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INTRODUCTION

Introduction: Tariff Turbulence: The New US Trade Policy and its Impact on the Global Trading System

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The second Trump Administration, in office since January 2025, has disrupted the prevailing trade consensus. The corner stone of the new US trade policy is the re-introduction of old-style tariffs at substantial levels to create a so-called 'tariff wall' turning away from long-standing practices of tariff liberalization. According to the US Administration, the tariffs pursue multiple objectives. They incentivize re-industrialization, generate revenue, and lower trade deficits with many trading partners. The imposition of new tariffs is coupled with the pursuit of bilateral deals to extract business-type concessions from governments and to encourage investments into the US.

Although the corporate sector has been exposed to tariff threats before, including during the first Trump Administration, the new US trade policy is distinctly different. The measures announced go beyond country-specific barriers, which we have regulary observed in the past eight years to (partially) decouple (e.g. from China), or the application of sector-specific tariffs (e.g. steel, aluminium) in the name of national security. It is fair to state that many observers were surprised by the tariffs' magnitude and breadth announced on 2 April 2025. These tariffs are more than a bargaining chip to bring trade partners to the negotiation table and to extract specific economic and political concessions, although that appears to be one goal. More importantly, in one form or another, they appear to be here to stay.

Against the background of this new evolving US trade policy, this Special Issue tries to offer some initial reflections and analyses of the situation. It addresses some of the root causes of the new type of protectionism via tariffs that we are seeing and the underlying rationales offered. In addition, it discusses various potential effects (expected or unexpected) on the trading system. This Issue brings together diverse views of scholars and practitioners to shed light and provide conceptual and empirical pointers to an overall diffuse situation and to help explore future avenues the US policy approach may take. While some of the contributions are sceptical about design and impacts, others explore opportunities that could develop following the dictum that a 'crisis' or a 'disruption' is an opportunity that should not go to waste.

This Special Issue aims to stimulate cross-disciplinary thinking and debates about policy options in this new era of an America First Trade Policy. It looks at causes and solutions, provides descriptions and suggestions, and offers a critical assessment. We hope that readers find interesting insights that will help guide us through these turbulent times. Below, we outline the main themes of the individual contributions.

The first contribution addresses the question of how tariffs are distinct from other trade policy tools. Stephanie Rickard discusses in her contribution *Protectionism versus Industrial*

Policy; Tariffs versus Subsidies how different design choices can be explained, what the trade-offs are, and what objectives may be pursued. She takes a closer look at Biden Administration's focus on industrial policy and compares it with the Second Trump Administration's reliance on tariffs.

The second contribution zooms into the formula that serves as the basis for the so-called 'reciprocal' tariff decisions on 2 April 2025 where each trading partners was confronted with a country-specific tariff. In his contribution *The Trump Administration's Reciprocal Duties*, Edward Balistreri uncovers flaws and contradictions in the design of these tariffs.

The third contribution titled *The Likely Micro and Macro Economic Consequences of a Unilateral US Trade Policy* by Robert Koopman provides an overview of expected economic effects drawing on a variety of established methods, including computable general equilibrium (CGE) models, dynamic macroeconomic frameworks, and a rich body of empirical literature.

This is followed by a closer focus on a particular sector: semiconductors. In the article by Shin-yi Peng titled *Semiconductor Tariffs as Policy Whiplash*, she focuses on how the tariff (and tariff threats) may affect the global semiconductor industry and existing ecosystems.

Another contribution by Didier Chambovey asks the question whether an autarkic US car industry production system is possible. In *On the Feasibility, by Means of Customs Duties, of an Entirely (or almost Entirely) Made-in-the-USA Automobile*, he discusses various challenges and lessons that the car sector could have for other sectors.

The remaining contributions address the effects on the World Trade Organization. In *The Perils of Institutional Rigidity, or How the WTO Helped to Sow the Seeds of Trump*, Judith Goldstein and Alan Sykes argue that the WTO lacks in-built flexibilities to rein in powerful countries and is ill-equipped to adjust to political shocks. In other words, design failures (expectations) might have been the original sin.

This is followed by Patrick Low and George Riddell's discussion on the way the WTO operations may be affected going forward. In *Trump's Trade Policy and the World Trade Organization*, they assess how the tariff policies add to ongoing challenges that have plagued the WTO for years and which organizational dynamics might unfold.

Shifting the focus to the rest of the world, Wolfgang Alschner discusses how US unilateralism and Chinese mercantilism lead other countries to de-risk their trade from the two economic superpowers. Alschner emphasizes the agency of third states and highlights how they bilaterally recalibrate their trade exposure to China and the US, how they shield their markets against weaponization, and how they work to contain WTO illegality from spreading.

The final two contributions provide suggestions on how the disruptive trade policy approach may lead to improvements in the global trading system. In *How the US Reciprocal Tariff Plan May Save the Global Trading System* Joost Pauwelyn makes a case for a window of opportunity. The WTO may become the platform for the largest round of trade negotiations since 1995 and the system may undergo a rebalancing of global trade relations in order to catch up with fundamental changes that have occurred.

In their contribution *(When) Can Trade Wars Be Good*?, Henry Gao and Weihuan Zhou tackle the trade war between the US and China more directly and discuss conditions under which systemic fixes for long-term issues, due to the systemic shocks brought about by the tariff escalations, could be addressed.

It is too early to equate this period we are experiencing with the beginning of a new era in global trade, but the evidence is piling up that trade policy, trade flows, and trade institutions are changing, overturning patterns that have emerged over the decades. Therefore, as editors of the *World Trade Review*, we found it important to call for a Special Issue under a very tight time schedule.

The contributions provide thought-provoking and cross-disciplinary assessments of the current situation. They are also quite heterogeneous in their reading of the origins of the change in US trade policy and expected results. Finally, it is worthwhile noting that most forward-looking discussions on effects and implications are based on observed policy choices at the time of writing in May 2025.

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