism. Targeting China with rates exceeding 100%, the policy seeks to decouple from rivals, revive manufacturing, and assert economic sovereignty. Central Asia, notably Uzbekistan, faces rising costs but sees opportunities as alternative hubs. The UK and Japan navigate limited tariff relief, while the BRICS countries counter with de-dollarization. Legal challenges, like *V.O.S. Selections, Inc. v. Trump*, and the Trade Review Act of 2025, highlight domestic tensions. Three scenarios—trade war, selective détente, or BRICS-led realignment—shape the future of global trade, forcing smaller economies to balance risks and leverage in a fractured system.*

KEYWORDS: *Economic nationalism, trade policy, tariffs, decoupling, America First, Central Asia, BRICS, China, United Kingdom, Japan, global supply chains, protectionism, WTO, economic sovereignty, strategic competition*

Introduction

Donald Trump's return to the presidency in 2025 marked a sharp and immediate reassertion of economic nationalism as the central pillar of U.S. trade policy, fulfilling his campaign promises of isolationism. While his first term (2017–2021) saw the U.S. withdraw from multilateral trade deals, impose targeted tariffs on China, and adopt a confrontational approach to global supply chains



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his second term has taken significant strides in both scale and ideological clarity. Tariffs of at least 10% have now been imposed on over 70% of all U.S. goods imports, sweeping away decades of bipartisan consensus on trade liberalization and reinserting the federal government as a central actor in industrial and global economic policy. This policy shift is grounded in the Heritage Foundation's

The Project 2025 blueprint envisions an assertive use of tariffs and trade tools to bolster domestic manufacturing and reduce U.S. economic entanglement with geopolitical rivals.

This shift is not occurring in isolation. Since 2020, global trade has undergone significant reconfiguration due to COVID-19 disruptions, strategic competition with China, the war in Ukraine, and a broader global shift toward economic security. In this environment, Trump's trade policy reflects not only a return to his "America First" ethos but also an acceleration of long-simmering trends toward decoupling, reshoring, and the weaponization of interdependence.

Tariffs, once framed as a negotiating tactic, are now explicitly justified as permanent structural tools to reindustrialize the U.S. economy, reduce foreign leverage, and reclaim "economic sovereignty."

The motivations for Trump's trade agenda appear to stem from three primary sources:

1. **Strategic Realignment with China:** The most aggressive tariffs target China, the primary strategic threat in the 2025 National Security Strategy (NSS), with effective rates on some categories, especially electronics, metals, and consumer goods, reaching over 100%. This reflects a belief that dependency on Chinese manufacturing poses national security and economic risks. Trump has positioned tariffs as both punishment for unfair trade practices and a deterrent against China's geopolitical rise. By framing trade in zero-sum terms, the administration sees tariff escalation as a means to assert dominance in the ongoing strategic competition with Beijing.

2. **Electoral Calculus and Domestic Industrial Policy:** Trump's 2024 victory was anchored in economically dislocated regions, specifically post-industrial towns, agricultural counties, and working-class suburbs, where voters have long blamed globalization for job losses and

stagnant wages. His campaign framed tariffs not just as an economic tool, but as a political commitment to these communities. In the office, the administration has embedded tariffs into a broader industrial strategy aimed at reviving domestic manufacturing and securing electoral loyalty in swing states. One illustrative case is a Texas-based construction IT firm that, under pressure from new import duties, has shifted its focus from Chinese hardware suppliers to U.S.-made alternatives. The administration has touted this as a success story for how tariffs can catalyze domestic job growth in high-tech sectors while reinforcing Trump's appeal in critical battleground regions.

3. Challenge to Multilateralism and Institutional Constraints: A deep skepticism toward international institutions underpins Trump's second-term trade doctrine. The World Trade Organization (WTO), once a central institution in global trade governance, is now largely bypassed. Trump's team has emphasized bilateralism and reciprocity over legalism and rules-based order. The administration's actions, including threats of secondary sanctions, sector-specific embargoes, and unilateral tariff hikes, reflect an assertion of executive power unconstrained by congressional or multilateral oversight. The result is a system where tariffs are issued rapidly, often over social media, and used as leverage in broader geopolitical disputes.

This radical departure from post-Cold War U.S. trade orthodoxy is already generating ripples worldwide. Countries that rely on stable access to the U.S. market, such as Uzbekistan, must now navigate a landscape of unpredictability, informal negotiations, and politically motivated trade restrictions. For smaller economies and landlocked nations, particularly those seeking to maintain balanced relations with both the West and regional powers such as China, Iran, and Russia, Trump's tariff regime presents both risks and potential leverage.

Core Issue

The scale and unilateral nature of Trump's second-term tariffs have ignited a series of legal resistance. The most high-profile case, *V.O.S. Selections, Inc. v. Trump*, filed by a coalition of small businesses, argues that the administration's broad invocation of executive authority under the International Emergency Economic Powers Act

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(IEEPA) oversteps constitutional bounds. Although a Temporary Restraining Order (TRO) was denied, the case has become a bellwether for similar lawsuits, including those brought by California and a coalition of over a dozen states, which assert that the tariffs have imposed unjust economic harm on their residents. These cases raise broader constitutional concerns over the separation of powers and the use of national emergency declarations as a policy tool.

Bipartisan unease in Congress has led to renewed momentum behind the Trade Review Act of 2025, which aims to curtail presidential authority over tariffs by restoring a more robust oversight role for Congress. Introduced by Senators Chuck Grassley and Maria Cantwell, the bipartisan bill has faced resistance from Republican leadership, with Senate Majority Leader John Thune dismissing its prospects. Nonetheless, the Act reflects deepening concern among lawmakers over the unpredictability of tariff policy, especially as it is often announced via social media rather than through institutional channels. The legislative debate underscores a growing rift between traditional pro-trade Republicans and Trump's protectionist base. However, this rift does not appear strong enough to urge the Republican Party to publicly oppose President Trump's agenda.

Major industry groups, including the National Retail Federation, Chamber of Commerce, and National Association of Manufacturers, have voiced alarm over rising input costs and disrupted supply chains. The Federal Reserve, initially cautious in its projections, revised its 2025 GDP forecast downward from 2.1% to 1.4%, citing tariff-driven inflation and reduced consumer spending. Chairman Powell stated this week that the Fed would have cut interest rates already if not for tariff-driven inflation, dealing a significant blow to Trump's economic record. PCE inflation is now expected to rise to 3.1%, up from earlier estimates. Retailers, automotive companies, and electronics firms have warned of product shortages due to collapsing Chinese imports and escalating logistics costs. Business leaders have also criticized the lack of exemptions and the suddenness of policy shifts, likening the climate to "tariff roulette."

Trump's current trade policy, which seems chaotic, is attempting to find a political-ideological framework developed by Stephen Miran, head of the U.S. President's

Council of Economic Advisers. According to Miran's concept, the US provides two "public goods" to the world: The "security umbrella" that has provided an era of peace. The dollar and the U.S. government bonds made the global trading and financial systems possible. Miran argues that it is costing America dearly by being financed at the expense of the American taxpayer. In order for the U.S. to continue to fulfil its function as a provider of public goods, other countries must "pay a fair price," which implies:

1. Accepting new U.S. tariffs without retaliating to increase U.S. revenues.
2. Opening their markets and buying more goods from the U.S.
3. Increasing defense spending and buying U.S. equipment and weapons.
4. Increasing investment and building factories in the U.S. to avoid high U.S. tariffs.
5. Direct payments to the U.S. Treasury to finance the production of global public goods.

Miran also proposes a levy on dollar reserves (e.g., through a reduction in debt interest) for large foreign holders of U.S. government bonds, believing that the use of the dollar is an "unfair burden" on the U.S. economy. Critics consider these ideas "fantasies" because a levy on dollar reserves is effectively an attempt to change the terms of the deal retroactively, which would undermine confidence in the issuer of U.S. government bonds. The claim that the dollar and the US-created financial system are "global goods" is also criticized because the system was designed in 1944 for the benefit of the US itself. Miran's concept also includes a "traffic light" system of evaluating trading partners: "green" (friendly), 'yellow' (neutral), and "red" (adversaries), with corresponding tariffs and security assistance, which is effectively economic segregation. Miran calls his concept the "Mar-a-Lago agreement," alluding to an ambitious design that would eventually replace the 1944 Bretton Woods agreement. However, few people in the U.S. know about this "agreement," and economists outside the Council of Economic Advisers warn that such an agreement could lead to global financial disaster.

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With the 2026 midterm elections approaching, tariffs are emerging as a central political issue, particularly in key swing states and rural red states. While tariffs on Chinese goods and the perception of “toughness” on trade remain popular with parts of Trump’s base, backlash is growing in agricultural and manufacturing communities that depend on exports and affordable inputs. States like Iowa, Wisconsin, and Pennsylvania, which combine manufacturing, farming, and swing voter blocs, are seeing early signs of political realignment, mainly as farm cooperatives and unions express dissatisfaction. Democratic strategists are seeking to tie tariff-induced inflation to Trump’s economic management, while Republican incumbents face pressure to defend protectionist policies that may alienate key donor blocs and moderates.

United Kingdom

The United Kingdom became the first country to finalize a trade agreement with the United States under Trump’s second administration. Announced on May 8, 2025, the deal was framed by the White House as a “model agreement” for other allies. However, analysts broadly described it as limited in scope. The U.S. agreed to reduce tariffs on up to 100,000 British cars from 25% to 10% while eliminating tariffs on British metals and aircraft parts up to an undefined quota. In exchange, the UK agreed to drop tariffs on U.S. ethanol and raise its quota on U.S. beef from 1,000 to 13,000 metric tons. Importantly, the agreement did not alter the UK’s food safety standards, meaning hormone-treated American beef remains banned, nor did it modify the UK’s 10% baseline tariff on American cars. The UK’s swift renegotiation of tariffs marks a clear departure from the conservative response of the EU, causing Brexit supporters to promote it as an economic win.

One of the most contentious and unresolved issues remains the UK’s Digital Services Tax (DST), a 2% levy targeting large digital firms, primarily U.S.-based tech giants such as Facebook and Microsoft. While the UK offered to reduce or phase out the DST as part of earlier negotiations, no deal was reached, and U.S. pressure on the issue continues. Similarly, the UK has not secured full exemptions from Trump’s steel and aluminum tariffs, despite attempts by British officials to negotiate a carveout. The DST remains a

political flashpoint, with the Liberal Democrats and some Labour MPs opposing any concessions as a "handout to Big Tech". At the same time, the Conservative opposition has criticized the Labour government for failing to secure broader tariff relief. In Canada, a similar issue had the potential to become a political chokepoint; however, the Carney government quietly dropped its DST provisions in order to appease the Trump administration and proceed with negotiations.

The UK's political response to the deal revealed a growing partisan divide. Labour Party officials, including Prime Minister Keir Starmer and Chancellor of the Exchequer Rachel Reeves, characterized the agreement as pragmatic, designed to protect UK exporters from further damage in a volatile global environment. Conversely, the Conservative Party, led by Kemi Badenoch, derided the deal as an admission of weakness, arguing that Labour should have pushed for a broader free trade agreement rather than settle for incremental sectoral relief. Business leaders expressed mixed reactions: the concessions on beef and ethanol were welcomed by agricultural lobbies, but automotive and steel stakeholders viewed the outcomes as insufficient.

The limited scope of the deal and lingering tensions over DST and metal tariffs have broader implications for US–UK–EU alignment. While the UK was once positioned as a transatlantic bridge between the US and Europe, the post-Brexit reality has constrained its flexibility. As the EU and US drift toward economic confrontation, London risks being caught in the middle: aligned too closely with Washington to benefit from EU retaliation coordination, but not influential enough to shape U.S. policy direction. The failure to resolve longstanding issues such as DST or regulatory divergences also underscores the waning leverage of mid-sized economies navigating great-power trade competition.

China

Since the start of Donald Trump's second term, the United States Federal Government has implemented sweeping new tariffs on Chinese imports, escalating the trade tensions that defined his first administration. By April 2025, tariffs on certain Chinese goods had reached as high as 145%, part of a broader "reciprocal tariff" framework announced by the White House on April 2. These measures targeted a wide

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range of sectors, including electronics, textiles, and machinery, with fewer exemptions than previous trade rounds – including those negotiated by President Trump’s first administration. The policy marked a shift from more targeted duties toward across-the-board increases affecting the majority of goods imported from China, signaling a significant political victory for the isolationist MAGA coalition.

One specific area of focus has been the de minimis exemption, which allows low-value imports to enter the United States duty-free. In recent years, the exemption has facilitated a surge in small-package imports from Chinese e-commerce firms, such as Alibaba, Shein, and Temu. Although Trump initially delayed changes to the policy, the exemption was expected to be revoked in May 2025. In anticipation, both firms expanded their U.S. warehousing and distribution networks and onboarded more domestic sellers to reduce exposure. Analysts observed that Chinese logistics firms had increased leasing of U.S. warehouse space, accounting for a significant portion of new industrial real estate activity.

The imposition of high tariffs had immediate effects on bilateral trade. In April 2025, ocean freight bookings from China to the United States fell by over 60%, with industry reports warning of possible shortages of certain goods in the U.S. market. While Chinese officials issued limited public responses, economic analysts suggested that retaliatory measures remained a possibility. Beijing’s trade diversification efforts, including greater engagement with Southeast Asia, Africa, and Latin America, were viewed as part of a long-term strategy to reduce dependence on the U.S. market.

The developments have had ripple effects on global supply chains. U.S. companies with exposure to China accelerated plans to shift manufacturing to third countries, particularly in Southeast Asia and Mexico. However, the complexity of supply chain realignment and continued reliance on Chinese inputs in key sectors, such as electronics, medical equipment, and batteries, meant that immediate substitution was limited. The longer-term effects of these shifts remain uncertain; however, industry groups have warned of potential cost increases and delays as companies adapt to the new trade environment. Despite escalating tensions, reports suggest the Trump administration is weighing a

potential visit to Beijing later this year in a high-stakes effort to broker a limited bilateral deal with Chairman Xi, an echo of Trump's transactional diplomacy during his first term.

Although Beijing initially avoided headline retaliation, its countermeasures were quietly strategic. Chinese authorities expanded subsidies to domestic manufacturers and increased exports to non-U.S. markets, including those in ASEAN and Africa. State-affiliated media signaled the potential for export restrictions on rare earth minerals, such as gallium and graphite, which are critical materials for U.S. semiconductor and defense production. At the diplomatic level, China intensified its Belt and Road diplomacy and sought to strengthen trade ties with the BRICS bloc, RCEP members, and Central Asia to counterbalance U.S. pressure. Beijing also threatened WTO legal action, although its efficacy remains uncertain given Trump's continued obstruction of the WTO Appellate Body.

Japan

Japan, traditionally one of America's strongest allies in Asia, has found itself in a delicate position amid Trump's renewed trade war. Despite its close security ties with Washington and its significant investments in the United States, Japan has not been exempted from the broad tariff regime. Tariffs on Japanese automobiles, machinery, and steel remain in place, and Tokyo's efforts to secure exemptions or a bilateral deal have so far been unsuccessful. The Japanese government has responded cautiously, emphasizing diplomatic dialogue while quietly expanding trade and investment ties with the EU, ASEAN, and India to diversify its exposure.

During Trump's first term, the 2019 U.S.-Japan Trade Agreement was presented as a partial win for both sides, reducing some agricultural and industrial tariffs without constituting a complete free trade agreement (FTA). However, the lack of follow-through on a Phase Two agreement and the new imposition of blanket tariffs have effectively erased many of the benefits that Japan sought. Japanese officials have expressed frustration that key concessions made earlier, such as increased access for U.S. beef and wine, were not reciprocated with permanent tariff relief. Japan's efforts, instead of being met with a reduction in tariffs or even substantial dialogue, have so far been counterproductive, with the announcement of an additional

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25% tariff for Japan as of July 8, 2025. The Trump administration has justified the renewed tariffs under the banner of “reciprocity,” despite Japan’s compliance with WTO norms and U.S. market openness.

Japan’s response has been strategic and multipronged. Domestically, Tokyo is expanding subsidies for reshoring advanced manufacturing, particularly semiconductors and EV batteries, with the help of U.S. firms like Micron and Intel. Externally, Japan is increasing engagement with the EU through the Japan–EU Economic Partnership Agreement and with ASEAN under the CPTPP framework. At the ASEAN regional meeting on July 9, Japan’s delegation sought significant economic partnerships and investment opportunities with other members in the bloc, although the success of these efforts remains to be seen. The Kishida government has also signaled a renewed interest in multilateral economic groupings, such as the G7-led Partnership for Global Infrastructure and Investment (PGII), and is playing a key role in regional digital governance efforts. These moves reflect Japan’s broader attempt to hedge against U.S. unpredictability and preserve its global economic competitiveness.

One emerging point of friction in US-Japanese trade negotiations is the digital economy. Japan and the U.S. remain at odds over data localization rules, cross-border data flows, and the regulation of platforms. The Trump administration has pushed for looser data governance to benefit American tech giants. At the same time, Japan has taken a more privacy- and sovereignty-oriented approach, aligning with the EU’s GDPR model. This divergence complicates efforts to create a unified “tech alliance” in the Indo-Pacific and could spill over into broader trade negotiations. Japan’s proposed Digital Trade Principles, endorsed by the G7 in 2023, may become an additional source of resistance to the U.S.’s deregulatory push, especially as countries like Canada were forced to abandon digital services taxes.

Implications for Central Asia

For the five Central Asian countries — Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, and Tajikistan — Trump’s second-term trade agenda has created new headaches and unexpected openings. While these countries

are not major global exporters or industrial giants, they are deeply engaged in the global trade system, particularly through their ties to China, Russia, and, increasingly, Turkey and the EU. As global trade becomes more fractured and politically driven, Central Asia is simultaneously feeling the squeeze and finding new ways to stay relevant.

The most immediate effect comes from the U.S. tariffs on Chinese goods. Central Asia imports a large share of its consumer products, electronics, machinery, and raw materials from or through China. With U.S. tariffs disrupting Chinese exports and global supply chains, prices are rising and timelines are becoming unpredictable, even for countries like Uzbekistan that do not trade directly with the United States. Businesses in Tashkent and Almaty report higher costs for electronics and construction materials, and delays in cross-border shipping have become more common, particularly through key rail routes like the China–Kazakhstan–Europe corridor.

At the same time, there is an opportunity: if Western firms start pulling manufacturing out of China or searching for alternative suppliers, countries like Uzbekistan and Kazakhstan could step in as lower-cost hubs. For that to happen, though, Central Asia needs to improve infrastructure, customs efficiency, and transparency, which are all sectors where recent progress has been slow and uneven.

President Trump's reimposition of aggressive sanctions on Iran in his second term, particularly the threat of secondary sanctions targeting countries that engage in energy or logistics cooperation with Tehran, has had chilling effects on Uzbekistan in particular. Uzbekistan has no direct reliance on Iran for trade (despite increasing diplomatic relations between the two countries), and the threat of U.S. penalties has made regional actors cautious. Transport and logistics companies have already begun redirecting goods away from Iranian routes to avoid exposure in the expanding sanctions regime. The strategic message from Washington is clear: align economically with U.S.-approved channels or risk exclusion.

Uzbekistan, which had cautiously explored southern routes through Iran (for example, the Bandar Abbas corridor), is now increasingly shifting toward Trans-Caspian alternatives

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due to recent regional instability. One promising route is the Kazakhstan–Caspian Sea–Azerbaijan–Georgia–Turkey corridor, which circumvents Iran entirely and plugs Uzbekistan into the Middle Corridor (TITR) initiative. Another is via Turkmenistan's Turkmenbashi port, with onward shipping across the Caspian. These alternatives, while logistically more complex and potentially costlier, provide insulation from sanctions-related volatility and open pathways to European markets via the Black Sea.

Trump's tariff strategy and renewed containment of Iran create openings for Western-backed infrastructure initiatives in Central Asia. The EU's Global Gateway and U.S.-supported Blue Dot Network could find traction in Uzbekistan, especially if they offer viable, sanctions-free corridors. With renewed attention to the Trans-Caspian route, both Washington and Brussels have a strategic interest in supporting multimodal transport infrastructure, customs harmonization, and digitized border crossings that facilitate regional trade integration. Uzbekistan, keen to assert itself as a logistics hub, could emerge as a linchpin of East-West connectivity if offered credible investment and political guarantees.

Central Asia is now at the center of an infrastructure tug-of-war. China's Belt and Road Initiative (BRI) remains dominant, but Western powers are beginning to offer competing packages, which are often smaller and slower, but with fewer geopolitical strings. European countries, in particular, are showing interest in expanding rail and green energy infrastructure in the region. For Central Asian governments, this is both a risk and an opportunity. On one hand, more players mean more bargaining power: Uzbekistan can now use a multivector foreign policy with China, the U.S., the EU, and Türkiye to secure better financing, more favorable trade terms, or help with digital customs systems. On the other hand, accepting Western investment often comes with conditions such as transparency, environmental safeguards, or political reforms that governments may be reluctant to implement. If these countries cannot manage the balancing act, they risk becoming too dependent on one power or stuck between competing visions of connectivity.

It is important to note that the region is not responding as a unified bloc. Each country is pursuing its own strategy.

Kazakhstan is carefully hedging its position between Russia, China, and the EU; Uzbekistan is positioning itself as a neutral and business-friendly hub; Kyrgyzstan remains deeply tied to the Russian-led Eurasian Economic Union; Tajikistan is hedging economically and militarily with China; and Turkmenistan remains mostly inward-looking. Despite these different approaches, Trump's tariffs and sanctions are forcing each to make hard choices, the most significant of which is whether to align more closely with the West, China, or attempt a middle path. Without coordination, Central Asia risks drifting further apart in terms of economic policy, trade regulation, and infrastructure strategy.

While some Central Asian leaders may welcome the opportunity to attract investment or establish themselves as a logistics hub, there is a danger in leaning too heavily toward any single power. Just as dependence on China raises concerns about debt and sovereignty, overreliance on U.S. or EU supply chains, particularly when linked to politically driven trade policy, brings its own risks. For instance, a future change in U.S. leadership could abandon these corridors just as quickly as they were promoted. Moreover, if global economic blocs harden further, such as BRICS versus G7 or China versus the West, Central Asia could find itself locked out of critical trade flows unless it has diversified and modernized its economy in time.

Trump's trade war has created turbulence across the global economy, but in Central Asia, it has exposed a central truth: geography is both a burden and an opportunity. These countries sit at the crossroads of East and West, and with the right policies, investments, and partnerships, they could transform that position into long-term economic leverage. However, doing so requires swift, intelligent, and coordinated action. Otherwise, the region risks being just another casualty of another great power rivalry.

BRICS

President Trump's aggressive trade policies have accelerated momentum toward alternative multilateral groupings, especially BRICS. Formed initially as a loose coalition of emerging economies, including Brazil, Russia, India, China, and South Africa, BRICS has now evolved into a geoeconomic bloc increasingly willing to challenge U.S.-led trade, financial, and security architectures. In 2024, Saudi Arabia, Egypt, the

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UAE, and Iran joined the grouping under the BRICS+ expansion framework, along with dozens of other countries, including two Central Asian States, which expressed interest in some form of alignment.

Trump's second-term tariffs, especially those targeting countries in the Global South, have prompted several countries to diversify away from Western-led supply chains and payment systems. BRICS has positioned itself as the default alternative, particularly in regions facing diplomatic friction with Washington. China and Russia have aggressively used BRICS platforms to promote de-dollarization, digital currencies, and alternative trade settlement mechanisms. The New Development Bank (NDB), established initially as a BRICS infrastructure fund, has expanded its outreach to Central Asia and the Caucasus, offering concessional loans with fewer political conditions than those of Western institutions. India, while maintaining hedging strategies, has also used BRICS to expand bilateral trade in rupees and pursue regional supply chain initiatives under its "Act East" and "Central Asia Connect" policies.

From Washington's perspective, BRICS represents both a geopolitical irritant and a justification for further decoupling. Trump's advisers have decried the group as trying to usurp the US Dollar, with Trump likening the development to "losing a war, a major world war, [where] we would not be the same country any longer." In recent weeks, the Trump Administration has proposed retaliatory tariff schedules for BRICS+ members that maintain close trade ties with China or Iran. These actions risk hardening global fault lines, pushing middle economies like Uzbekistan into difficult strategic choices.

Engaging BRICS mechanisms, such as development financing, regional connectivity initiatives, and trade settlement experiments, offers tangible benefits to developing countries. However, complete alignment carries risks. As BRICS increasingly adopts an overtly anti-Western posture, association could trigger secondary sanctions from the U.S. or EU, especially under Trump's doctrine of "economic loyalty." Policymakers will need to navigate this space carefully, seeking selective participation that avoids overt politicization. At the same time, BRICS could offer a negotiating wedge. As Trump's tariff regime creates friction

for traditional allies and trade partners, countries like Uzbekistan may find leverage in presenting themselves as “non-aligned balancers,” willing to work with all blocs but tied to none. The challenge is not just economic alignment, but diplomatic choreography in a world where trade blocs now act as proxy coalitions in a multipolar contest.

Executive Summary and Recommendations

Trump’s second-term trade policy marks a historic inflection point in the global economic order. The dismantling of multilateral norms, the weaponization of tariffs, and the overt use of economic policy as a geopolitical tool have created a volatile and fragmented trade environment. While some of the initial impacts are already observable, including rising inflation, disrupted supply chains, and diplomatic rifts, the long-term consequences remain contingent on how other global actors respond. Below are three plausible scenarios shaping the trajectory of the global trade system over the next 2–4 years:

Scenario 1: Prolonged Trade Conflict and Global Decoupling. In this scenario, the Trump administration maintains or escalates tariffs on most major trade partners, particularly China, while offering only narrow exemptions to allies that comply with U.S. demands. This results in a full-fledged trade war, characterized by retaliatory tariffs, disrupted logistics networks, and growing uncertainty for multinational companies. Supply chains fracture along geopolitical lines, and parallel trade blocs begin to solidify. China, in turn, accelerates its pivot to the Global South, boosting engagement with BRICS+, Africa, and Latin America. This could potentially lead to the world bifurcating into U.S.-centric and China-centric trade zones. WTO mechanisms would erode further, and neutral countries struggle to access both markets without violating sanctions or political red lines. Global inflation would persist, and cross-border investment would decline.

Scenario 2: Selective Détente with Allies, Sustained Pressure on China. In this more pragmatic scenario, the Trump administration uses tariffs as a negotiating tool, aggressively targeting China but offering partial relief to strategic allies such as the UK, Japan, and possibly the EU. Digital Services Taxes and steel tariffs may remain points of contention, but a broader realignment toward bilateral agreements reopens

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channels for cooperation. The administration frames this as a reordering of alliances based on “reciprocal trade” principles, prompting allies to choose sides more explicitly. Trade flows among U.S. partners stabilize, but the system becomes more exclusive. China remains isolated from Western markets, accelerating its drive for technological self-reliance and economic independence. Developing countries must navigate the tightening lines of bloc politics without compromising critical partnerships.

Scenario 3: Global Realignment Around BRICS and ASEAN Alternatives. Frustrated by Trump’s protectionism and unpredictability, a growing number of emerging economies coalesce around alternative institutions and trade systems. BRICS expands its influence through regional development banks, digital currency pilots, and non-dollar trade settlements. ASEAN economies deepen intra-bloc integration, creating a neutral economic corridor resistant to U.S. or Chinese domination. Middle powers increasingly pursue “strategic autonomy,” hedging against both superpowers. The center of global trade gravity shifts toward the Global South. New standards, financing mechanisms, and settlement systems begin to rival U.S.-led institutions. The dollar loses some ground in cross-border trade, and countries outside major blocs gain leverage by playing multiple systems against each other.

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