



GLOBAL
TRADE
ALERT

How the World Trading System will adapt to intensifying Geopolitical Rivalry

Four scenarios and their implications

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8 May 2025

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**St.Gallen
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for Prosperity through Trade

Fundamentally, how will the US change its approach to enhancing/ensuring its security in the world?

Approach and <i>premise</i>	Alliances (Do it together)	Go it alone
<p>Global Approach:</p> <p><i>America is safe when it is dominant globally</i></p>	<p><i>Postwar Containment Strategy adapted to new situation (Biden)</i></p> <p>Network of defense treaties Economic multilateralism</p>	<p><i>Trump I term (America First)</i></p> <p>NATO members expected to pay more Multilateralism that tied US hands rejected. AB allowed to die.</p>
<p>Sphere of Influence:</p> <p><i>A pre-requisite for American safety is dominance in the Western Hemisphere</i></p>	<p><i>Strong North American neighbourhood</i></p> <p>USMCA provides the foundation for further cooperation</p>	<p><i>Modern version of Chinese tribute system</i></p> <p>USMCA effectively abandoned; U.S. makes more and more demand on neighbours to access its markets</p>

The question above should be asked of China

Maps into scenarios for the world trading system

More & more fragmentation

Alliances hold—multilateralism clings on

Extreme Trump trade drama leads U.S. Congress to reassert control. A new modus operandi is established. Looser than WTO rules but multilateral trade principles still underpin the trading system.

More goods associated with technology and military rivalry subject to export control, tariffs, and industrial policy.

Sphere of influence emerge—proximity matters

Benign version results in stronger RTAs, reorienting trade from the global to the regional.

Extractive version will encourage non-dominant nations to reorient trade from the regional to the global.

Hub and spoke—proximity matters less

Second tier nations refuse domination by regional hegemon.

Hubs emerge in world trading system—either by dint of their size or because of their network of cross-border ties, which may take the form of RTAs or not.

Kinetic conflict—wartime dislocation

Proxy wars draw in China, Russia, and USA. Disruption to proximate trade choke points. Greater hoarding and pressure to control key commodities and minerals
Very high sensitivity to trade in dual use goods and in purchasing of key technologies and infrastructures from places of geopolitical concern.