America's Trade Policy: Historical Blip or the New Normal: Conversations from JP Morgan Chase Center for Geopolitics

The U.S. is undertaking the most significant shift in international trade in nearly a century, forcing investors to reassess core assumptions and transforming geopolitics. Washington has moved away from decades of trade liberalization, with country-specific tariff roiling markets and with sector-specific tariffs reshaping global trade dynamics for years to come. With the news coming at a dizzying pace, this explainer shows how we got here, what matters most, and what this means for the future.

Driving the conversation:

- Sectoral Tariffs Are Here to Stay

The Trump administration's country-specific tariffs make headlines, but sector-specific tariffs will have a more lasting impact. These tariffs are likely to stick around due to domestic political and economic hurdles in unwinding them, as well as growing bipartisan consensus that domestic manufacturing in key strategic sectors is necessary for U.S. national security.

- Brace for more Restrictive Rules in New U.S. Trade Agreements

Any future U.S. trade deals, even narrow sectoral agreements, will likely include stringent rules of origin to prevent third countries from exploiting agreements.

- Increased Geopolitical Competition

Rising geopolitical strains and fears of over-concentration—especially in sensitive sectors like semiconductors and critical minerals—are leading to a fragmented global trade landscape, with countries erecting more barriers and trading within blocs.

- New Opportunities on Digital Trade

Despite challenges, advances in technology, especially AI, and digital services offer opportunities for a series of digital trade agreements.

Headlines have largely focused on country-specific and liberation day tariffs and the subsequent trade negotiations, but we see the sector-specific, Section 232 tariffs as far more consequential long term, as they will shape the U.S. trade landscape well beyond the Trump administration.

To date the administration has used Section 232 to put 25% tariffs on autos and auto parts, a 50% tariff on steel and aluminum, and a 50% tariff on copper. Additionally, the administration has initiated investigations on lumber, semiconductors, pharmaceuticals, critical minerals, heavy and medium duty trucks, and aircraft and aircraft parts. (See figure 2 for the status of ongoing 232 investigations).

Are tariffs here to stay?

In short, yes. The United States will likely continue to pursue a tariff-heavy trade agenda during Trump's administration. Some country-specific tariffs may be negotiated away, along with certain concessions on sectoral tariffs for key trading partners and allies, but overall we expect these tariffs largely to stay in place. Additionally, now that country-specific tariffs are firmly established as a tool of leverage to address non-trade issues (as we've seen with Brazil)—they could be added or adjusted at any time if relations sour. In the coming months, it will be important to monitor the progress (or lack of progress) on the technical negotiations that will take place to implement these framework agreements. As we have already seen, disagreements over the scope of investment commitments, politically sensitive non-tariff barriers, and concerns from some U.S. businesses, could lead to negotiations stalling, which risks the threat of increased tariff rates.

So what happens after Trump? It would be a mistake to assume that the United States returns to an era of low tariffs and the pursuit of comprehensive free trade agreements. Even if the next U.S. president supports a pre-2017 approach to trade policy, they would face a number of challenges to unwinding the Trump administration's tariff structure.

- First, the more time that passes, the more U.S. companies, especially those making significant domestic investments, will have adapted to and come to depend on higher tariffs in certain sectors and will aggressively lobby a future administration to keep some of these tariffs in place to protect against foreign competition.

- Second, and more important, the sectoral tariffs will have more staying power than country-specific tariffs due to an increasing bipartisan consensus that tariffs can play an important and even necessary role in increasing America's manufacturing capacity in key strategic sectors that are important to U.S. national security. The Biden administration conducted an analysis of supply chain vulnerabilities in key sectors, and several of them—pharmaceuticals, batteries, semiconductors, information and communication technology, public health, critical minerals, and key parts of the defense industrial base—align with several of the ongoing Section 232 investigations in the Trump administration.

Where are the opportunities?

1. Critical Minerals: As technology continues to drive so much growth in the global economy, access to inputs lower down the value chain become increasingly important both from an economic and security perspective. China dominates the processing of critical minerals, and, with domestic alternatives years away, China's leverage over these vital supply chains remains a strategic vulnerability for the United States and others. As a result, and mostly out of necessity, we expect cooperation on critical minerals to be a prominent feature of the Trump administration and future U.S. administrations.

- Countries that have significant deposits of critical minerals are Australia, Canada, Vietnam, Indonesia, Malaysia, and several countries in Africa and Latin America. While the Trump administration wants to prioritize domestic investments and companies are trying to develop synthetic alternatives, some materials will need to be sourced from other countries.

- The administration has pushed for the issue to be key parts of discussions with Ukraine, Greenland, and the Democratic Republic of Congo. There was also a Memorandum of Understanding signed between a U.S. and Saudi company during President Trump's May 2025 visit to Saudi Arabia to deepen cooperation on processing heavy rare earths and magnet production. Cooperation on critical minerals is also a key plank of the trade framework that the administration is pursuing with Indonesia.

2. The Digital Advantage: In the modern era, trade extends well beyond tariff policy and trade in goods. A 2024 report by the Council of Economic Advisors highlights the United States' global comparative advantage in services trade, with exports of services hitting $1 trillion in 2023 and a services trade surplus of nearly $300 billion.

Traditional industries such as legal services, insurance, and other professional services represent a large portion of services exports but, in recent years, digitally enabled services have become the fastest growing sector in global trade. As a result, even in the absence of increased trade liberalization for goods, the United States has an opportunity to lean into its advantage in this space and negotiate a series of high-standard digital trade agreements with allies and trading partners where we see strong bipartisan congressional support.

- While the Trump administration has disagreements with key trading partners on some digital policies, there are several areas of common ground. For example, the Trump administration negotiated a high-standard agreement with Japan in 2019 that included important provisions that prohibit data localization, ensure that data can be transferred across borders, and protect against forced disclosure of proprietary computer source code and algorithms, provisions that can form the basis of new agreements.

The new landscape

The emergence of this new more protectionist policy impetus will have staying power, bringing with it implications beyond those that are purely economic. The below list is far from exhaustive but touches on what we see as key issues facing an altered global trade landscape.

1. Post-World War II Economic Multilateralism is (Nearly) Dead

The long-held belief that free trade fosters prosperity and reduces conflict is waning. Geopolitical tensions, including a major European war, Middle East instability, and deteriorating U.S.-China relations have weakened multilateral institutions like the WTO, leaving them ineffective. In recent years, G20 meetings have failed to produce cooperation on substantive issues—struggling even to agree on joint statements. Similarly, Asia-Pacific Economic Cooperation (APEC) meetings have been overshadowed by geopolitical tensions and failed to produce any tangible outcomes on trade and investment, development, or cooperation on key foreign policy issues. Finally, while a lot of ink has been spilled about more countries joining the BRICS as an alternative to the current western-led institutions, BRICS countries have their own internal geopolitical tensions, and different strategic aims of BRICS countries will only make it more unwieldy and harder to reach consensus on any issue. Most recently, the Trump administration's approach to trade negotiations has departed from the long-standing principal of Most Favored Nations—the cornerstone of the multilateral trading system. All of this, combined with governments increasingly designating more and more goods as imperative to national security, is leading to a world that is increasingly fragmented.

2. Traditional U.S. Allies and Close Trading Partners are Making Alternate Plans

As the U.S. continues to impose new barriers to entry, its allies and close trading partners are accelerating efforts to find alternative markets. When President Trump pulled the U.S. out of the TPP, the remaining countries decided to move forward with the agreement, renaming it the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and welcoming the United Kingdom as a new member. Many other countries, from Uruguay to Indonesia to Ukraine have also indicated formal interest in joining the CPTPP. ASEAN countries recently agreed to an update to their FTA with China, and many countries within the bloc have negotiated or are in the process of negotiating an agreement with the

European Union. So even as the U.S. pulls back from free trade, don't expect other countries to follow.

3. A New Approach to Alliances

As supply chains adjust to new tariff realities, U.S. diplomatic relations with traditional partners are evolving. While some see this as a return to isolationism, the reality is more complicated. Instead of an approach to foreign policy rooted firmly in post-World War II alliances and institutions, the U.S. is pursuing more flexible foreign policy strategies, forming new regional and transactional partnerships based on economic and security needs. The Biden administration initiated this shift, particularly in the Indo-Pacific where it embraced a "lattice strategy" of a series of overlapping partnerships with countries like Japan, Korea, Australia, India, and the Philippines. The Trump administration has maintained some of these groupings, like the "Quad," but is clearly taking a different approach that will drive more shifts in alliances. Future U.S. presidents will need to reimagine old alliances to remain influential in the coming decades.