

The trade war of the superpowers
**Trump's tariffs as a risk for the
Global South and possible
options**

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Bonn, 24 March 2025. Donald Trump's aggressive tariff policy has far-reaching implications for the global economy. The current debate focuses on its effects on trading giants such as the EU and China and on markets closely intertwined with the United States such as Canada. The repercussions for smaller and poorer countries of the Global South are all too often neglected, even though it is ultimately the economically weaker states that will pay the price in a large-scale trade war.

Some of the larger emerging economies such as China, Mexico and South Africa are already feeling the effects of the US tariff policy. Rising tariffs on exports from the Global South are jeopardising export-based growth. Trump's tariff increase from 10% to 25% on steel and

aluminium is hitting countries such as Mexico, South Africa, Vietnam, India and Nigeria. Yet even for countries in the Global South that are not affected by tariffs as direct trading partners, the indirect damage could be considerable. Many of these countries are closely integrated into global value chains that are suffering adverse effects as a result of US tariffs or of counter-tariffs imposed by the EU and China. The products covered by the EU's counter-tariffs are not 100% made in the United States, for example, but instead contain numerous components and semi-finished goods from the Global South. The EU's counter-tariffs thus cause damage there too and not just in the United States.

At the same time, there are potential advantages for some countries of the Global South. If the tariffs on Chinese or EU goods increase, for example, but remain unchanged for Southern Asian countries, the trade flows will shift, which in turn can benefit some of these economies.

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One thing is certain: a global economy that, taken as a whole, is faltering due to the trade wars has a negative impact on economic growth in the countries of the Global South. Geopolitical fragmentation and resulting trade barriers between trading blocs – the United States, the EU and China – could cost Africa a total of 4% of its gross domestic product (over a period of ten years).

The multilateral World Trade Organization (WTO) should actually be responsible for preventing a trade war. The idea is that WTO members can file complaints against Trump's tariffs to the WTO Appellate Body, as these tariffs contravene the basic principles of the WTO. However, the Appellate Body has been unable to hear appeals since 2019 because the United States has been blocking the appointment of new members. As a result, the system of rules-based trade guaranteed by the WTO was already greatly weakened even before Trump imposed the tariffs.

What options are available to the countries of the Global South in these turbulent times?

One way for countries of the Global South to respond to the trade war would be to enter into bilateral trade agreements with the United States. Major trading powers such as China but also Brazil and India have sufficiently large markets and are hence attractive enough to sign deals with Trump on bilateral tariff rebates and better market

access. Small and poor countries, primarily in Africa and Southeast Asia, have little hope of achieving this, however.

Secondly, the Global South could rely on trade agreements with other partners. Agreements with other countries of the Global South are an important component of this type of strategy. A stronger focus on China would also be conceivable. Yet while China may be reliable, it also focuses very heavily on its own interests. The EU would be another potential partner. The EU agreement with Mercosur is ready to be ratified and a large number of other agreements are currently being negotiated with countries including India and Indonesia. A future EU agreement with the African Continental Free Trade Area would be an option that would offer advantages for smaller African countries too.

Thirdly, the multilateral system could play a more prominent role again. Out of the necessity created by the new dynamics in the global economy with a protected US market and less reliable trade relations, countries that continue to be interested in rules-based trade should team up with like-minded trading partners. The aim should be to preserve and strengthen the multilateral trade system. A 'WTO of the willing' can form an important pillar of the future global economy. However, it remains to be seen whether and how the Global South will step up its efforts to speak with one voice in the WTO. India and South Africa play a key role in this context. Will they overcome their hesitation and undertake more to drive forward plurilateral agreements between pioneering states under the umbrella of the WTO? Will they increasingly promote alternative structures to replace the currently dysfunctional WTO dispute settlement system, for example the Multi-Party Interim Appeal Arbitration Arrangement propagated by the EU? In South Africa, there are ongoing discussions within government suggesting that the country may be reconsidering its previous unwillingness. Policy dialogues could contribute to encouraging it to reconsider its course.

Whatever the case, the EU should help mitigate the negative effects of the current upheavals. It should act as a reliable partner for the countries of the Global South. At the same time, the EU itself will benefit from more diversified trading partnerships. It should also actively promote the WTO. An open, rules-based trade regime can only survive if the EU and other countries are willing to play their part in preserving and reforming the system.