

From Multilateralism to Bilateralism: The New Form of Trade

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3rd May 2026

Introduction

While the world’s attention is focused on the various crises unfolding across the globe, there is another, yet more discreet, one that will permanently reshape the way we interact with one another and the relationships between different parts of the world. I am specifying a system that is over 70 years old and has weathered numerous crises. More specifically, I am referring to the strategic shift undertaken by the United States in its international economic hegemony, through which it has, since the end of World War II, positioned itself as the guarantor of a rules-based system supported by strong international institutions capable of enforcing those rules. This system rests on three core principles: non-discrimination, freer and fairer trade, and support for economic reforms alongside managed development across different regions of the world.

Although it may be tempting to emphasize this issue particularly since the return of Donald Trump to the U.S. presidency for a second term, marked by tariffs imposed on both allies and rivals, the reconfiguration of trade routes, and a profound reshaping of political and economic infrastructures, this shift actually began much earlier. It has simply been less visible and carried out more discreetly. This article highlights the underlying causes of this transformation and explains why it represents a response to the decline of U.S. institutional power worldwide. Indeed, in the face of China’s rise across a wide range of strategic domains, the United States’ ability to dominate global trade governance has significantly diminished, leading to a marked erosion of its support for the multilateral trading system in favour of more selective partnerships that may be perceived as imbalanced (Poletti et al., 2022).

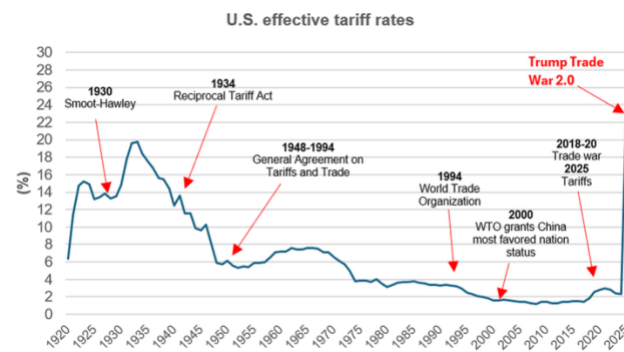


Figure 1: U.S. Effective Tariffs Rates
Sources : Bloomberg, RSM US LLP

To better understand the transformation, it is essential to consider that the system known up to some months/years ago did not naturally emerge but was created. In fact, internationally, it was translated into a global paradigm where trade barriers have successively been falling (estimates suggest that trade barriers have been reduced by as much as 60–70% over the period from 1950 to 2024.), the rise of multinational corporations and especially global supply chains becoming the norm (Hopewell, 2025).

From Cooperation to Coercion: The U.S. Shift in Global Trade Strategy

The official reasons put forward by successive administrations are fairly consistent: concerns about supply chain security, the need to protect American jobs, and fears that an overreliance on the service sector has weakened the economy. What stands out is that this view is now shared by both major U.S. political parties, marking a clear shift away from the liberal economic model that once dominated. Often linked to the idea of the “Washington Consensus,” this approach is no longer limited to the United States. In recent months, similar thinking has taken hold in the European Union and across other G7 countries, pointing to a broader Western realignment (Apcho-Ccencho et al., 2021).

The United States began to turn away from the multilateral system during the administrations of George W. Bush (2000–2008) and Barack Obama (2008–2016). This shift was driven in part by the growing influence of countries like Brazil and India, which notably blocked a joint U.S.–EU draft agreement on agricultural trade during the Doha Round in 2003. China’s rise within the WTO further complicated matters, making it harder for Washington to push through policies aligned with its strategic economic interests (Park, 2025).

In fact, on December 11, 2001, after 15 years of arduous negotiations, China entered the WTO, becoming its 143rd member, an outcome strongly backed by the United States. For Washington, the move carried significant stakes. China’s accession opened the door to a vast and largely untapped market, offering new opportunities for American exports and foreign investment, even in sectors long considered politically sensitive. Just as importantly, it created a framework for strengthening bilateral ties, grounded not only on shared economic interests, but also in ideology (K. H. Kim, 2012).

As Viola (2025) has noted, the attempt to manage the rise of a potential rival through the WTO rested on a specific form of cooperative bargaining often described as “co-optation.” This concept refers to a strategy in which elements of cooperation are combined with

selective concessions, granting certain privileges to a rising power in exchange for its support of the existing international order. In this sense, U.S. efforts to secure China’s accession to the WTO can be understood as an attempt to co-opt China into a U.S.-led institutional framework and encourage its alignment with established rules and norms (Viola, 2025).

This idea was notably expressed by U.S. National Security Advisor Samuel R. Berger in 2000: “China’s accession to the WTO will make it more likely to emerge as a more open, stable, cooperative nation that plays by the rules of the international system and provides greater freedom to its people.” The stated objective on the American side was therefore clearly not purely economic but operated on multiple levels.

Rather than confronting China directly, U.S. policymakers viewed engagement through multilateral institutions as a way to reduce the risks of geopolitical conflict by binding China to a system of rules and expectations. The greater perspective being to encourage China to internalize norms of cooperation and gradually aligning with the liberal international order (Viola, 2025).

Both the Trump and Biden administrations have moved away from this strategy, arguing that China has not upheld its commitments

within the multilateral framework and that strict adherence to WTO rules may, in some cases, conflict with U.S. national security interests.

Once it became apparent that China was not meeting U.S. expectations, falling short in terms of market liberalization and economic convergence, the perceived balance of the original “co-optation” bargain began to shift. What had initially been framed as a mutually beneficial arrangement increasingly came to be seen in Washington as imposing disproportionate costs on the U.S. economy. In response, the United States sought to enforce compliance through the WTO’s legal mechanisms. However, as these efforts yielded limited results, confidence in the effectiveness of the multilateral system eroded, contributing to a gradual decline in U.S. commitment to the WTO and to multilateralism more broadly (Viola, 2025).

In response, the U.S. gradually moved away from multilateral negotiations toward a more bilateral approach, striking deals directly with individual partners on more tailored terms. This strategy served two main goals: extracting greater concessions by leveraging American economic power, and countering China’s expanding influence on the global stage. As emerging powers gained weight within the WTO, they eroded U.S. dominance and made it increasingly difficult for Washington to

negotiate from a position of strength (Park, 2025).

It is also important to highlight the shift in tone between the administrations of Barack Obama and Donald Trump. While the broader U.S. disengagement from the international system has been underway for more than two decades, it is the scale and intensity of this shift that now stand out. The more openly aggressive approach can be understood in political terms.

In the U.S., the narrative that multilateralism and free trade have failed the American people has become increasingly prominent. The Trump administration tapped into this sense of frustration, channelling it into a broader climate of economic and political backlash. This protectionist stance helped secure support from a significant share of an increasingly polarized electorate (Adekola, 2019).

The Changing Balance of Power in Global Trade

For most of its history, American dominance played a central role in shaping and enforcing the rules of the global trading system. But as economic power continues to shift eastward, Washington's ability to steer the system has weakened significantly. What's striking today is that a growing number of mid-sized and emerging powers are now willing to push back

against the United States, something that would have seemed unlikely just a decade ago.

This shift has become particularly visible in recent years. China, for instance, chose to escalate tensions during the tariff war launched by the U.S. in 2025, rather than back down. At the same time, the EU has moved ahead with a series of new free trade agreements since Donald Trump's return to the White House, signaling a broader willingness among global players to act more independently of Washington (W. H. Kim, 2025).

That strategy, however, ultimately depends on broader multilateral cooperation. While bilateral deals can deliver short-term gains, long-term resilience is more likely to come from stronger regional coordination. Many of the new alliances emerging today are taking shape in an increasingly unstable environment, and for now they remain largely experimental. Only time will tell whether a system built primarily on bilateral agreements can hold over the long run.

This is where middle powers could play a decisive role. By building cross-regional coalitions, they may be able to create an alternative framework that is less constrained by the rivalry between the two major powers (W. H. Kim, 2025).

A concrete example of this shift is the U.S. move from a strategy of alignment to one of coercion. In the past, Washington could pursue its strategic goals through international institutions like the WTO, relying on a shared set of rules accepted by all parties. Today, it has increasingly stepped away from those frameworks, turning instead to a more aggressive form of unilateralism based on raw economic and political pressure.

China's Rise and the Uncertain Future of Global Trade

As the U.S. grows more assertive while its relative power declines, China has positioned itself as the steadier and more predictable actor. Despite criticism over its heavily state-subsidized industries, also seen as unfair competition, Beijing presents itself on the global stage as a defender of a rules-based, liberal trading system. This is reflected in its public criticism of what it describes as Washington's increasingly mercantilist approach, as well as in the steady stream of international leaders visiting Beijing in recent years.

While there is no clear consensus among experts on the extent to which China has fully emerged as a global superpower, especially when military and technological dimensions are taken into account, its economic weight is undeniably structurally important. It is

increasingly challenging the global balance of power. Ultimately, it is the concentration of different forms of dominance, economic, political, and military, that underpins a stable international system (Adekola, 2019).

by a system of regional and international agreements shaped by power politics depends on several key factors. First is the persistence or reversal of U.S. protectionism toward other nations. Second is the degree of liberalism or protectionism adopted by other major powers and trading partners (Park, 2025).

The need to secure access to critical minerals, both now and in the future, helps explain the rise in tariff wars and the more aggressive tone seen in bilateral negotiations. Control over these resources has become a key lever of power.

Strategic Resources Competition

These dynamics must also be understood in a broader geopolitical and economic context. The growing competition for natural resources, driven by rising demand for energy and critical minerals needed for industries such as artificial intelligence, electric vehicles, defense, and cloud computing, adds another layer of pressure. Together, these factors could push the global system toward a more fragmented and confrontational future.

In this context, China holds a dominant position. Its leadership across the entire value chain, from extraction and production to refining, gives it a central role in what is often described as the “economy of the future.” This dominance extends into the manufacturing of battery components, further cementing China’s position at the heart of the global

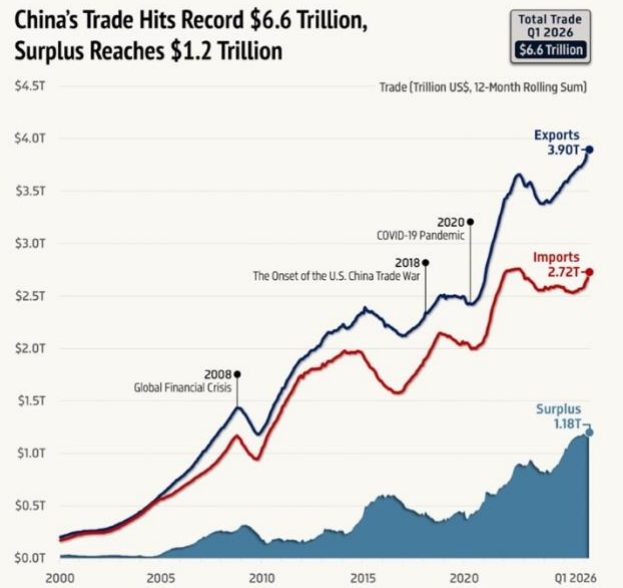


Figure 2: China Trade Surplus on a Record-High
Sources: U.S. Census Bureau, Eurostat, China Customs

This stands in contrast to the continued heavy subsidization of the Chinese economy, which is estimated to amount to roughly 4% of its annual GDP through a combination of tax cuts, public spending, and low-interest loans (Rhodium Group, 2025).

The question of what the future system will look like therefore becomes central. Whether the liberal order will be permanently replaced

From a purely strategic standpoint, the importance of critical minerals in the modern economy is hard to overstate. They are essential to everything from the electrification of our economies to their growing digitalization. At the same time, respect for international trade rules has increasingly taken a back seat, as more countries turn toward bilateral deals, often invoking international law only when it aligns with their immediate interests (Vivoda et al., 2024).

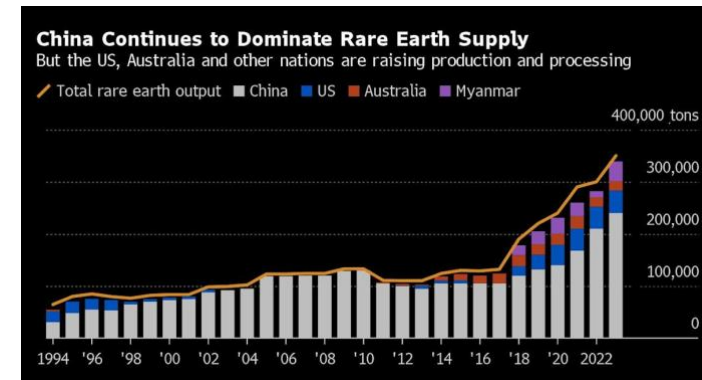


Figure 3: China's Dominance over Rare Earth Supply
Sources : US Geographic Survey

This geopolitical competition over securing critical mineral supply chains is increasingly taking the form of international blocs and strategic alliances, all aimed at safeguarding vital resources. The outcome of this race

carries major implications for global trade, contributing to a more fragmented and confrontational environment.

Understanding how these blocs are formed and how power dynamics play out is just one example of a broader shift toward a new international order. The stakes go far beyond economic interests alone. At their core, these developments are tied to national security, with major powers using not only hard leverage but also soft power to protect their strategic position.

Conclusions and Implications

We are entering a period of profound change, where the multilateral system that has shaped global trade for nearly 80 years is facing growing pressure from all sides. While the roots of this shift go back decades, the past year has marked a more explicit and deliberate turn. What is emerging instead is a new form of mercantilism, where globalization is increasingly sidelined in favour of securing influence and dominance over strategic regions.

While this period of uncertainty could last for decades, at least until a new, widely accepted global order emerges, it is difficult to view the situation through a purely economic lens. The major transformations shaping our era, artificial intelligence, the digitalization of the

economy, and the push for sustainability, are all closely tied to the strategic priorities of the major global blocs.

Taking a step back, protectionist policies are nothing new. They have often emerged during periods of uncertainty or geopolitical tension, only to recede later, the Great Depression being a classic example. What is more concerning today is the growing shift toward bilateralism. Major powers are moving away from globally integrated economies and replacing them with more selective forms of economic cooperation, where national interests take precedence over collective global efforts.

For businesses, this creates a far more unstable environment, where long-term planning becomes increasingly difficult. Consumers may also feel the impact, through higher inflation, reduced competition, and fewer choices.

In this context, economies must prepare for more frequent periods of turbulence. Stability can no longer be taken for granted; instead, disruption and tension across supply chains may become the norm. Competition between nations is intensifying, as each seeks to secure its own strategic interests.

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