


Chapter 1

The Evolution of Global Trade in the 21st Century

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ABSTRACT

The trade war initiated by Donald J. Trump against China during his first term has taken on a global character in 2025. While the main goal was to decrease trade deficits, his administration sought to increase industrialization in the country by promoting American-first protagonism. This book chapter's primary objective is to understand the main reasons that led to the ongoing trade war, as well as to examine the growing challenges to the legitimacy of the WTO and existing international trade rules, which are founded on the core principles of non-discrimination, National Treatment, and fairness. Finally, it examines the increasing significance of new international actions in global trade like the BRICS+, not only to comprehend its key aspects of trade wars but also to lay the groundwork for future discussions, such as new compliance mechanisms, and WTO reform.

1. INTRODUCTION

While historically shaped by the divides of colonization, Global South countries are increasingly leveraging bilateral and multilateral mechanisms to pursue new pathways for economic growth. Benefiting from lower overall operational costs, including raw materials, inputs, and labor compared to Global North countries, those that invested in developing export-oriented manufacturing capabilities in the 20th century have been better positioned to emerge as prominent players in global trade.

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It could be argued that World War II was the cornerstone of modern global trade as well as its new configurations through the formation of regional and global alliances.

According to Ortiz-Ospina et al. (2014), global trade expanded in two distinct waves: the first ranging from the 19th century to the period preceding World War II, and the second wave from the beginning in the post-war era and continuing to the present day. Both periods were influenced by globalization.

In the 19th century, trade was shaped by imperialism and intra-European exchange. Intra-European trade primarily involved the exchange of manufactured goods as countries would build their trade capabilities based on their competitive advantage. Moreover, with the rise of European imperialism, global trade followed a colonial pattern that created structural imbalances, as colonized countries were relegated to the production of raw materials and commodities. This model was increasingly undermined by the rise of economic nationalism, contributing to a decline in commodity prices and exports, and ultimately leading to a period of post-war economic austerity (Ortiz-Ospina et al., 2014).

The second wave aligned with the emergence of the ‘Golden Age of Capitalism’, where the Bretton Woods adjustment period suggested the ‘re-set’ of the finance system, alongside global economic and trade reconstruction. It was within this context that Bretton Woods institutions, such as the World Bank and International Monetary Fund were founded. During the Bretton Wood Conference held in the United States in 1944, global trade was a widely discussed topic, and the institutionalization discussions through the International Trade Organization (ITO) was short-lived. The ITO did not come into existence due to its complex scope, however, which was replaced by the GATT (General Agreement on Tariffs and Trade), which was formed through rounds of negotiations, having thus limited capabilities and provisional agreement to expedite the trade governance (Dadush & Dominguez Prost, 2023). The GATT came into force on January 1, 1948, under a “Protocol of Provisional Application”. The need to regulate global trade became increasingly important to support global economic growth, while supporting the premise that developing countries were passive to trade disadvantages.

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