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How the US' trading partners should respond to Trump's coercive strategy of 'tariffication'

*This week Donald Trump's second administration threatened to impose 25 percent tariffs on imports from Mexico and Canada and ten percent tariffs on China (at time of writing, there is a 30-day pause for Canada and Mexico). **Mona Paulsen** writes that Trump's weaponisation of tariffs is a significant departure from international rules on trade. To reduce uncertainty for firms and supply chains, she argues that these governments need a coordinated response to the US tariff threats and actions.*

The past week has confirmed that the Trump administration understands tariffs serve far more purposes than simply protecting domestic industry from competition from foreign imports. Tariffs are a **weapon** best used to get what you want quickly. They can **facilitate** transactional foreign policy. They can be **performative**, as imposing and lifting them are opportunities for press conferences and photos. They are also **coercive** -- if a country fails to do what you want it to do, you can impose tariffs until the foreign government falls in line. **Tariffication** is no longer a streamlined process to render border measures transparent and reduce tariffs through negotiations. While we cannot yet predict the future, Trump's belief in the utility of tariffs could mean that all **negotiations will begin with a threat of the use of tariffs.**

The US' departure from the international rules of trade

Weaponising tariffs is not new—even if they are imposed for alarming reasons, including supporting a **proposal to violate Canada's territorial sovereignty**. However, responding to the disruption to global economic governance caused by the United States' repeated departure from international rules is urgent today. The dynamics of perpetual alarm could distract international work on more serious **challenges to the global commons.**

The most significant news of the past weekend was the destruction of the United States Agency for International Development (USAID) (such an erasure that I cannot even provide a working link to the government site). USAID is a vital independent agency that provides **humanitarian and development assistance** to people in need, whether due to manmade or natural disasters such as war, famine, and extreme weather events. In addition, USAID supports **political stability and economic and rule of law reforms**, particularly **democratic institution-building**. While tariffs can be used to sanction a target's behaviour, providing aid was the opposite: a positive instrument of statecraft. The loss of aid will be urgent and immediate for many people worldwide, but it seems less flashy than a threat to **purchase Greenland**.

Additionally, for decades, adherence to the multilateral trade law system was a United States technique of economic statecraft. For a while now, this no longer seems to be true. As **my research has explored**, multilateralism as an institutional form became part of the design by which the United States shaped "free world" alliances within the global market, making allies' growth and development a vital part of the US arsenal of statecraft. These early days of the Trump administration suggest that world trade law holds little value in securing United States policy objectives. Again, that is **not new**.

What is new is that over the past two weeks, Canada and other members of the World Trade Organization (WTO) – an international organisation dealing with rules of trade – have had to **counteract Trump's tariff threats**, which, in effect, suspends their WTO obligations. No one may question Canada's urgent response to tariff threats by **imposing counter-duties** or **terminating procurement contracts** with US firms. We could debate the justifications and legality as to whether all actions occurred during an international emergency. But we cannot question that existing in a state of **security exceptionalism** tests the WTO architecture and stalls pressing questions that require coordination – such as pandemic preparedness, supply chain risks, climate change, and shared principles for artificial intelligence. Rather than focusing on **shared approaches to risk management** or **reshaping the trade and financing systems** to spur climate action and harness technology for the **weakest link global public goods**, recent tariffs amplify what Thomas C. Schelling once described as the **manipulation of risk**. Tariffs generate risks that keep global economics unpredictable and malleable to **power politics**.

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Congress needs to step in

Edward Alden of the Council on Foreign Relations has **cautioned** that the United States’s actions violate the spirit of the WTO architecture, which runs deeper than a discrete challenge brought by illegally imposed tariffs. He is right. So, what can be done? For one, the **US Congress must take its role seriously** and **constrain the President’s sanctions powers**. For WTO members, the commitment to compulsory dispute settlement stands. Those impacted by increased tariffs or other constraints should challenge the United States’ violations of their WTO commitments. The **complex loss of the Appellate Body** makes it unclear what remedies may result from a dispute; there is no denying this. However, raising challenges could foster coalition building among other dispute-participating members, a vital WTO function -- as evidenced by Inu Manak’s **research** into committee work. If the United States wishes to bring its own complaints concerning retaliation, so be it. In fact, the US should consider the WTO a productive path to **improving US-China trade relations**.

In May 2023, the **G7 Summit in Hiroshima** led to a political position on economic coercion, seen as a response to China. The G7 **committed to cooperation** against “attempts to weaponize economic dependencies” and acts of coercion that “undermine” domestic policies and “infringes [the] respect for sovereignty and the rule of law.” It also committed to launching a “**Coordination Platform on Economic Coercion**” to facilitate a “collective ... response” to acts of economic coercion. Several governments have domestic instruments that legalise a process to respond to economic coercion, such as the **EU’s Anti-Coercion Instrument**, or **Canada’s s.53 Customs Tariff Act**. Yet, to secure their actions, such governments could require coordination.

Trump’s tariffs require a coordinated response

It is time for those governments concerned with the Trump administration’s threats of economic statecraft to revisit this G7 commitment and foster a space to coordinate measures. Governments

must **manage firms' uncertainties** stemming from international investment and trade, such as regulatory cooperation and capacity building for managing tariff threats, coordinating targeted responses, connecting with firms to address relocation plans, or **identifying product substitutes** that may eventually try to build out from the high integration with US supply chains. A **logical response** to such coordination may be to assert that the world will always need the United States to spend -- yet such a belief may not survive four years of policy uncertainty.

What have I learned from the recent rush of tariff threats on China, Canada, Mexico, and even Colombia? Governments should use global economic rules and mechanisms to work past the threats and reduce uncertainty. Focus on the lessons learned from the pandemic and financial crises -- prioritise source diversification and set a high standard for imposing limited trade restrictions. Invoking security logic for extraordinary circumstances may still be required. However, to address ongoing concerns with economic coercion, governments must try, as best they can, to disable theatrics by advancing shared economic security goals as part of, and not exceptional to, their long-term commitments to **work together**.

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