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## **Trump's Trade Policy and the Global Trading Order: Temporary Disruption or Structural Shift?**

Iman Pambagyo

*Former Director General for International Trade Negotiations Ministry of Trade, Indonesia (2012-2014 & 2016-2020); Former Ambassador to WTO (2014-2015)*

For decades, the global trading system was widely understood to operate under a rules-based framework anchored in multilateral institutions and predictable trade norms.<sup>1</sup> Recent developments, however, suggest that this assumption may no longer hold. A series of aggressive tariff actions by the United States—ranging from high, punitive tariffs to global tariffs, and most recently new investigations under Section 301<sup>2</sup>—have intensified concerns that international trade is entering a more geopolitically driven phase. Yet the critical question

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<sup>1</sup> World Trade Organization, Understanding the WTO, Geneva.

<sup>2</sup> Office of the United States Trade Representative (USTR), *Initiation of Section 301 Investigation on Structural Excess Capacity*, Federal Register, 2026.

is whether these developments represent a fundamental transformation of the trading system or simply the acceleration of structural trends that were already underway. For emerging economies and regional groupings such as ASEAN, the answer will determine how they navigate a global economy increasingly shaped by both rules and power.

## **Ongoing Transformation in Global Trade**

The return of aggressive trade instruments in Washington has played a central role in driving these concerns. Since returning to office, the administration of Donald Trump has expanded the use of unilateral trade tools, including investigations under Section 301 of the Trade Act of 1974 and tariffs justified on national security grounds. These measures have targeted a wide range of trading partners, from major advanced economies to emerging markets in Asia. While such actions are often framed as responses to unfair trade practices or industrial overcapacity, their scale and scope have raised broader questions about whether the United States is moving away from the multilateral trade norms that it once championed.

Yet interpreting these developments solely as a departure from the rules-based trading system risks overlooking deeper structural trends that have been unfolding for more than a decade. Long before the current wave of tariffs, governments across major economies had begun to place greater emphasis on industrial policy, supply chain security, and strategic competition in key sectors.<sup>3</sup> In this context, the recent escalation of U.S. trade actions may be better understood not as the origin of systemic change, but as an accelerator of an ongoing transformation in the global trade landscape. What is emerging is not the collapse of the trading system, but the gradual evolution of a more hybrid order in which multilateral rules coexist with increasing geoeconomic competition.

For much of the post–Cold War period, the global trading system was widely viewed as a rules-based order anchored in multilateral institutions and shared norms. The establishment of the World Trade Organization in 1995 consolidated this framework, providing a legal architecture for trade liberalisation, dispute settlement, and predictable market access.<sup>4</sup> Within this system, major economies broadly accepted that trade tensions should be addressed through multilateral procedures rather than unilateral action. Although disputes were frequent, the underlying expectation remained that rules—not power—would ultimately govern the conduct of international trade.

## **Hybrid Geoeconomic Order**

Over the past decade, however, the foundations of this rules-based framework have gradually weakened. Rising geopolitical tensions, intensifying technological competition, and concerns

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<sup>3</sup> OECD, *Industrial Policy for the Global Economy*, Paris.

<sup>4</sup> World Trade Organization, *The WTO at 25: A Retrospective*, Geneva.

over supply chain resilience have led many governments to re-evaluate the role of trade policy within broader national strategies.<sup>5</sup> Industrial policy has re-emerged as a central tool for economic competitiveness, while national security considerations increasingly shape decisions on investment, technology transfer, and critical supply chains. These developments have blurred the once clearer boundary between economic policy and strategic competition.

It is within this evolving context that the recent wave of unilateral trade measures from Washington should be understood. Rather than representing a complete break from the past, the policies of the Trump administration have significantly accelerated existing trends toward the securitisation of trade and the strategic use of economic instruments. The expanded use of tariffs, trade investigations, and supply chain restrictions reflects a broader shift in which trade policy is increasingly deployed not only to correct market distortions, but also to advance geopolitical and industrial objectives.

The result is the gradual emergence of what may be described as a “hybrid geoeconomic order.” In this evolving landscape, elements of the traditional rules-based trading system continue to operate, particularly in sectors where economic interdependence remains beneficial and politically manageable. At the same time, a growing number of strategic industries—from semiconductors and critical minerals to advanced manufacturing and technology—are becoming arenas of intensified state intervention and geopolitical competition.<sup>6</sup> Rather than replacing the existing trading system outright, geoeconomic rivalry is increasingly layered on top of it, producing a more complex and less predictable global economic order. The challenge for many countries today is no longer simply to operate within a rules-based trading system, but to navigate a new order increasingly shaped by both rules and power.

The emergence of a more hybrid geoeconomic order introduces a new layer of uncertainty for many developing and emerging economies. For much of the past three decades, participation in the global trading system was guided by relatively stable assumptions about market access, multilateral disciplines, and the gradual expansion of global value chains. As the boundaries between economic policy and strategic competition become increasingly blurred, these assumptions are becoming less certain. Governments across the globe are now confronted with a more complex external environment in which trade policy decisions are influenced not only by economic considerations, but also by shifting geopolitical dynamics.

### **Ambiguous Trade Environment**

This evolving landscape creates a particular form of strategic ambiguity. On the one hand, many of the institutions and rules that underpin international trade remain in place, and

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<sup>5</sup> International Monetary Fund, *Geoeconomic Fragmentation and the Future of Trade*, Washington DC.

<sup>6</sup> OECD, *Critical Supply Chains and Industrial Policy*, Paris.

global economic interdependence continues to generate strong incentives for cooperation. On the other hand, the growing use of tariffs, industrial policy, and supply chain restrictions by major economies signals a gradual shift toward a more competitive geoeconomic environment. For policymakers in emerging economies, this coexistence of continuity and change complicates efforts to interpret the durability of existing trade arrangements and the likely trajectory of the global trading system.

For countries across Southeast Asia and the broader Global South, this evolving context does not necessarily call for immediate or dramatic policy realignment. Rather, it underscores the importance of carefully assessing how shifts in major power trade policies may affect long-term development strategies, regional economic integration, and participation in global value chains. As the international economic landscape becomes more fluid, maintaining flexibility and resilience may prove as important as attempting to anticipate the precise direction of systemic change.

One implication of this evolving environment is the renewed relevance of regional economic cooperation. As uncertainties surrounding global trade governance increase, regional frameworks may play a stabilising role by sustaining economic integration and facilitating continued participation in global value chains. In Southeast Asia, ongoing efforts to deepen economic cooperation within the Association of Southeast Asian Nations illustrate how regional platforms can help maintain openness and predictability even as broader geopolitical dynamics become more complex.

Developments surrounding the Regional Comprehensive Economic Partnership (RCEP) also offer an illustrative example of this dynamic. As one of the largest trade agreements currently in force, RCEP reflects a model of open regionalism that seeks to facilitate trade and investment among its members while remaining outward-looking toward the broader global economy.<sup>7</sup> In an international environment marked by rising geoeconomic competition and policy uncertainty, the agreement has attracted renewed attention as a platform capable of supporting regional economic integration and supply chain connectivity. Interest expressed by several economies outside the membership in East Asia as well as from South Asia and Latin America underscores the perception that regional frameworks may provide an additional layer of stability in an increasingly fluid global trading landscape.<sup>8</sup>

At the same time, the emergence of a hybrid geoeconomic order suggests that economic resilience will increasingly depend on adaptability. Rather than operating within a single, clearly defined global framework, many economies are now navigating an environment characterised by overlapping rules, competing policy priorities, and shifting geopolitical considerations. In such a context, maintaining diversified economic partnerships,

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<sup>7</sup> ASEAN Secretariat, *Regional Comprehensive Economic Partnership (RCEP) Overview*, Jakarta.

<sup>8</sup> Asian Development Bank Institute, *Regional Trade Agreements and Expanding Membership Interest in Asia*, Tokyo.

strengthening regional production networks, and preserving engagement with multilateral institutions may collectively contribute to greater resilience in the face of systemic uncertainty.

These developments do not necessarily signal the end of the global trading system as it has evolved over the past several decades. Yet they do suggest that the system is entering a period of adjustment in which established rules coexist with a growing role for strategic economic competition. For many countries, the challenge lies not simply in interpreting the policies of individual governments, but in understanding how these policies interact with broader structural changes in the global economic order.

## **Conclusion**

The recent resurgence of unilateral trade measures spearheaded by the United States has reignited debate about the future of the global trading system. Yet interpreting these developments solely through the lens of disruption risks overlooking deeper structural dynamics that have been unfolding over the past decade. While the policies of the Trump administration have undeniably intensified the use of tariffs, trade investigations, and strategic economic instruments, they are better understood as accelerating a broader transformation already underway in the global economy. Rather than marking a sudden break with the past, these developments highlight the gradual evolution of a more complex international economic landscape.

In this evolving environment, the global trading system is unlikely to revert fully to the predictable rules-based order that characterised much of the post–Cold War era. At the same time, it is equally unlikely that geoeconomic rivalry will entirely displace existing institutions and frameworks of cooperation. What is emerging instead is a hybrid geoeconomic order in which multilateral rules, regional initiatives, and strategic economic competition coexist in increasingly intricate ways. For many countries, particularly across Southeast Asia and the wider Global South, the central challenge may therefore lie less in predicting the precise trajectory of global trade governance than in navigating an international economic order defined by growing complexity and strategic uncertainty.

**CSIS Indonesia, Pakarti Centre Building, Indonesia 10160**  
Tel: (62-21) 386 5532 | Fax: (6221) 384 7517 | [csis.or.id](http://csis.or.id)

**Please contact the editorial team for any enquiries at**  
[publication@csis.or.id](mailto:publication@csis.or.id)