

Trump Tariffs and Risk of Collapse for the Global Trading System

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Since his reinauguration in January 2025, U.S. President Donald Trump has introduced a series of tough tariff measures. In February and March, Trump imposed additional tariffs on imports from China, Canada, and Mexico and introduced additional industry-specific tariffs targeting specific industries such as steel, aluminum, automobiles, and auto parts. In April, the administration's tariff policy reached its peak with the introduction of a "reciprocal tariff system" that sets different tariff rates for U.S. trading partners based on factors such as their tariff rates, non-tariff trade barriers, and trade surpluses with the United States.

The Trump tariffs pose a serious challenge to the global trading system, which was built under the General Agreement on Tariffs and Trade (GATT) and strengthened by the World Trade Organization (WTO). This system greatly contributed to the sustainable growth of the world economy after World War II by promoting free and open international trade.

However, the Trump tariffs run counter to the basic WTO principles that call for most-favored-nation (MFN) treatment, meaning equal treatment for all WTO members, and preventing tariff rates above bound levels.

The deviation of a major economic power like the United States from international rules seriously undermines the credibility and predictability of the system, risking global trade contraction and even global stagnation. Furthermore, the Trump tariffs are imposed haphazardly and arbitrarily, causing serious uncertainties in the global market and adversely affecting the entire economy including not only trade but also investment and production.

The objectives of the Trump tariffs are diverse, ranging from the reduction of trade deficits and the revitalization of manufacturing to the expansion of tariff revenues, the enhancement of economic security, and the deterrence of illegal immigration and drug smuggling. While it is undeniable that tariffs can make some contributions to achieving these objectives, they are not necessarily the most effective policy tool. On the contrary, the Trump tariffs are likely to hinder U.S. economic growth by causing price hikes and curbing consumption. In fact, when the reciprocal tariff system was announced, stock prices crashed not only in the United States but also in the rest of the world, demonstrating growing economic anxiety.

It is a natural response for countries subject to the Trump tariffs, including Japan, to negotiate individually with the United States to avoid trade disadvantages in consideration of the tariffs' impact on their own economies. Nevertheless, countries like Japan that have a certain influence on the global economy should also contribute to maintaining and strengthening the global trading system which is essential for stable global economic growth from a broader perspective.

In particular, it is important to strengthen multilateral cooperation on the premise of compliance with WTO rules, reform the WTO to strengthen its rule-making functions and dispute settlement mechanisms, and build new frameworks to overcome the limitations of the WTO principle of consensus. For example, advanced initiatives by like-minded countries such as free trade agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Multiparty Interim Appellate Arbitration Arrangement (MPIA), which serves as a dispute settlement procedure, should be promoted and expanded.

Japan should actively contribute to the reconstruction of the rules-based global trading system by playing a leading role in tackling these challenges.

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