



26-8 Haunted by Tariffs and Trade Wars: A Positive Trade Policy for US Agriculture

Warren Maruyama, Joseph Glauber, Alan Wm. Wolff, and Nicki Ghazarian-Foye

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ABSTRACT

US farmers have been some of the biggest beneficiaries of US free trade agreements and the postwar creation of a rules-based global trading system. The entry into force of the North American Free Trade Agreement in 1994, the World Trade Organization's Agreement on Agriculture in 1995, and the enactment of the Freedom to Farm Act in 1996 contributed to a more than doubling of farm incomes over the past decades. Accordingly, farmers have been disadvantaged by the US shift away from forging such trade pacts under recent Democratic and Republican administrations. Furthermore, agriculture is among the US sectors most affected by the volatility and uncertainty created by both the first and second Trump administrations' embrace of high, often changing, tariffs as the primary focus of its trade policy. Both Trump administrations provided subsidies to compensate farmers for lost export revenue, but this is not a sustainable long-term solution and cannot replace a more positive US trade policy. This policy approach promises at best increased input costs, while raising uncertainty over foreign market access. US trade policy would help the US agricultural sector more by improving trade rules and expanding farmers' market access abroad.

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Warren H. Maruyama, Senior Counsel Emeritus at Hogan Lovells, served as General Counsel at the Office of the US Trade Representative (2007–2009) and Associate Director for International Economic Policy on the White House staff (1989–1992). The views expressed here are his own and not those of Hogan Lovells. **Joseph Glauber** is Senior Research Fellow Emeritus at the International Food Policy Research Institute and former Chief Economist for the US Department of Agriculture. **Alan Wm. Wolff** is Senior Fellow at the Peterson Institute for International Economics and former Deputy Director-General of the World Trade Organization and former Deputy US Trade Representative. **Nicki Ghazarian-Foye** is an international trade lawyer in Washington, DC.

INTRODUCTION

The Trump administration has deployed tariffs against imports generally—across all types of goods from nearly all US trading partners, in violation of its international commitments. It has done this without consulting Congress, which has the power to regulate commerce under Article I, Section 8 of the US Constitution. Foreign reactions have been generally muted, given broader geopolitical interests of allies, and retaliation has thus far been limited. Nevertheless, there is continuing trade policy uncertainty, resulting in foreign threats of contingent retaliatory responses—often against US agricultural exports—as well as incentives in major markets abroad to diversify sourcing away from the United States in the interest of derisking and implementation of indirect forms of retaliation as US relations with key trading partners continue to fray.

One large source of trade uncertainty is the frequently changing details of the Trump tariffs—on again, off again, rates raised and lowered, product exclusions, bilateral adjustment deals. Another source is the unclear legality of some of his policies.

In *Learning Resources v. Trump*, Slip Opinion No. 24-1287 (February 20, 2026), the Supreme Court held that President Donald Trump’s tariffs under the International Emergency Economic Powers Act¹ (IEEPA) were unlawful. The president and his top advisors had already made it clear they would impose tariffs under Section 122 of the Trade Act of 1974 as an interim measure. On May 7, the Court of International Trade ruled in *State of Oregon v. United States*² that the Section 122 tariffs went beyond the president’s authority. The statute deals with “large and serious balance-of-payments deficits” that lead to “fundamental international payments problems.” The government has appealed the court’s decision. Regardless, because Section 122 tariffs are limited to 150 days, the administration is also moving to implement a new round of tariffs under Section 301 of the Trade Act of 1974 and, according to some reports, under Section 232 of the Trade Expansion Act of 1962, in place of the president’s

1 International Emergency Economic Powers Act, 50 U.S.C. § 1701 (1977).

2 *State of Oregon et. al v. United States*, Slip Opinion 26-27 (May 7, 2026) at <https://www.cit.uscourts.gov/sites/cit/files/26-47.pdf>.

Section 122³ and IEEPA tariffs. The threat of restoring broad tariffs to replace the reciprocal tariffs remains current and is expected. This could include tariffs at even higher rates than those imposed on April 2, 2025—which the president dubbed “Liberation Day”—(e.g., an increase in the baseline tariffs from 10 to 15 percent) and beyond amounts agreed in various “framework” agreements (e.g., 10 percent for the United Kingdom). These actions raise the risk of heightened trade tensions and retaliatory tariffs by US trading partners.

These tariffs are not the only current threat to trade. The president threatened to cut off trade with Spain completely after it refused to allow use of its airspace in the current Iran war and has threatened to raise US tariffs on European cars from 15 to 25 percent after critical comments by German Chancellor Friedrich Merz of his lack of a clear strategy in the Iran conflict. As Spain and Germany are members of the European Union, the EU Council of Ministers was expected to discuss potential countermeasures against US trade in response. This threat added to tensions arising from the war, which has resulted in a spike in input costs, particularly with respect to energy and fertilizers. This is on top of the increased costs placed on inputs for agricultural production from the Trump tariffs, first under IEEPA, then under Section 122, and planned under Sections 301 and 232.

The United States is forging a radically new path on trade and is at risk of turning its back on the lessons of history. Absent agreed rules and enforcement mechanisms in treaties and trade agreements, governments are free to impose protectionist tariffs and quotas, discriminate against imports, subsidize domestic protection, and engage in an assortment of “beggar thy neighbor” practices. Accordingly, since the Middle Ages,⁴ governments have negotiated trade agreements to put their trade on a more stable footing and protect their exporters’ access to foreign markets. In the early 20th century, the United States became a leading proponent of the unconditional most-favored-nation (MFN) principle after being

3 Trade Act of 1974, 19 U.S.C. § 2132 (1975).

4 See, for example, Anqi Wang, “[History of the MFN Clause in International Law](#),” chap. 1 in *The Interpretation and Application of the Most-Favored-Nation Clause in Investment Arbitration* (Brill, 2022), 4–33.

disadvantaged by the United Kingdom's Imperial Preferences and discriminatory European tariff schedules.⁵ The negotiations of the General Agreement on Tariffs and Trade (GATT) in 1947 and the World Trade Organization (WTO) in 1994 sought to address such practices through a set of agreed global rules, including strong rules against discrimination, but the United States has indicated that the age of MFN has passed. Apparently bilateral deals negotiated on the basis of relative leverage would replace existing trade agreements.

Depending on what the president chooses to do in this unsettled situation, the prospect of another wave of punitive US tariffs increases retaliation risks for American exporters, and particularly for US agriculture. With the exception of China and some modest retaliatory tariffs from Canada, the Trump administration has managed to avoid formal retaliation against US agriculture during his second term, although increased Chinese sourcing of soybeans from other sources, principally Brazil, is an active concern.⁶ Nevertheless, retaliation remains one of the biggest risks of higher US tariffs. One of the main costs of the Smoot-Hawley Tariff Act of 1930 was the retaliatory tariffs imposed by US trading partners, which particularly targeted US agriculture and contributed to a steep downward spiral in US and global trade.⁷ This risk is particularly acute for US agriculture, because the United States is the world's largest producer and exporter of agricultural products, reflecting our farmers' unparalleled productivity, the scale and fertility of US farmlands, and adoption by American farmers and ranchers of advanced farming methods, equipment, and technologies.

As a result, farm production and incomes are highly export-dependent at a time when the United States faces increasingly stiff competition from other leading farm exporters, including

5 Douglas A. Irwin, *Clashing over Commerce: A History of US Trade Policy* (University of Chicago Press, 2017), 362.

6 China has always sourced in part from Brazil. The difficulty is that the percentage of sourcing in Brazil is increasing as Brazil converts more land to soybean production and as China looks to insulate itself from the United States. Unfortunately, the likelihood is that China will never go back to sourcing entirely or predominantly from the United States.

7 Irwin, *Clashing over Commerce*, 400; Charles P. Kindleberger, *The World in Depression, 1929-1930* (University of California Press, 1973), 131, 172.

(depending on the commodity) Argentina, Australia, Brazil, Canada, and Europe, and the postwar rules-based global trading system is in disarray. In addition, US agriculture is almost invariably targeted for retaliatory measures whenever trade wars erupt to which the United States is a party. Direct and indirect retaliation for higher US tariffs under the current administration have compounded the challenges already facing US agriculture.

Growth of US exports of bulk commodities like grains, oilseeds, soybeans, and cotton has slowed over the past decade, and did so in 2022. It is true that the United States started running agricultural trade deficits. This is, however, due to price levels of exports (which are largely bulk commodities that have declined over the past few years) and those of imports (which are largely value-added products that have increased with inflation). There is no question that improved market access would help US farmers over the longer run, but it has nothing to do with the agricultural trade deficit.⁸ The slowing of export growth is a matter for concern, and reasons for the decline are troubling. These include President Barack Obama's failure to obtain congressional approval of the Trans-Pacific Partnership (TPP) and the abandonment of US efforts to negotiate free trade agreements (FTAs) or other market access initiatives under President Joseph R. Biden, Jr. Under the current administration, aggressive US trade measures against trading partners, as well as a failure to form closer links to countries that are prime potential growth markets for US agriculture, have led China and other key buyers to shift increasingly from the United States to Australia, Brazil,⁹ Canada, and elsewhere. This is both in response to punitive US tariffs and to take advantage of preferential access enjoyed by US competitors under trade agreements like the 12-member Comprehensive and Progressive Trans-Pacific

8 Joseph W. Glauber, *Is a Negative US Agricultural Trade Balance a Cause for Concern?* (American Enterprise Institute, 2025).

9 Reasons for [Brazil's rise](#) in agriculture include: massive arable land expansion, advances in productivity and technology, and the shift in purchasing by China due to US trade policy ([GIS Reports](#), [Insper](#), and [Economic Research Service](#)). US trade policy has made countries wary of relying on the United States as a supplier. Brazil is highly likely to become, and in some metrics already is, the world's largest agricultural exporter.

Partnership (CPTPP) and the 15-member Regional Comprehensive Economic Partnership (RCEP), as well as to hedge their bets against uncertain US policies.

There is an unfortunate combination of concurrent factors that do not bode well for US agriculture: a shift in focus of trade policymakers toward supply chain resilience during the COVID-19 pandemic, followed by more aggressive use of tariffs by Presidents Trump and Biden, as well as the collapse of over a half-century of efforts under the GATT and WTO on multilateral trade liberalization with the failure of the WTO's Doha Development Round. US agriculture has not gained major new markets abroad in years and is at risk of losing much of what it had through escalating trade tensions.

I. US EFFORTS TO EXPAND AGRICULTURAL EXPORTS THROUGH THE GATT/WTO SYSTEM AND FREE TRADE AGREEMENTS

The United States is the world's largest producer and exporter of agricultural products. However, US farm exports tend to face higher tariff and nontariff barriers¹⁰ than US industrial goods in many markets, reflecting the political clout exercised by farmers in many foreign political systems and the competitive threats posed by efficient US production of many key commodities. As a result, negotiations on agricultural market access tend to be some of the most difficult and protracted in trade agreements, reflecting the need to cover tariffs and quotas as well as a host of potential nontariff barriers, including sanitary and phytosanitary restrictions, import licensing schemes, technical barriers to trade (e.g., standards, labeling), and import monopolies. This also requires an effective enforcement mechanism to prevent backsliding.

As a result, farmers have been some of the biggest beneficiaries of US FTAs and the postwar creation of a rules-based global trading system. In recent decades, American farmers and ranchers have built

10 See, for example, Donna Roberts et al., "A Framework for Analyzing Technical Trade Barriers in Agricultural Markets," Technical Bulletin No. 1876 (US Department of Agriculture, Economic Research Service, Market and Trade Economics Division, 1999).

major export markets in China, Mexico, Canada, Japan, Taiwan, Korea, the Middle East, and Latin America, leading to a more than doubling of farm incomes since the entry into force of the North American Free Trade Agreement (NAFTA) in 1994 and the WTO Agreement on Agriculture (AoA) in 1995, as well as the enactment of the Freedom to Farm Act in 1996. According to the US Department of Agriculture's (USDA) Economic Research Service, around 23 percent of US farm products were exported between 2013 and 2022, with even higher percentages for grains, soybeans, wheat, corn, beef, cotton, sorghum, and tree nuts. In 2024, the United States exported almost \$176 billion worth of agricultural products, including \$24.6 billion of soybeans, \$14 billion worth of corn, and \$10.46 billion of beef. In 2023, the three biggest US farm export markets were China (\$29.1 billion), Mexico (\$28.6 billion), and Canada (\$28.2 billion), all of which are still engaged in difficult negotiations with the US administration. Exports contribute over 20 percent of farm incomes.

The USDA states that since 1948 US productivity has more than [doubled](#). In inflation-adjusted terms, the \$62 billion in US farm exports in 1995 is equivalent to approximately \$130 billion to \$131 billion in 2024 dollars, so the actual growth of US exports to \$176 billion was 35 to 40 percent, a solid performance.

Accordingly, for decades, American farmers and ranchers have championed efforts to lower foreign tariffs and bring global trade under a system of binding and enforceable rules through the WTO and US FTAs. Agriculture has been a leading beneficiary of US FTAs and the WTO, because farm products are too often subject to much higher tariffs and protectionist nontariff barriers—e.g., sanitary and phytosanitary (SPS) restrictions, restrictive import licensing, restrictive biotechnology approvals, labeling requirements, etc.—than industrial products in US trading partners, if they let farm imports in at all. Today, the United States has 14 FTAs in force with 20 countries. These represent only around 10 percent of global GDP and only 6 percent of the world's population, but 49 percent of US farm exports.¹¹

11 Betty Resnick, "[Agricultural Exports 101: Over 20 Percent of U.S. Agricultural Production Is Exported](#)," American Farm Bureau Federation, February 12, 2025.

The major trade liberalization the United States engaged in during this 30-plus year period was the conclusion of NAFTA, which entered into force in 1994, and was succeeded by the US-Mexico-Canada Agreement (USMCA) in 2018. Under NAFTA, Canada and Mexico emerged as the two biggest export markets for US agriculture.

Agriculture has also been the beneficiary of a benign structure of global trade rules including the WTO AoA and China’s accession to the WTO in 2001. By bringing agriculture into meaningful GATT/WTO rules for the first time, the AoA accomplished converting quotas into tariffs, required reductions in tariffs and export subsidies, and established binding commitments. This provided US agriculture with more predictable access to foreign markets and saw a growth in exports of soybeans, corn, meat, and horticultural products (see figure 1).

Figure 1

US agricultural exports, 1990–2025



Note: Shaded bar indicates 2018–2019 US-China trade war.

Source: US Department of Agriculture, Foreign Agricultural Service, Global Agricultural Trade System database, <https://apps.fas.usda.gov/gats/default.aspx> (accessed February 27, 2026).

China's 2001 WTO accession, including major reductions in Chinese tariff and nontariff barriers, contributed to sharp increases in US farm exports, particularly commodities like soybeans, beef, corn, feed grains, and sorghum. US farm exports to China increased from \$1.9 billion in 2001 when China joined the WTO to a peak of over \$25 billion in 2013.¹² This upward trajectory was severely disrupted by the 2018–19 trade war over US Section 301 tariffs, leading to \$16 billion in export losses over 2018–19 for American farmers compared to US farm exports to China in 2017, which the first Trump administration sought to offset with Market Facilitation Program payments. Growth resumed after the first Trump administration negotiated a phase one deal with China in January 2020, including important steps to address Chinese market access and SPS barriers to a number of agricultural commodities,¹³ and reached a record \$38 billion in 2022 (see [figure 2](#) on page 10).

Attaining greater market access and bringing agriculture into WTO disciplines made agricultural trade freer globally and subject to additional disciplines against trade-distorting measures during the last 30 years.¹⁴ However, while the Agreement on Agriculture

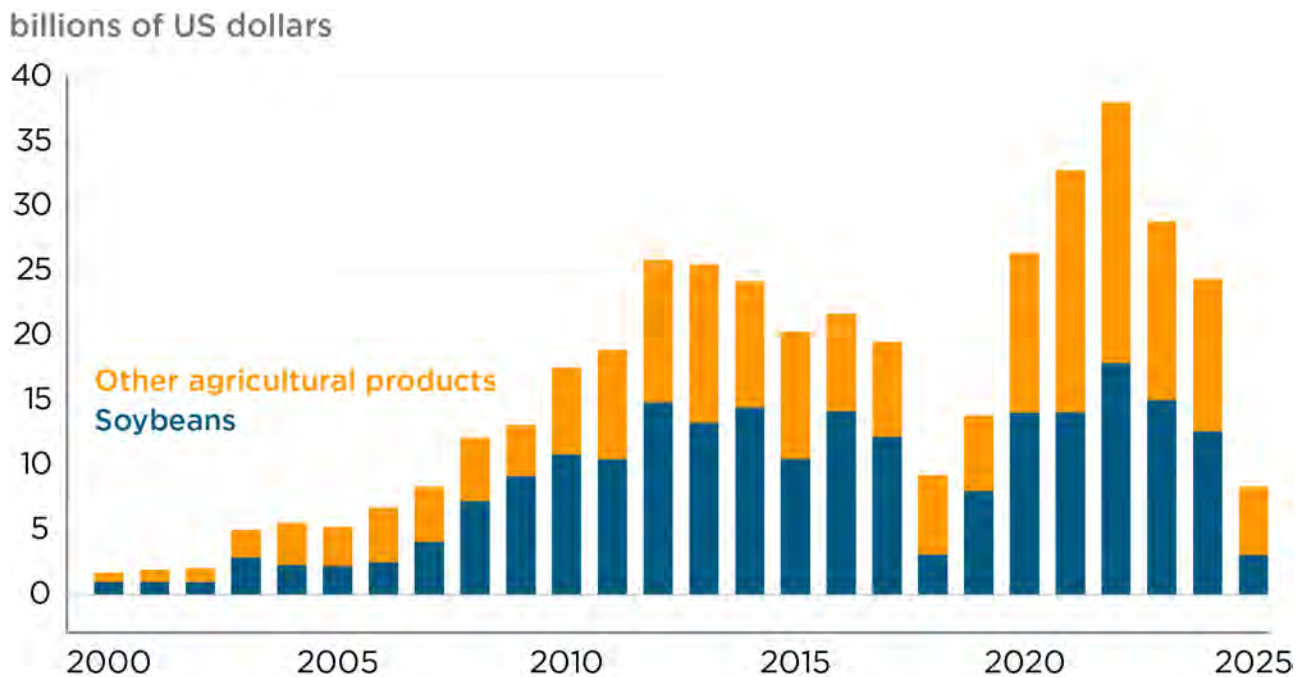
12 Graham Soley, *Record U.S. FY 2022 Agricultural Exports to China* (US Department of Agriculture, Foreign Agricultural Service, 2023).

13 See Office of the US Trade Representative, “[Fact Sheet: Economic and Trade Agreement Between the United States of America and the People’s Republic of China—Agriculture and Seafood Related Provisions](#)” Office of the US Trade Representative, 2020). China committed to purchasing \$40 billion of US farm products; adopting a transparent, predictable, efficient, science- and risk-based regulatory process for evaluation and authorization of products of agricultural biotechnology; expanding market access for US beef, pork, dairy, infant formula, rice, seafood, fruits and vegetables, and dried distillers grains; and addressing certain SPS barriers.

14 China—Grain Subsidies (DS511): The WTO found China provided support to wheat and rice producers exceeding its 10 percent de minimis level. India—Measures Concerning Sugar and Sugarcane (DS580): India was found to have provided nonexempt, excessive, and unreported subsidies to sugarcane producers. US-Brazil Cotton (DS267/DS357): The United States was found to have provided prohibited and actionable subsidies to cotton producers. There are also Trump tariffs, Canadian and Chinese retaliatory tariffs, and India’s Public Stockholding Program.

provided for ongoing negotiations, these have never taken place. There has been little further negotiated improvement in global foreign agricultural market access because no major trade liberalizing multilateral negotiations (other than the ill-fated Doha Development Agenda) have taken place during the three-decade lifespan of the WTO. The last major US attempt at a broad regional FTA, the TPP, was completed in early 2016 but did not receive congressional approval during the Obama administration and was promptly cancelled by President Trump as one of his first acts after assuming office in January 2017.

Figure 2
US agricultural exports to China, 2000–2025



Source: US Department of Agriculture, Foreign Agricultural Service, Global Agricultural Trade System database, <https://apps.fas.usda.gov/gats/default.aspx> (accessed February 27, 2026).

II. PRESIDENT TRUMP’S TARIFFS AND TRADE POLICY

In the last year, the picture of US participation in the world trading system has changed—largely for the worse. World trade continues to grow, but the United States has made it clear it no longer feels bound by its most fundamental WTO and FTA commitments with respect to tariffs or MFN/nondiscriminatory treatment of US

trading partners. A 10 percent universal “Liberation Day” tariff was announced on April 2, 2025, with higher tariffs for most major trading partners, including key agricultural export markets, going into effect in August after a 90-day “pause.” The simple average applied tariff rate on all imports rose to 16.2 percent, with a trade-weighted average of 12.8 percent,¹⁵ the highest level since 1946.

The administration has justified its tariffs by arguing that the existing global trading system severely disadvantages the United States and led to decades of US trade deficits. As a result, it argues that the United States is justified in threatening to impose higher tariffs and demanding that US trading partners take steps to eliminate bilateral trade deficits. The president has argued that tariffs will lead to reshoring of manufacturing and jobs that moved overseas under earlier administrations, as well as generate revenues to support reduced income taxes and budget deficits. The costs at home have been largely ignored. Because tariffs are taxes, they invite higher consumer costs and inflation. Many US manufactured goods contain extensive imported materials, parts, and components, although they are assembled in the United States and qualify as US products. To the extent these inputs are subject to tariffs, the higher cost of manufacturing finished goods in the United States means they are less competitive internationally. It also means such industries are vulnerable to increased import competition unless the tariffs on imported finished goods are raised enough to offset the US manufacturer’s higher costs. One example is the IEEPA and antidumping and countervailing duties on imports of phosphate and potash fertilizers, which have driven up input costs and disadvantaged US corn, cotton, and sorghum.¹⁶ While the administration has taken steps to lift certain fertilizer duties, the trade has been further disrupted by the Middle East conflict.

According to the US International Trade Commission (USITC), US imports in 2024 totaled \$3.394 trillion, of which 31 percent

15 World Trade Organization, “[WTO-IMF Tariff Tracker](#)” (accessed April 13, 2026).

16 Jim Wiesemeyer, “[Ag Intel: Tariffs, Trade Remedies, and Fertilizer: How US Policy Is Reshaping Farm Input Costs](#),” *Ag Bull*, October 23, 2025; Shawn Arita et al., “[IEEPA Fertilizer Tariffs: Revenue, Relief, and Pass-Through](#),” *NDSU Agricultural Trade Monitor*, January 2026.

were subject to duties, with a ratio of US duties to the value of imports of 2.4 percent and a ratio of duties to the value of dutiable goods of 7.5 percent.¹⁷ This rate was already much higher than in prior administrations because of the first Trump administration's Section 301 duties on China and Section 232 duties on steel and aluminum, which were maintained by the Biden administration. Under the current Trump administration, the ratio of US imports subject to duties rose sharply to 39 percent, the ratio of duties to the value of all imported goods rose to 7.8 percent, the highest since 1947, and the ratio of duties to the value of dutiable goods surged to 19.7 percent because of new IEEPA and Section 232 tariffs unilaterally imposed in violation of US WTO and FTA commitments.¹⁸ (These numbers do not reflect the blanket Section 122 balance of payments tariff of 10 percent, introduced in 2026.) Thus far, however, most US trading partners have chosen to try to accommodate the administration through negotiated agreements, leading to about a dozen bilateral "framework deals." These agreements do not appear to involve a common set of rules, other than that the United States has the right to apply higher tariffs and demand additional trade concessions and investment commitments from any who agree to these deals.

17 See US International Trade Commission, Office of Operations, Office of Analysis and Research Services, "[U.S. Imports for Consumption, Duties Collected, and Ratio of Duties to Value, 1891-2025](#) (Table 1)" (US International Trade Commission, 2026). While a large percentage of US imports remain duty-free, this reflects the Trump administration's exclusions for goods that qualify under USMCA's rules of origin and a limited set of exclusions for food products and certain goods that are not produced in the United States. See, for example, Exec. Order No. 14346, "[Modifying the Scope of Reciprocal Tariffs and Establishing Procedures for Implementing Trade and Security Agreements](#)," 90 Fed. Reg. 173, (September 10, 2025); Exec. Order No. 14257, "[Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices That Contribute to Large and Persistent Annual United States Goods Trade Deficits](#)," 90 Fed. Reg. 65, (April 7, 2025).

18 Ibid. The Tax Foundation has done a similar set of calculations. It estimates that the duties will cost the average US household \$1,000 and this will increase by \$600 as a result of duties imposed in 2026. Erica York and Alex Durante, "[Tracking the Impact of the Trump Tariffs and Trade War](#)," Tax Foundation, March 13, 2026.

The deals were recorded with no great formality, and some have yet to be captured in written texts. Most also lack the type of specificity included in US FTAs, including the detailed staging of tariff reductions, disciplines over SPS measures, import licensing, and other common means of circumventing market access commitments and dispute settlement mechanisms to enforce commitments and prevent backsliding under political pressure. Many of the framework agreements are limited and appear to leave some of the hardest issues for further negotiations. Nevertheless, there was a return to some degree of stability, if not assurance of continued applicability for a while. However, since most of the framework agreements were tied to a partial lowering of the president's IEEPA tariffs, their ultimate fate remains unclear after the Supreme Court's decision in *Learning Resources v. Trump*.

The United States has, to a substantial degree, gone rogue. It has not admitted that blowing past tariff bindings was a breach of its WTO or FTA obligations. Nor did it admit that its actions were a violation of its MFN or nondiscrimination obligations under the WTO and other agreements, while informing members of the WTO in a "WTO reform" paper that the era of nondiscrimination is over. Nevertheless, the United States has not walked away from the other provisions of the WTO agreements, such as obligations with respect to SPS measures and technical barriers to trade (TBT/ industrial standards). It remains an active member of the WTO's SPS, TBT, and Agriculture committees, and appears to fully intend its trading partners will live up to their SPS and TBT obligations. So far, it has not breached its agricultural subsidy commitments under the WTO AoA. Nor has it stepped back from the Customs Valuation agreement. But it has placed itself in a position of being in likely noncompliance with some WTO agreements and in flagrant, albeit not admitted, departures from the central rules of the agreement.

On a happier note, the United States has not left the WTO, as it has most other international organizations. In an unexpected but favorable development, it even paid the back dues stemming from a failure of the Biden administration to complete the payment during its time in office. Whether it remains in some or all of the WTO was a subject of debate in the first Trump administration, with White House Trade Advisor Peter Navarro pushing to exit the WTO's Government

Procurement Agreement; but this is a decision only President Trump can make. This introduces a greater degree of unpredictability.

III. WHY DO FOREIGN RETALIATORY DUTIES ALMOST ALWAYS TARGET US AGRICULTURE?

More than any other sector, US agriculture tends to bear the brunt of planned foreign retaliation for higher US tariffs and other trade conflicts. Our trading partners know that US agriculture is both politically and economically sensitive and offers some of their best leverage against US tariffs and trade barriers.

Because retaliation was uncommon in the GATT/WTO system, few governments had occasion to formulate punitive tariff packages, so the process is not well understood. In broad brush, the goal is to identify products that provide negotiating leverage by putting pressure on a foreign government to back off protectionist tariff increases, WTO-illegal trade restrictions, or nontariff barriers through a negotiated solution. This requires identifying and if possible targeting politically or economically sensitive sectors in the target country while minimizing damage to one's own economy. Another albeit implicit goal is to minimize any political backlash in the form of stakeholder complaints, as these could lead to pressure to remove the retaliatory tariffs and undermine a government's negotiating leverage. Retaliatory tariffs can also be used to satisfy demands for increased protection from domestic stakeholders, although this can also present complications when removing tariffs if a deal to resolve a trade dispute is struck.

The foremost early example of trade retaliation was the Chicken War in the 1960s. With the formation of the European Common Market (the European Economic Community, EEC), the United States lost its market for poultry in the heart of Europe. It retaliated using a provision of the GATT, Article XXVIII, which is designed to restore the previous balance of trade concessions. The United States increased tariffs on products of interest to the EEC, but on an MFN basis. The point was to spread the effects to the major supplying countries of the products chosen for the retaliatory package. The higher US tariffs were placed on imported brandy, dextrin, potato starch, and small trucks. Brandy was designed to have an impact on the French, for example, and the light truck tariff was intended to hit Volkswagen buses. For the first three of these products, subsequent

negotiations brought the rates back down. In the case of light trucks, the 25 percent retaliatory tariff remained and developed a major constituency to protect against Japanese and later Korean imports. US attempts to negotiate market access for poultry in the expanded European common market, now part of the European Union, have not met with success. The retaliation was unsuccessful with respect to agricultural market access but became welcome protection for the domestic auto industry.

The United States, Canada, and European Commission (EC) all follow similar processes in compiling lists of retaliatory tariffs.¹⁹ The process involves requesting public comments and holding hearings where affected stakeholders have an opportunity to testify.²⁰ The US process was typical. At least in the pre-Trump era, the Office of the US Trade Representative (USTR) went through an elaborate notice and comment and public hearing process to identify products for Section 301 tariff hikes. The USTR process was run by the Section 301 Committee, which is chaired by USTR and consists of senior officials and lawyers from the Departments of Treasury, State, Commerce, Labor, and Energy, the National Security Council, Office of Management and Budget, Council of Economic Advisers, White House staff, and other relevant agencies. It involved the publication of a Federal Register notice to put importers, manufacturers, and other US stakeholders on notice of potentially higher tariffs, creating an opportunity for them to file written comments, and a public hearing with an opportunity for US stakeholders to testify in front of the committee. The committee then undertook a detailed review of the comments and formulated a final list.

This process provides transparency but also serves as a political safeguard since it enables a government to ascertain whether

19 The Chinese process, which is run by MOFCOM, is a black box but clearly involves an effort to avoid unintended damage to Chinese manufacturers and consumer shortages, while targeting politically sensitive US products.

20 See, for example, Office of the US Trade Representative, “[Review of Action Taken in Connection with WTO Dispute Settlement Proceedings on the European Communities Measures Concerning Meat and Meat Products](#),” *Federal Register* 73, no. 216 (November 6, 2008), 66066.

imposing higher tariffs would lead to unacceptable damage to domestic stakeholders and/or a political backlash. Tariffs can lead to crippling increases in costs for industrial materials, parts, and components,²¹ hurting manufacturers, since many US manufactured goods contain extensive imported materials, parts, and components.²²

Tariffs can also lead to politically damaging increases in the prices of critical consumer goods such as medicines, food, medical devices, school supplies, smartphones, laptops, and other goods that risk a consumer and political backlash or invite negative publicity, such as sharply raising the prices of life-saving medicines and medical devices. The ideal retaliatory non-MFN tariff (confined to imports from the target country) involves a product where there are ample third country or domestic alternatives, so the negative impact on downstream industries, exports, and

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- 21 The integration of global supply chains means that most domestic products incorporate imported materials, parts, and components. Higher tariffs drive up costs and can render industries more vulnerable to increased import competition or cost export sales, with negative impacts on jobs.
- 22 Many US manufactured goods contain extensive imported materials, parts, and components, although they are assembled in the United States and qualify as US products. See, for example, Yuri Unno, [“Are US Auto Tariffs Punishing Domestic Investment?”](#) Center for Strategic and International Studies, May 14, 2025. To the extent these inputs are subject to tariffs, the higher cost of manufacturing finished goods makes them less competitive internationally. The imposition of Section 232 tariffs on imported parts and components, including 25 percent on steel and 10 percent on aluminum, has imposed major burdens on US automakers, with Ford Motor Company reporting \$2 billion in higher costs and General Motors \$3.1 billion, with potential price increases of \$4,711-\$8,000 per vehicle. Charles Singh, [“These Carmakers Lost Billions to Tariffs. Will They Sue?”](#) *USA Today*, March 2, 2026. It also means such industries are vulnerable to increased import competition unless the tariffs on imported finished goods are raised enough to offset the US manufacturer’s higher costs. See Elmer Eric Schattschneider, *Politics, Pressures, and the Tariff* (Prentice Hall, 1935). Important and essential industrial inputs of components as well as finished products (equipment for part of the process for producing semiconductors) must be imported, for example.

consumers is minimized.²³ There are alternatives to most American farm products—Argentina (soybeans, soybean oil, meat), Australia (beef, wheat, wine), Brazil (soybeans, corn, cotton, meat, poultry), Canada (beef, wheat, canola), and Europe (wine, dairy, spirits). Any tariff placed on these products as US retaliation would have limited effect. But a foreign country choosing to act against one of these American products (e.g., a Chinese tariff on US soybeans) would have a serious immediate effect, causing Chinese importing firms to shift to other sources of supply, and history shows that there can be permanent adverse effects for US agriculture through the loss of markets that often took decades to build up.

In addition, governments usually screen product lists for potential sources of negotiating leverage, focusing on those that are (1) a key political constituency in the target country; (2) highly dependent on export sales; (3) signature products and sources of national jobs, pride, and identity (e.g., wines and spirits, bourbon whiskey, and cheese); (4) deteriorate quickly (e.g., food products) so they can't be stored until a trade dispute is resolved and thus boost pressures for a quick resolution; and (5) have political clout to pressure their government to negotiate a solution. This makes agriculture an

23 In the first Trump administration, USTR excluded smartphones and laptops from Section 301 tariffs. See Maureen E. Thorson, "[United States Trade Representative Clarifies 10% 'List 4' Section 301 Tariffs on Chinese Goods Is Two-Step Process](#)," Wiley, August 13, 2019. The exclusion was extended in December 2019 as part of the US-China phase one deal. See Office of the US Trade Representative, "[Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation](#)," *Federal Register* 84, no. 161 (August 20, 2019), 43304; Office of the US Trade Representative, "[Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation](#)," *Federal Register* 84, no. 243 (December 18, 2019), 69447. Putting tariffs on life-saving medicines invites a patient backlash and extremely negative publicity and is thus something USTR traditionally has avoided, including the exemptions for health care products used to treat COVID-19 during the Trump 1.0 and Biden administrations. See Office of the US Trade Representative, "[Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation](#)," *Federal Register* 85, no. 14 (January 22, 2020).

especially inviting target, given the disproportionate political clout enjoyed by farmers and their importance in swing districts and states (e.g., Iowa, Colorado, Nebraska, Minnesota, Kansas, and Wisconsin) which can affect control of Congress. While many Midwestern farmers and rural voters tend to favor Republicans because of environmental and social policies, staying home is always an option, particularly in mid-term elections where turnout is a major challenge.

The European Commission has formalized these factors under its [Regulation \(EU\) No. 654](#). In seeking comments on potential products for its response to US Section 232 tariffs, the commission listed the following considerations:

These commercial policy measures must be substantially equivalent to the level of concessions or other obligations affected by the third country's measure and must be determined on the basis of the following criteria, where relevant, in light of available information and of the EU's general interest:

- 1 effectiveness in inducing compliance of third countries with international trade rules;
- 2 potential to provide relief to economic operators within the European Union, affected by third country measures;
- 3 availability of alternative sources of supply for the goods concerned, in order to avoid or minimize any negative impact on downstream industries, contracting authorities or entities, or final consumers within the EU;
- 4 avoidance of disproportionate administrative complexity and costs in the application of the measures;
- 5 any specific criteria that may be established in international trade agreements.²⁴

All these considerations take time to sort through, typically one to two months.

In trade disputes involving the US, decision-making processes by key trading partners regarding retaliation against the US almost

24 European Commission, "Information Gathering Notice under Regulation (EU) No 654/2014 on the New US Tariffs on Steel and Aluminium Products, and Possible EU Rebalancing Measures in Response," 2025.

always target agricultural commodities,²⁵ along with a handful of other prominent and politically sensitive export products; for example, bourbon whiskey, aircraft, motorcycles. Given its export dependence, US agriculture is uniquely vulnerable to foreign retaliation and here as elsewhere exercises disproportionate political sway.²⁶ Unfortunately, there are usually ample alternatives to many American farm exports, so tariffs are less likely to lead to shortages, inflation, or a consumer backlash.²⁷

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- 25 Colin A. Carter and Sandro Steinbach, “[The Impact of Retaliatory Tariffs on Agricultural Trade](#),” Working Paper No. 27147 (National Bureau of Economic Research, 2020).
- 26 In many countries, rural areas often have outsized representation in legislative bodies (e.g., the US Senate, Japanese Diet).
- 27 To be fair, USTR has employed similar tactics in formulating US retaliation lists. One example is the WTO beef hormones dispute involving a protracted US and Canadian challenge to the EU ban on hormone-treated beef. See World Trade Organization, “[DFS26: European Communities—Measures Concerning Meat and Meat Products \(Hormones\)](#)” updated April 17, 2014. After a WTO panel ruled that the measures violated the WTO Agreement on Sanitary and Phytosanitary Measures because of their lack of a scientific basis, the United States initially retaliated in 1999, but with minimal effect. In January 2009, USTR revised the list of covered products under the “carousel” provisions of the Trade and Development Act of 2000 (H.R. 434). The modified list applied 100 percent tariffs to additional products, such as cheese, cut flowers, sausages, canned peaches and pears, nuts, fruit juices, Italian bottled water, chocolate, chewing gum, and oats. The revised list was heavily weighted toward agricultural and food products because of their political sensitivity in a broader group of EU Member States in hopes they would gang up on the EU Member States supporting the ban and targeted several signature French products, as France was seen as the primary instigator of the ban. Several products were dropped from the 1999 list (e.g., onions, carrots, processed tomatoes, soups, yarns, etc.) because the US market was of minimal importance to the EU producers involved and did not offer meaningful negotiating leverage. The tariff on Roquefort cheese was boosted from 100 percent to 300 percent because the lower tariff had had a minimal impact on exports to the United States since its market consisted of high-income households. The revised list led to a quick resolution of the dispute in May 2009, in which the European Union agreed to a tariff-rate quota for 20,000 metric tons of imported high-quality beef that was not treated with hormones, ending the dispute after over a decade-long impasse.

As a result, US farmers have had extensive experience with retaliatory tariffs. In 2018, the first Trump administration imposed Section 232²⁸ tariffs on steel and aluminum imports from major trading partners and began imposing Section 301²⁹ tariffs on over \$350 billion of imports from China. In response, Canada, China, the European Union, India, Mexico, and Turkey responded with retaliatory tariffs on US exports, including agricultural and food products and alcoholic beverages. The agricultural products subject to retaliatory duties totaled \$30.4 billion in 2017, with individual product lines experiencing tariff increases from 2 to 140 percent.³⁰

USDA's Economic Research Service estimated that from 2018–19 the direct effect of retaliatory tariffs on US agricultural exports to these markets was a reduction of over \$27 billion (or annualized losses of \$13.2 billion) in US agricultural exports, with the largest declines occurring for exports to China.³¹ The items targeted by China included soybeans, pork, beef, corn, and dried distillers grains. The European Union adopted an innovative approach of targeting products important to key members of Congress, including bourbon whiskey (then Senate Majority Leader Mitch McConnell, R-KY); Harley-Davidson motorcycles (then House Speaker Paul Ryan, R-WI); and Levi's jeans (then House Minority Leader Nancy Pelosi, D-CA). The main impact, though, was in China, which both cut imports of US soybeans and shifted sourcing to Brazil. [According to the USDA](#), "At the commodity level, soybeans accounted for the predominant share of total trade loss, making up nearly 71 percent (\$9.4 billion of annualized losses) of the total, followed by sorghum (over 6 percent or \$854 million in annualized losses), and pork (nearly 5 percent or \$646 million in annualized losses)."

As a result, during the first Trump administration, agricultural products accounted for 68 percent of China's Section 232 retaliation,

28 Trade Expansion Act, 19 U.S.C. § 1862 (1962).

29 Trade Act of 1974, 19 U.S.C. § 2411 (1975).

30 Stephen Morgan et al., *The Economic Impacts of Retaliatory Tariffs on U.S. Agriculture*, Economic Research Report No. 304 (US Department of Agriculture, Economic Research Service, 2022).

31 Morgan et al., *The Economic Impacts of Retaliatory Tariffs on U.S. Agriculture*.

22 percent of China's Section 301 retaliation, as well as 33 percent of the European Union's retaliation, 20 percent of Canada's retaliation, 79 percent of Mexico's retaliation, and 61 percent of India's retaliation for higher US tariffs under Section 232.³²

IV. FOREIGN RETALIATION FOR TRUMP 2.0 TARIFFS

While most governments have held back from retaliation threats in the second Trump administration, exceptions include Canada, the European Union, and China. Canada has since backed off to a large degree and the European Union has held its proposed retaliation in abeyance after striking a deal on a framework agreement.

On February 3, 2025, Canada responded to President Trump's 25 percent IEEPA tariffs³³ with tariffs on C\$30 billion of US orange juice, peanut butter, wine, spirits, beer, coffee, appliances, apparel, footwear, motorcycles, cosmetics, and paper products.³⁴ After the administration expanded US Section 232 tariffs on steel and aluminum, Canada retaliated with higher tariffs on C\$29.8 billion of US steel, aluminum, tools, computers and servers, display monitors, sporting goods, and cast-iron products.³⁵ After the administration imposed Section 232 tariffs on imported autos and auto parts, Ottawa hit back with 25 percent tariffs on US-origin vehicles.

32 Jason H. Grant et al., "Agricultural Exports and Retaliatory Trade Actions: An Empirical Assessment of the 2018/2019 Trade Conflict," *Applied Economic Perspectives and Policy* 43, no. 2 (2021), 619–40; Benjamin Tsui and Stephanie Rosch, *Retaliatory Tariffs on US Agriculture and USDA's Responses: Frequently Asked Questions* (Congressional Research Service, 2025).

33 Exec. Order No. 14193, "Imposing Duties to Address the Flow of Illicit Drugs Across Our Northern Border," 90 Fed. Reg. 25 (February 7, 2025), as amended by Exec. Order No. 14197, "Progress on the Situation at Our Northern Border," 90 Fed. Reg. 26 (February 10, 2025).

34 Department of Finance Canada, "Canada Announces Robust Tariff Package in Response to Unjustified US Tariffs," News Release, March 4, 2025.

35 See Department of Finance Canada, "Canada Responds to Unjustified US Tariffs on Canadian Steel and Aluminum Products," News Release, March 12, 2025. Canada suspended a second wave of retaliatory tariffs worth C\$125 billion (US\$87 billion).

China has been the most aggressive. After a modest initial response to Trump's 20 percent fentanyl tariffs³⁶ that targeted US liquefied natural gas (LNG) and agricultural machinery, China announced a 15 percent additional tariff on US chicken, wheat, corn, and cotton, and a 10 percent tariff on US sorghum, soybeans, pork, beef, seafood, fruits, vegetables, and dairy. It also threatened to revoke exclusions for US farm products from retaliatory duties imposed in response to USTR's Section 301 tariffs imposed because of China's intellectual property rights (IPR) practices in the first Trump administration. These actions took direct aim at the president's agricultural and rural political base.³⁷ This led to a series of tit-for-tat tariff increases until US tariffs on Chinese goods reached 145 percent and Chinese tariffs on US goods reached 125 percent.

In March 2025, noting that any further exchange of tariff blows would be "meaningless,"³⁸ Beijing imposed export controls prohibiting Chinese firms from exporting dual-use items to 15 US entities in order to "safeguard national security and interests and

36 See Exec. Order No. 14195, "Imposing Duties to Address the Synthetic Opioid Supply Chain in the People's Republic of China," 90 Fed. Reg. 25 (February 1, 2025); Exec. Order 14228, "Further Amendment to Duties Addressing the Synthetic Opioid Supply Chain in the Peoples Republic of China," 90 Fed. Reg. 44 (March 7, 2025). See Department of Homeland Security, US Customs and Border Protection, "Further Amended Notice of Implementation of Additional Duties on Products of the People's Republic of China Pursuant to the President's Executive Order 14195, Imposing Duties to Address the Synthetic Opioid Supply Chain in the People's Republic of China," *Federal Register* 90, no. 43 (March 6, 2025), 11426.

37 On April 9, Beijing responded to Trump's 34 percent reciprocal tariff by imposing 34 percent tariffs on all imports from the United States starting on April 10, with Trump then announcing he would impose a 50 percent counter-retaliatory tariff on China. A further exchange brought US tariffs to 145 percent (plus the 25-100 percent Section 301 tariffs on roughly half of China's exports from Trump 1.0 and the Biden Four-Year Review), and China's tariffs on US goods to 125 percent.

38 State Council Information Office, "Commerce Ministry: China to Ignore US Tariff Game," Xinhua, April 17, 2025.

fulfill international obligations on nonproliferation.”³⁹ It added 10 US firms to its Unreliable Entity List (UEL) and banned Chinese imports of gene sequences from Illumina, Inc. On the same day, China’s customs authority suspended imports of US logs and soybeans, citing findings by Chinese quarantine inspection officials. China’s Ministry of Commerce (MOFCOM) initiated an anticircumvention investigation into US single-mode optical fiber, leading to the imposition of preliminary antidumping duties on April 22, 2025, and suspended deliveries of US aircraft. Importantly, in Announcement No.18 (April 4, 2025), MOFCOM implemented export controls on medium and heavy rare earths.⁴⁰ This was a major threat since China controls 60 percent of rare earth mining and 90 percent of rare earth processing, giving it a stranglehold over materials that are vital to a host of advanced technologies, including electric vehicles (EVs), satellites, missiles, EV batteries, and advanced magnets.

Through much of 2025, China also boycotted purchases of American soybeans, beef, and other agricultural products. China traditionally has been one of the largest export markets for US agriculture, but US agricultural exports to China plummeted. China is particularly important for soybeans, since historically it has represented around half of US soybean exports and 20 percent of US production. Since the US began imposing Section 301 tariffs on China in the first Trump administration, Beijing has further diversified its sourcing to Brazil and more recently, Argentina. Until October 2025, it had not bought any US soybeans in the current marketing year. According to the USDA, US exports of soybeans and other oilseeds to China totaled \$2.5 billion from January–July 2025, compared to \$12.8 billion in 2024 and a record \$18 billion in 2022.⁴¹ Instead, it turned to Brazil. Economists for the American Soybean Association and National Corn Growers Association have warned

39 Ministry of Commerce, [Notification No. 13/2025](#) (March 4, 2025).

40 Ministry of Commerce, “[Announcement No.18 of 2025 of the Ministry of Commerce and the General Administration of Customs of the People’s Republic of China Announcing the Decision to Implement Export Control on Some Medium and Heavy Rare Earth Related Items](#),” April 4, 2025.

41 Faith Parum, “[Agricultural Trade: China Steps Back from US Soybeans](#),” American Farm Bureau Federation, October 2, 2025.

that once new land is brought into soybean and corn production in Brazil and Argentina (e.g., by clearing Amazon jungle or Argentine grass), it is going to stay in production, driving up global supplies and eating into US exports.⁴²

As the American Soybean Association has pointed out, the size of the Chinese market means there is no realistic substitute for US access to the Chinese market.⁴³ While alternative markets exist, they are too small to replace the volume historically bought by China which in the seven years preceding the US-China trade wars accounted for around 60 percent of US soybean exports.

The European Commission's response was slowed by consultations with Member States and stakeholders. EU officials say the challenge for the Commission is to find a "balance" between the conflicting priorities and demands of the 27 EU Member State stakeholders, which means such measures are almost always diluted as they move through the European Union's process. The European Union's retaliation packages were repeatedly postponed in light of Trump's initial pause on the US reciprocal tariffs and extension of the initial August 1 deadline. The final draft European package reportedly covered €93 billion, including €6.4 billion in US agricultural products (bourbon whiskey, orange juice, soybeans, and poultry) as well as US aircraft and parts, cars and car parts, chemicals and plastics, medical devices and equipment, electrical equipment, and industrial machinery, but was never implemented after President Trump and European Commission President Ursula von der Leyen reached an initial deal in Turnberry, Scotland, on July 27, 2025.⁴⁴ The retaliation list was shelved and waits to be dusted off

42 Krista Swanson et al., "Trade Study: How Potential New Tariffs Could Impact U.S. Soybeans and Corn," National Corn Growers Association, October 15, 2024. A report in *Nature* argues that Brazil's expansion of soybean production in response to the US-China trade war has contributed to "massive deforestation" in the Amazon. Richard Fuchs et al., "Why the US-China Trade War Spells Disaster for the Amazon," *Nature* 567, no. 7749 (2019): 451-54.

43 American Soybean Association, "Soybeans Without a Buyer: The Export Gap Hurting U.S. Farms," August 20, 2025.

44 Camille Gijs, "EU to Hit US Aircraft, Cars and Food in Latest Retaliatory Strike," Politico, July 14, 2025.

if tensions erupt over trade, Greenland,⁴⁵ the Iran war, or Norway's failure to award Trump the Nobel Peace Prize.

Although most retaliation is pursued through formal processes and targets imported goods for retaliatory tariffs, governments can also engage in less formal forms of payback. Canada and Switzerland threatened to cancel purchases of US F-35s in favor of European fighter jets.⁴⁶ Cross-sectoral retaliation is always dangerous and readily becomes a pretext for obtaining objectives other than those stated and can give rise to permanent protection. An example is the Trump administration's 2025 "trafficking" tariffs on Canada, which were seemingly unrelated to fentanyl interdiction since Canada represents the source of less than 1 percent of the US street fentanyl supply.

In response to US IEEPA tariffs, several Canadian provincial liquor boards restricted sales of US alcoholic beverages in provincial liquor stores. The restrictions, coupled with informal boycotts by Canadian consumers, have led to a 65 percent decline in sales of US whiskey, wine, beer, and other alcoholic beverages.⁴⁷ The president and chief executive officer of Brown-Forman, the producer of Jack Daniel's whiskey, called the removal of US alcohol products from

45 The president threatened a 10 percent tariff on Denmark, Finland, France, Germany, the Netherlands, Norway, Sweden, and the United Kingdom for blocking a US acquisition of Greenland. According to reports, [Trump's message to the Norwegian prime minister](#) tied the threat to Norway's failure to award him the Nobel Peace Prize: "Considering your Country decided not to give me the Nobel Peace Prize for having stopped 8 Wars PLUS, I no longer feel an obligation to think purely of Peace, although it will always be predominant, but can now think about what is good and proper for the United States of America."

46 Filip Timotija, "[F-35s caught in trade crossfire between US and Canada](#)," The Hill, February 5, 2026; Jay Menon, "[Switzerland F-35 order could be cancelled as Trump slaps 39% tariffs on imports](#)," Aerospace Global News, August 12, 2025.

47 Nadine Yousif, "[Here's What Canadian Provinces Are Doing with All the US Liquor They Pulled off Shelves](#)," BBC, December 8, 2025. Saskatchewan and Alberta do not restrict sales because liquor stores in those provinces are not regulated by provincial liquor boards.

provincial store shelves “worse than tariffs.”⁴⁸ Likewise, the number of Canadian visitors to the US has fallen by about 25 percent.

Unfortunately, there is no way to offset the potential loss of the Chinese, Mexican, and Canadian markets, which are the three biggest markets for US agriculture and together accounted for 49 percent of US farm exports from 2022 to 2024. Moreover, any effort to boost US exports on a long-term basis requires the negotiation of new FTAs, since many governments protect their farm sectors with high tariff and nontariff barriers, or broader negotiations under the auspices of the WTO AoA. The United States didn’t negotiate any new foreign market access for US agriculture during the Biden administration. The Biden administration’s main effort with respect to trade was within the context of the Indo-Pacific Economic Framework (IPEF), the trade component of which ultimately failed. IPEF’s main focus was on labor rights, environmental regulation, clean energy, and anti-corruption. Its trade objectives focused on enhancing regulatory cooperation, science-based SPS standards, and improving supply chain resilience to support agricultural trade among member countries, not traditional market access objectives like tariffs and quotas.

V. THE TRUMP ADMINISTRATION’S EFFORTS TO PREVENT RETALIATORY TARIFFS

The administration clearly recognized that retaliation is one of the biggest risks of raising tariffs and included a provision in its Liberation Day Executive Order threatening even higher tariffs on any country that retaliates against US exports.⁴⁹ Thus far, the administration has managed to ward off most retaliation with last-minute “framework deals” that allowed the president to justify dropping most of his earlier Liberation Day threats to impose even higher “reciprocal” tariffs. By now, it is clear the president sees tariffs primarily as a negotiating tool and is willing to settle

48 Tom Espiner, “[Jack Daniel’s Hits Out at Canada Pulling US Alcohol](#),” BBC, March 6, 2025.

49 Donald J. Trump, “[Executive Order: Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits](#),” White House, April 2, 2025.

for relatively limited framework agreements. As a result, with the exception of China, even governments that have failed to reach initial framework deals have so far tended to avoid adopting retaliatory duties and continued to negotiate.^{50,51}

Nevertheless, for a variety of reasons, the risk of foreign retaliation for US tariffs remains. First, almost all of the deals are “framework agreements,” “terms of reference,” “preliminary agreements,” or “agreements in principle.” This means they are, by definition, incomplete and leave issues, usually the hardest ones, for further negotiations. In addition, the versions of agreements described in White House Fact Sheets and the president’s Truth Social posts sometimes starkly differ from foreign governments’ descriptions in their own statements, which means there may be difficult negotiations ahead. Whether the deals are still in effect and will be implemented remains uncertain after the Supreme Court’s

50 The administration has reached framework agreements with Argentina, Cambodia, Costa Rica, El Salvador, the European Union, Guatemala, Indonesia, Japan, Korea, Malaysia, the Philippines, Thailand, the United Kingdom, and Vietnam. Countries that did not reach agreements and were hit with higher tariffs on April 9 include Brazil (50 percent), Canada (35 percent for non-USMCA goods), India (50 percent), Laos (40 percent), South Africa (30 percent), and Switzerland (39 percent), although agreements were reached later with India and Switzerland that reduced the tariffs. Any country not listed in Annex I of the Executive Order will be subject to a 10 percent baseline reciprocal tariff except Belarus, Canada, Mexico, North Korea, and Russia, which were excluded, with Canada and Mexico subject to IEEPA tariffs for their alleged failures to address illegal immigration/fentanyl, but with exclusions for USCMA-eligible products. With the exception of certain EU and Japanese products, the reciprocal tariffs were to be stacked on top of the MFN duty rates in Column 1 of the US Harmonized Tariff Schedule. After the Supreme Court decision on February 20, 2026, which ruled the IEEPA-based tariffs illegal, the fate of the trade agreements hangs in balance. Current US tariff levels remain well above those committed by the United States under all prior (pre-Trump 2.0) trade agreements. While most governments have avoided formal, publicly announced retaliatory measures, there are indications that some may be engaging in informal forms of retaliation.

51 Donald J. Trump, “[Executive Order: Further Modifying the Reciprocal Tariff Rates](#),” White House, July 31, 2025.

decision ruling illegal the president's "reciprocal" tariffs under IEEPA. Moreover, the Trump administration's promise to restore the earlier tariffs established under other presidential trade authorities will give rise to further legal challenges and even greater uncertainty. While securing enduring trade agreements typically requires an exchange of mutually advantageous concessions, what the administration can deliver for its part of these ad hoc bargains is in doubt since it lacks Trade Promotion Authority (TPA). While such agreements often contain US agreement to lower tariffs than those originally announced on Liberation Day and offer some short-term stability, it is unclear how much they are worth, since the administration has threatened additional tariffs even with a framework deal in place. In addition, some have argued that showing weakness by agreeing to such deals only encourages the president to pile on more threats.

None of the agreements contains a dispute settlement mechanism, which means the main US enforcement tool in the event of inevitable disagreements and efforts by US trading partners to walk back some of their initial commitments because of political pushback is the imposition of retaliatory tariffs under Section 301. While Section 301 can be effective in some situations, it is less effective with larger trading partners (e.g., Brazil, China, and the European Union), and even smaller ones (e.g., Canada) can come under pressures to hit back as a matter of economic necessity or national dignity, despite the costs. The Supreme Court decision means the administration is likely to come out with a new barrage of tariffs, including an increase in the baseline US tariffs from 10 percent to 15 percent, which could add to tensions with some countries, including ones with existing deals such as the United Kingdom⁵² if their tariffs go up. Another source of tension remains the Commerce Department's steel and aluminum inclusion process, which has resulted in application of Section 232 duties to products that contain steel and aluminum inputs.⁵³ These duties cover a wide range of derivative products, including agricultural machinery,

52 The UK framework agreement set a base tariff of 10 percent.

53 US Department of Commerce, Bureau of Industry and Security, "Adoption and Procedures of the Section 232 Steel and Aluminum Tariff Inclusions Process," *Federal Register* 90, no. 84 (May 2, 2025), 18780.

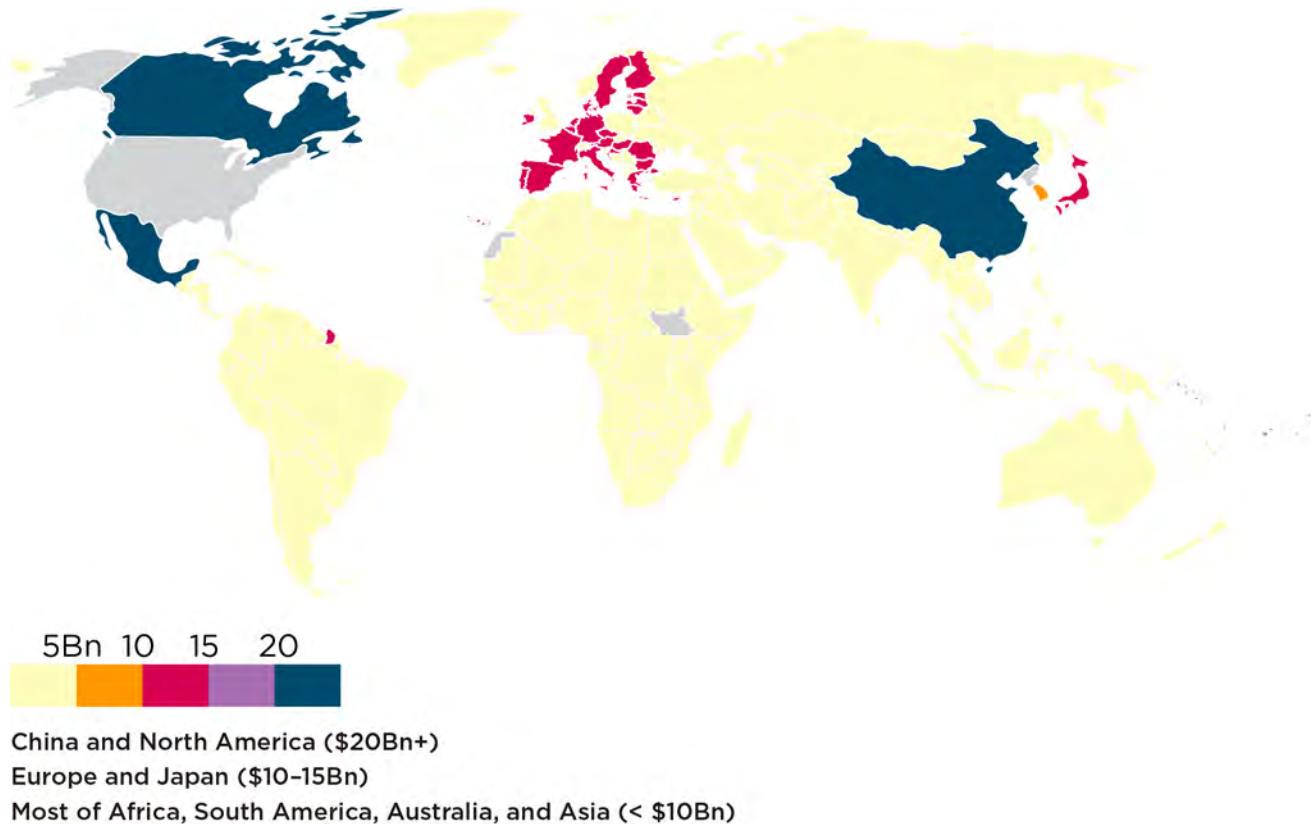
cookware, cranes, bulldozers, motors, railcars, metal furniture, air conditioners, refrigerators, kitchen tools, and so forth and have the effect of diminishing the value of tariff commitments in US framework agreements. With respect to Canada, the USMCA still governs much of North American trade but is entering into a review process from July 2026.

The dominant feature of US-Canada trade relations at present is uncertainty. Trade relations with Canada may be better or worse in a few months' time. Canada and other countries have become increasingly wary of dependence on an unpredictable US administration. President Trump apparently took a personal dislike for former Prime Minister Justin Trudeau and at least initially appeared to get along better with Prime Minister Mark Carney, but any degree of stability was short-lived. Fresh threats for 100 percent tariffs were issued by President Trump after a speech by Prime Minister Carney at Davos that cited the end of the rules-based international order and urged middle powers to act together to counter hegemonic threats from the great powers. In turn, the president has repeatedly threatened to impose higher tariffs on Canada and break USMCA into separate bilateral agreements. Canada, which is among the top three export markets for US agriculture, is a vitally important market for US farm products and processed foods (see [figure 3](#) on page 30).

The US-China trade relationship has been in a downward spiral for over a decade and remains equally fraught. While China's WTO accession in 2001 benefited US agriculture, the terms of China's WTO Accession Protocol were based on an assumption that China was on a path of free market reforms. This assumption has collapsed under President Xi Jinping. Instead, Beijing has maintained a host of nonmarket policies and embarked on new ones, with a renewed focus on state-owned enterprises, continued export-led growth, massive industrial subsidies, an "indigenous innovation" policy, and goal of global dominance of advanced technologies under "Made in China 2025." China has become the world's leading manufacturer of labor-intensive industrial products like steel and aluminum and is generating similarly massive excess capacity in a host of technology products, including solar panels, EVs, electric batteries, fiber optic cables, and semiconductors.

Figure 3

**US agricultural exports, by destination, FY2022–FY2024 average
(billions of dollars)**



Note: EU member states are shown as an aggregate.

Source: US Department of Agriculture, Foreign Agricultural Service, Global Agricultural Trade System database, <https://apps.fas.usda.gov/gats/default.aspx> (accessed February 27, 2026).

With strong bipartisan support, the first Trump administration imposed Section 301 tariffs on most of China's exports. After China responded with tariffs of its own, the administration struck a phase one trade deal, which eliminated tariffs on so-called List 4B, but maintained 25 percent tariffs on Lists 1, 2, and 3, covering over \$300 billion of Chinese exports, and cut the tariffs on List 4A to 7.5 percent. The tariffs were maintained by the Biden administration, which increased the duties on roughly \$18 billion of Chinese exports as part of a four-year review of the Section 301 tariffs, including imports of 100 percent duties on electric vehicles, 25 percent on EV batteries, 25 percent on semiconductors, and 50 percent on solar cells. These Section 301 duties remain in effect.

Upon taking office in 2025, the president imposed 20 percent tariffs on China under IEEPA because of its failure to curb the production and export of fentanyl precursors. Predictably, China responded with tariffs of its own on US products. Unlike most US trading partners, President Xi chose to match President Trump's IEEPA, Section 232, and Liberation Day tariffs until US tariffs reached a prohibitive 145 percent and China's topped out at 125 percent.

In trade conflicts with the US, China has consistently targeted American political vulnerabilities by restricting US farm products with higher tariffs or by simply halting purchases of US soybeans and other farm products. In response to US fentanyl tariffs, China hit back on March 10, 2025, with additional 15 percent tariffs on US chicken, wheat, corn, and cotton, and 10 percent tariffs on US sorghum, soybeans, pork, beef, seafood, fruits, vegetables, and dairy. The tariffs put American farmers at a competitive disadvantage at a time when they face intensifying competition from Argentina, Australia, Brazil, and other agricultural exporters. China also threatened to revoke exclusions for US farm products from Chinese retaliatory duties imposed in response to USTR's Trump 1.0 Section 301 tariffs. These Chinese tariffs remain in effect, and loss of the exemptions would have driven the duties on US farm products even higher.⁵⁴

In March, China's MOFCOM began announcing a series of nontariff measures targeting US interests, including adding US companies to its "entity" and "unreliable supplier" lists and restricting the export of rare earths. China also implemented an informal boycott of US soybeans, beef, and other farm products.

In May 2025, Treasury Secretary Bessent and US Trade Representative Greer struck a deal with Chinese Vice Premier He Lifeng in Geneva on a trade truce. The agreement reduced both US IEEPA tariffs and China's retaliatory tariffs by 115 percent to 30 percent apiece.⁵⁵ Importantly, China agreed to remove its restrictions on rare earth export licenses.

54 Morgan et al., *The Economic Impacts of Retaliatory Tariffs on U.S. Agriculture*.

55 The truce did not address US Section 301 and 232 duties from the first Trump administration, which remain in effect, or China's retaliatory duties, which also remain in effect. Thus, most trade is actually subject to even higher duties.

However, on September 30, the truce collapsed after the Commerce Department's Bureau of Industry and Security (BIS) substantially tightened US rules regarding sales of controlled technologies to subsidiaries of Chinese companies on BIS's Entity List through a new "Affiliates Rule." Under the new rule, any subsidiary/affiliate that is at least 50 percent owned by one or more entities on the US Entity List or Military End-User (MEU) List will itself automatically be subject to Entity and MEU List restrictions. In addition, the Department added 14 Chinese companies to the Entity List for shipping drones to Iran and Russia, while USTR implemented previously announced fees on Chinese ships under Section 301.

In response, China hit back on October 9, 2025, by reimposing worldwide restrictions on its rare earth exports. It also expanded the restrictions to cover certain industrial products containing even small amounts (0.1 percent by value) of rare earths, in effect mirroring the US Foreign Direct Product rule, which the Commerce Department has used to expand US export controls to third country production or assembly if a product contains more than de minimis US technology. China also adopted presumptive denials of export licenses for US military end users and US entities on China's Export Control and Watch Lists. In an apparent effort to mirror BIS's new Affiliates Rule, MOFCOM extended the restrictions to subsidiaries, branches, and affiliates that are 50 percent or more owned by listed US entities. Finally, MOFCOM announced the addition of 14 US companies to its "unreliable supplier" list. If anyone were to miss the point, this was the same number of Chinese companies that BIS had added to the US Entity List.

On October 10, 2025, President Trump responded by threatening 100 percent tariffs on Chinese goods, and threatening to impose export controls on critical software and tariffs on imports of Chinese soybean oil. While the two sides traded blame for the collapse of the Geneva trade truce, it appears rooted in US miscalculations or lack of coordination, or if one wants to be kind, conflicting interpretations of the terms of the truce, which were not shared by Chinese leadership.

China traditionally has been one of the largest export markets for US agriculture, but US agricultural exports to China plummeted. China is particularly important for soybeans, since historically it

has represented over half of US soybean exports and more than 20 percent of US production. Since the US began imposing Section 301 tariffs on China in the first Trump administration, Beijing has further diversified its sourcing to Brazil and Argentina.⁵⁶ Since 2016, Brazil's market share of the global soybean market went from 38 percent to 60 percent in 2025 (volume basis); the US share fell from 43 percent to 21 percent over the same period (see [figure 4](#) on page 35). According to the USDA, US exports of soybeans to China totaled \$3.1 billion in 2025, compared to \$12.6 billion in 2024 and a record \$17.9 billion in 2022. Instead, it turned to Brazil.

Given the size of the Chinese market, there was and is no realistic substitute for sales to China. Farmers needed China to resume purchases and in a big way, since the US was harvesting a bumper crop. Prices were already low, such that many farmers were selling at a loss. Prices would have gone down further if farmers and cooperatives started running out of storage space, forcing them to sell their current crops for whatever they could get.

It took Presidents Trump and Xi meeting in Busan, South Korea for China to agree to pause its restrictions on rare earth exports for one year, crack down on the production and sale of fentanyl precursors, and resume buying US soybeans.⁵⁷ The agreement ended the immediate threat of a renewed trade war, at least for now. While the president called the agreement a 12 on a 10-point scale, it did not address the underlying tensions in the US-China trade relationship (e.g., nonmarket economy practices, industrial subsidies, excess capacity) which has been spiraling downward over

56 American Soybean Association, "[Soybeans Without a Buyer](#)"; Swanson et al., "[Trade Study](#)."

57 Other elements of the package: China agreed to terminate antidumping and Anti-Monopoly Act investigations of US semiconductor companies, reduce its 30 percent tariffs on US goods by 10 percent, and approve the sale of TikTok. In return, the United States agreed to pause the BIS Affiliates Rule, which would have imposed stringent export controls on the subsidiaries of Chinese companies on the US "entity" and "military end-user" lists, cut the US fentanyl tariffs in half from 20 percent to 10 percent, dropped its threat to impose 100 percent tariffs, and paused the imposition of steep port fees on Chinese ships.

the past decade. It did address the imminent threat of 100 percent US tariffs and China's embargoes on sales of Chinese rare earths. China also agreed to resume purchases of US soybeans, although at lower levels than in the past.⁵⁸ According to a White House Fact Sheet, China also committed to purchasing at least 12 million metric tons (MMT) of US soybeans during the last two months of 2025 and at least 25 MMT of US soybeans in each of 2026, 2027, and 2028, and resume the suspension of 10–15 percent retaliatory tariffs on US-origin chicken, wheat, corn, cotton, sorghum, soybeans, pork, beef, aquatic products, fruits, vegetables, and dairy products from Trump 1.0.⁵⁹ While China's purchase commitments have boosted US soybean prices, for the 2025–26 marketing year, China will likely import less than half the volume in 2025 than what was imported in the previous year.⁶⁰

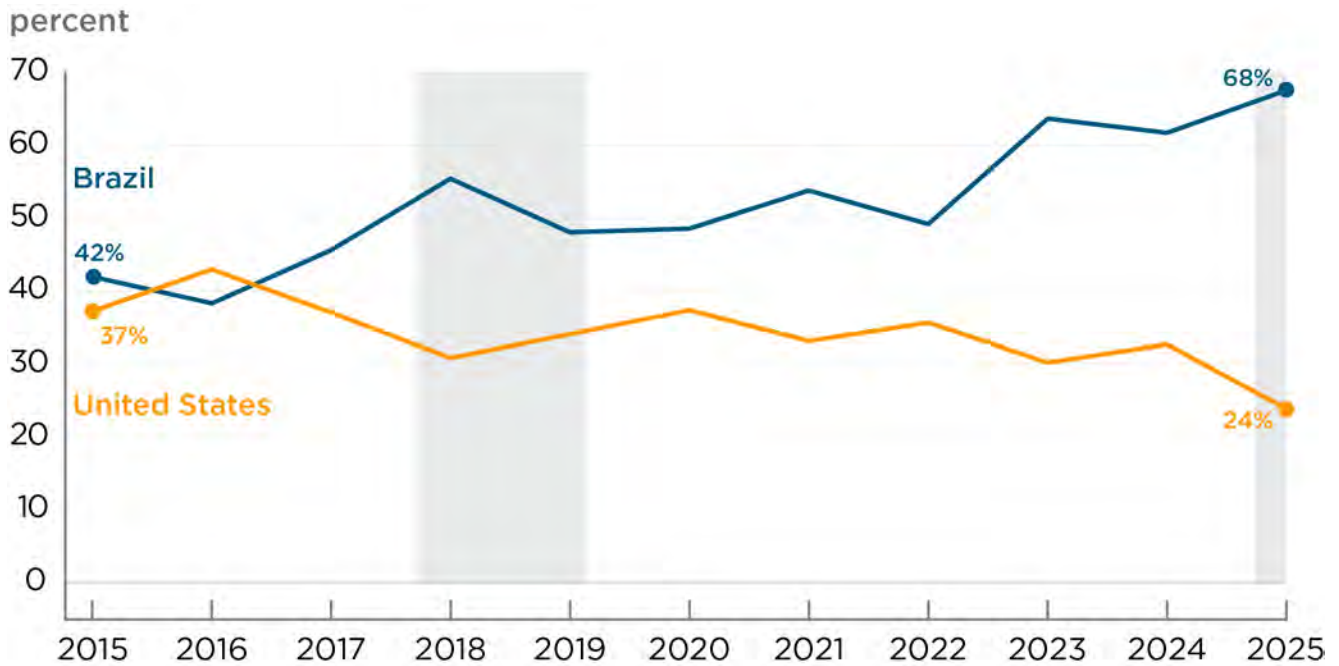
58 While this was not part of the initial announcement, there also appears to have been some discussion of loosening US export controls on advanced semiconductors, which led to an announcement by the president on December 8 that he was relaxing US export controls on sales of Nvidia's H200 chips to "approved" Chinese customers. Donald J. Trump, "I have informed President Xi, of China, that the United States will allow NVIDIA to ship its H200 products to approved customers in China, and other Countries, under conditions that allow for continued strong National Security," Truth Social, December 8, 2025. A relaxation of US export controls reportedly was one of China's primary "asks" for the Busan meeting. While the H200 is not Nvidia's most advanced AI chip, it is more powerful than China's leading domestic alternatives. It is unclear how the United States will collect the 25 percent fee because export taxes and fees are prohibited by Article I, Section 9, Clause 5 of the Constitution and by the Export Control Reform Act of 2018 (ECRA) in 50 U.S.C. § 4815(c).

59 White House, "Fact Sheet: President Donald J. Trump Strikes Deal on Economic and Trade Relations with China," November 1, 2025.

60 US Department of Agriculture, Foreign Agricultural Service, "GATS Home," Global Agricultural Trade System Online (accessed May 9, 2026).

Figure 4

Global soybean export market share of Brazil and the United States, 2015-2025



Note: Shaded bars indicate US-China trade war periods.

Source: Trade Data Monitor based on UN COMTRADE data.

As part of the Busan deal, China suspended retaliatory tariffs it had announced since March 4, 2025. This covered certain US agricultural products, including chicken, wheat, corn, cotton, sorghum, soybeans, pork, beef, aquatic products, fruits, vegetables, and dairy products. However, the agreement also left some tariffs in place, including those imposed in February in retaliation for US fentanyl tariffs. For example, US soybeans continued to face a 13 percent tariff (3 percent MFN + 10 percent supplemental tariffs due to the fentanyl counterretaliation).⁶¹ China has not yet retaliated against the current US tariff level which now includes 15 percent

61 US Department of Agriculture, Foreign Agricultural Service, *Trade Alert: China Extends Section 301 Tariff Exclusions for US Agricultural Products*, report no. CH2025-0223 (US Department of Agriculture, 2025).

under Section 122.⁶² In contrast, Brazil faces only the Chinese MFN rate (3 percent), giving it a marked competitive advantage. The president indicated that the agreement would be renegotiated after a year but could be renewed indefinitely. Sustaining the truce will require both sides to show restraint, which has been notably lacking to date.

The volatile bilateral relationship continues to throw off sparks. The Pentagon briefly added Alibaba, Baidu, BYD, and TP-Link in February 2026 before withdrawing the filing. This may have been to avoid additional irritation in Beijing before Xi and Trump meet. This is in line with the White House's National Security Strategy 2025, which does not aim squarely at China as a strategic competitor but instead talks of rebalancing the United States' economic relationship with China.

Thus far, though dealmaking with China, President Trump partially forestalled China's retaliatory measures. This, however, is a truce, not a lasting settlement. The promise of a series of new tariffs under alternative authorities means the bilateral relationship, including especially on trade, is unstable.

Uncertainty still reigns. The administration has yet to reach an agreement with Canada over concerns regarding fentanyl and illegal immigration that led to IEEPA tariffs, despite little evidence that Canada is a meaningful source of either. The retaliatory lists composed earlier by America's largest trading partner, Europe, were put aside for now and placed in an easily accessible drawer. The European Parliament has yet to approve the US-EU Framework Agreement negotiated by Presidents Trump and von der Leyen in July. Several governments, including Indonesia, India, and the European Union have faced major domestic political pushback over commitments to open their markets to US goods and farm products. The administration has threatened higher tariffs over issues involving digital trade which were not addressed in most of the framework agreements. Because the Trump administration has made it clear it

62 See, for example, Chad P. Bown, "[US-China Trade War Tariffs: An Up-to-Date Chart](#)," Peterson Institute for International Economics, November 14, 2025. Bown calculates that as of November 2025, the average Chinese tariff on US goods was 31.9 percent.

will replace the IEEPA duties with duties under other Presidential tariff authorities, the threat of another wave of higher US tariffs and the consequent risk of retaliatory actions by US trading partners remains depending on how, if at all, they choose to respond.

VI. REACTION OF US FARM GROUPS TO LOSS OF MARKET ACCESS

While US farm groups were initially reluctant to challenge President Trump, they are getting increasingly restive, in part because of the dire state of the farm economy. In a letter dated February 3, 2026, a group of prominent former agricultural sector leaders listed their concerns. Those particularly relevant to trade policy include:

- increased farm input costs driven by tariffs on fertilizer, farm chemicals, and machinery parts;
- loss of export markets due to trade wars and withdrawal from trade agreements like the TPP;
- weakening of international trade partnerships as traditional allies turn to other suppliers;
- the uncertain outcome of the administration's upcoming review of the USMCA, and the need to have a 16-year renewal by the agreement's terms;
- massive cuts to USDA staffing and agricultural research funding;⁶³
- reductions in foreign aid and domestic food programs;⁶⁴
- absence of binding trade agreements to assure foreign market access and failure to seek a negotiating mandate from Congress in the form of TPA; and
- loss of certainty with respect to traditional sources of workers.

63 This includes proposals to move large parts of USDA, including the Foreign Agricultural Service, out of Washington, DC. Such changes would weaken USDA's role in the interagency trade policy process and thus the focus on agricultural market access. It would also reduce the department's proximity to Congress and its ability to rally congressional support for trade agreements and other objectives.

64 Cullen S. Hendrix, "As US Food Aid Retreats, can BRICS+ and Biotechnology Fill the World's Food Security Gap?," Policy Brief 26-4 (Peterson Institute for International Economics, 2026).

In the former agricultural leaders' [summation](#), "it is clear that the current administration's actions, along with Congressional inaction, have increased costs for farm inputs, disrupted overseas and domestic markets, denied agriculture its reliable labor pool, and defunded critical ag research and staffing."

In a similar vein, Zippy Duvall, president of the American Farm Bureau Federation (AFBF), recently wrote of a "storm" gathering over farm country. The piece was especially noteworthy since the AFBF, like many trade associations, has been cautious about criticizing the Trump administration or the president's policies:

Farmers are facing a tough fall, and, unfortunately, it could get tougher if we don't resolve current trade disputes soon. It's not in my nature to focus on the clouds overhead, but it's not wise to ignore them either. Farmers across the country are facing a growing economic storm. Row crop prices are low, and production expenses are at record highs. As we hear more rumbles of tariffs, the storm is impossible to ignore. America's farmers count on markets around the world, and we cannot afford more disruptions to trade.⁶⁵

And of course, most recently, with renewed warfare in the Middle East, there has been a dramatic rise in the price of fertilizers. Other factors unrelated to Trump trade policy are making US agriculture more vulnerable to trade retaliation, including the geopolitical rivalry with China, which is a major consumer of US agricultural output and threats to seize Greenland from Denmark, a member of the European Union; and the administration's strategy of threatening tariffs for a wide assortment of US geopolitical and personal grievances.

VII. FUTURE US VULNERABILITY TO TRADE RETALIATION

A group of University of North Dakota economists has estimated that a trade war with China would lead to major losses for key commodities: "In the worst-case scenario—where Chinese tariffs

65 Zippy Duvall, "[Tariffs and the Storm Gathering over Farm Country](#)," *The Zipline* (blog), American Farm Bureau Federation, October 1, 2025.

on US goods rise by 60 percent, and tariffs from all other countries increase by 10 percent—we project that US exports could decrease by \$15.8 billion for soybeans, \$4.4 billion for corn, \$2.3 billion for beef, and \$2.5 billion for wheat.”⁶⁶

In late 2024, a study by economists for the National Corn Growers Association (NCGA) and American Soybean Association (ASA) found that a 60 percent retaliatory tariff on China would result in over 25 million metric tons of lost soybean exports and a loss of 90 percent of US corn exports to China.⁶⁷ Brazil would gain an average of 8.9 million metric tons of annual soybean and corn exports to China as it displaces US exports. These losses would multiply if US tariffs and foreign retaliatory tariffs are not limited to China. In an earlier study, USDA’s Economic Research Service estimated that retaliation by Canada, China, the European Union, India, Mexico, and Turkey in response to Section 232 tariffs on steel and aluminum in 2018–19 “led to more than \$27 billion (or annualized losses of \$13.2 billion) in lost US agricultural exports, with the largest decline for exports to China.”⁶⁸ At a commodity level, soybeans accounted for nearly 71 percent of lost US exports (\$9.4 billion) followed by sorghum (\$854 million) and pork (\$646 million) in annualized losses.

As the NCGA and ASA also pointed out, the loss of export markets has long-term structural implications. Once land is cleared and new farmland comes into production in South America, it is not going away. Another cost is the damage to US agriculture’s reputation as a trusted trading partner. The more the US administration imposes more tariffs against US imports from China, and the Chinese retaliate against US agriculture, the more likely it is that Argentina and Brazil can capture even more of China’s soybean, corn, and beef markets. A recent North Dakota State University

66 Sandro Steinbach et al., “Trade Policy Shifts and Their Potential Implications for U.S. Agricultural Exports,” *farmdoc daily* (blog), Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, September 11, 2024.

67 Swanson et al., “Trade Study.”

68 Morgan et al., *The Economic Impacts of Retaliatory Tariffs on U.S. Agriculture*.

study by Professors Steinbach, Yildirim, and Zurita projected that a 20 percent increase in Chinese tariffs on US exports would lead to a 32.6 percent decline in US soybean exports with a cost of \$7.6 billion, a 9.7 percent decline in US corn exports with a cost of \$1.1 billion, and a decline of 3.75 million metric tons in US beef exports resulting in a \$0.3 billion loss.⁶⁹

In December 2025, President Trump and Secretary of Agriculture Brooke Rollins announced US Department of Agriculture (USDA) subsidy of \$12 billion available in one-time bridge payments to American farmers. This follows the playbook from when the first Trump administration funneled \$28 billion in Market Facilitation Program (MFP) payments to compensate farmers for losses caused by retaliatory tariffs. While certainly welcome in current circumstances, this means US agriculture would become increasingly dependent on government payments. It also creates a “moral hazard” issue in that producers may become less concerned about the adverse effects of trade policies if they believe that the government will be there to compensate them. That such payments are less secure than commercial export sales was underscored by the administration’s decisions to freeze \$1 billion of disbursements under USDA’s Local Food Purchasing Program and terminate \$2 billion in Inflation Reduction Act (IRA) payments for conservation and climate programs. Nor does the compensation take into account long-term losses such as US global market share and markets that were built over decades. Future government payments could depend on who controls the White House and Congress, whether they feel politically beholden to farmers, and whether rising US debt levels put constraints on federal spending. As a leader of a major Midwestern farm group put it, farmers aren’t going to turn down the money, but it is not a sustainable long-term solution.

69 Steinbach et al., “[Trade Policy Shifts and Their Potential Implications for U.S. Agricultural Exports](#).” This has been compounded by the administration’s crackdown on illegal immigration, which has disproportionately affected US agriculture, which is heavily dependent on immigrant labor, particularly fruits and vegetables, horticulture, dairy, and meatpacking. See Diane E. Charlton, [Immigration Enforcement and the US Agricultural Sector in 2025](#) (American Enterprise Institute, 2025).

That Presidents Trump and Xi managed to restore a US-China trade truce and that China will now resume buying American soybeans and other farm products is good news. The United States has just completed its 2025–26 harvest season and many farmers are under intense economic pressure. As the American Soybean Association noted in a letter to President Trump: “Soybean farmers are under extreme financial stress. Prices continue to drop and at the same time our farmers are paying significantly more for inputs and equipment. US soybean farmers cannot survive a prolonged trade dispute with our largest customer.”⁷⁰ The leader of a major Midwestern farm group said that he and his members are “incredibly frustrated” with where things stand today on tariffs and by the failure of DC-based national farm groups to speak out.

VIII. RECOMMENDATIONS

1 Reengage in bilateral, regional, and multilateral negotiations on market access. There has been little progress on reducing market barriers since the TPP negotiations concluded in 2015. The Biden administration did nothing in this regard and the recent framework agreements concluded by the Trump administration are still largely vague purchase commitments, with little in the way of disciplines on key nontariff barriers (e.g., SPS and import licensing restrictions), structural reforms or enforcement provisions. The value of such commitments remains unclear.⁷¹ In the meantime, many of our competitors (such as Australia, Brazil, Canada, the European Union, and New Zealand) have been busy

70 American Soybean Association, “[Soybeans Without a Buyer](#).”

71 The first Trump administration’s phase one agreement with China included a commitment by Beijing to expand purchases of US goods, agriculture, energy, and services by \$200 billion over a two-year period from January 1, 2020, to December 31, 2021, over 2017 baseline levels, including an additional \$32 billion of purchases of US agricultural products. While COVID-19 and subsequent declines in trade and economic growth were factors, in the end China’s purchases amounted to only 58 percent of its \$200 billion overall commitment and between 77 and 83 percent of its agricultural commitment (depending on whether Chinese or US import statistics are used). Chad P. Bown, “[US-China Phase One Tracker: China’s Purchases of US Goods](#),” Peterson Institute for International Economics, July 19, 2022.

negotiating FTAs, which have put US producers at a competitive disadvantage in global markets. This is particularly true in the rapidly growing markets of Southeast Asia (e.g., Indonesia, Malaysia, Thailand) where our leading competitors benefit from preferential access and lower tariffs under RCEP and CPTPP. These competitive disadvantages will only grow as CPTPP tariff cuts are phased in.

- a **US-China.** President Trump is scheduled to visit China for a summit meeting with President Xi Jinping on May 14–15, 2026. A top US trade priority should be stabilizing US-China trade, expanding China’s commitments to buy US soybeans, beef, and other products, and ensuring that China follows through. The United States should pursue a Phase Two Agreement aimed at addressing China’s excess capacity, state-owned enterprises, industrial subsidies, and other nonmarket practices; expanding market access for US agricultural, industrial, and technology products; addressing nontariff barriers; and ensuring the free and uninhibited flow of rare earths. Ideally, for the future of US agricultural trade, the United States and China can reach a new equilibrium in their economic relations despite their geopolitical rivalry. Even if both antagonists view their relationship in zero sum terms, China is the world’s largest net food importer and the world’s largest agricultural importer overall. The United States was historically the world’s largest net food exporter for over 40 years, maintaining a consistent agricultural trade surplus from at least 1975 until 2018. The United States is still a top exporter of agricultural commodities (often ranking first or second in total export value). There is great potential benefit for both, without undermining their national security interests, to substantially increase agricultural trade between the two countries and ideally stabilize overall relations.
- b **US-Mexico-Canada agreement.** NAFTA and President Trump’s USMCA have helped turn Mexico and Canada into the top US farm export markets. Leading US agricultural exports to Mexico include corn, pork, dairy, soybeans, poultry, and beef. Exports to Canada are more heavily weighted toward processed agricultural products and food, and include bakery goods, fresh vegetables and fruits, ethanol, alcoholic and nonalcoholic beverages, and food preparations. The

parties to the agreement are beginning a review that could lead to extension of the USMCA for another 16-year term, modifications to the current text, or its termination. US farm groups are staunch supporters of USMCA, despite some ruminations from the Trump administration that the agreement could be broken into separate bilateral agreements, significantly rewritten, or even terminated. While calling for “targeted Improvements” in Canada’s protectionist dairy regime and Mexico’s restrictions on biotechnology, an informal coalition of 40 leading US farm groups, including the American Farm Bureau, National Corn Growers Association, and National Pork Producers has urged the United States to renew the agreement for another 16 years, citing a 47 percent rise in agricultural export value to Canada and Mexico since USMCA took effect in 2020. In comments, the group called USMCA “a powerful and reliable tool that enables the US food and agriculture sectors to be successful”⁷² and the agreement “not only preserves critical access to our two largest export markets, but delivers tangible, measurable returns for American workers, businesses, and taxpayers.” In short, intra-USMCA trade has been highly beneficial, serving as an important foundation of North American economic integration with total regional trade growing by 37 percent since the agreement took effect. It created a \$1.88 trillion-plus goods-and-services market, boosting regional competitiveness as compared with China, with Mexico and Canada becoming the United States’ top two trading partners.⁷³ The future of the agreement is being called into question as America’s aggressive trade policy stance, as well as its general denigration of US-Canadian relations. The agreement was nevertheless one of the most successful aspects of US trade policy. National economic interest requires continued North American economic integration, particularly in agriculture.

72 Agricultural Coalition for USMCA, *The Economic Impacts of USMCA: The U.S. Agriculture Industry* (Agricultural Coalition for USMCA, 2026).

73 Earl Anthony Wayne and Diego Marroquin Bitar, “USMCA at Four: Measuring Success, Addressing China, and Working Towards the 2026 Review,” Policy Brief (Woodrow Wilson International Center for Scholars, 2024), 4.

The location of the productive regions of the three countries spread over a range of Northern Hemisphere latitudes creates a natural basis for trade. Climate change will only heighten the benefits to be obtained from North American economic integration through this free trade agreement.

- c World Trade Organization reform.** No near-term results are expected from a meaningful WTO reform agenda that will deliver immediate benefits for US agriculture. Nevertheless, the long-term basis exists in the AoA to improve the conditions of world trade for US and foreign agricultural sectors. Regardless of the difficulty involved in negotiating among 166 diverse economies, there are unavoidable facts that mandate improvement in the conditions for agricultural trade and contributed to the AoA and successful conclusion of the Uruguay Round. Budgetary pressures are omnipresent in most countries. This was the central force for reform of the Common Agricultural Policy (CAP) over the past decades. Budgetary constraints are still an ever-present factor for most WTO members. An unavoidable future factor is climate change. Variability in weather patterns is growing. Climate change is an increasingly recognized condition in which trade policies are going to be made. The WTO provides the only global forum for addressing trade-distorting subsidies. The WTO is particularly important for agricultural subsidy disciplines because any reductions must be negotiated on a global basis to limit free riders. In contrast, bilateral or plurilateral subsidy reductions risk becoming a form of unilateral disarmament, as they would leave nonparticipants free to capture market share through such subsidies. It is hoped that some elements can eventually be agreed for beginning a process of working on a select group of reform issues. A top US priority should be ensuring a resumption of negotiations as provided in the AoA, so as to build on the Uruguay Round commitments by expanding market access opportunities for US agriculture and further disciplining trade-distorting subsidies. Agriculture holds the key to global food security and should be among the highest priority for all members.
- d Free trade agreements.** While it is possible to divert some US exports to other markets, there simply is not enough demand from the rest of the world to offset the potential

loss of the Chinese, Mexican, and Canadian markets, which together account for nearly half of US farm exports. With USMCA's fate up in the air and US-China trade in a downward spiral, the United States must look elsewhere for growth in farm exports. Any effort to boost US exports on a long-term basis likely requires the negotiation of new FTAs or more detailed framework agreements, particularly in the rapidly growing economies of Southeast and South Asia. The United States didn't negotiate any new foreign market access for US agriculture during the Biden administration, contributing to the slower growth of US agricultural exports and recent agricultural trade deficits.

- e **US-TPP.** It makes good economic sense for the United States to explore whether it could rejoin the TPP (now CPTPP) or some successor that brings together the Asia-Pacific's democracies and market economies, as our geopolitical rivalry with China in Asia has not diminished. The TPP has been characterized by Glauber as a "no-brainer" for US agriculture, highlighting its critical role in expanding market access. Analysis and related data underscore the significant economic stakes for US farmers. The contemporaneous quantitative assessments shared by the USTR indicated that TPP implementation would have yielded \$8.5 billion in additional annual farm receipts, as it would give US farm commodities improved access to the rapidly growing economies of Southeast Asia. The agreement was projected to add \$4.4 billion to net farm income at the time, a substantial increase compared to the \$56.4 billion total net farm income recorded in 2015. The current [Comprehensive and Progressive Agreement for Trans-Pacific Partnership \(CPTPP\)](#) continues to provide market access for competitors like Australia and Canada, potentially disadvantaging US farmers who lack similar preferential access.
- f **Europe.** Another possible project would be a closer economic relationship with the European Union. We do not preclude a very real option of the United States in the future seeing the utility and benefits of engaging bilaterally with the European Union once again, despite the Obama administration having failed at concluding the Trans-Atlantic Trade and Investment Partnership (TTIP). In July 2018, President Trump and European Commission President Jean-Claude Juncker agreed

to work toward “zero tariffs, zero nontariff barriers, and zero subsidies” on nonauto industrial goods. The deal included EU pledges to increase imports of US soybeans and LNG. While the talks did not progress, they show the president’s penchant for bold deal-making. The United States could also use the CPTPP as a bridge if the European Union has moved toward a closer economic relationship with the TPP, which is now a prospect.

- 2 Roll back tariffs.** The United States should roll back tariffs that serve no useful purpose. Higher US tariffs have penalized US farmers by raising prices of inputs (e.g., fertilizer, potash, agricultural chemicals, farm machinery, and seeds) even without the dislocations caused by the wars in the Black Sea and Iran, and have precipitated retaliatory actions by important trading partners, including China. Tariffs should not be a major part of current US economic policy unless they serve a clear and credible national security or economic purpose that outweighs any associated costs. A start would be to exclude from any tariffs products that can’t realistically be grown in the United States in commercial quantities (e.g., bananas, cocoa, coffee, tea, certain spices, guavas, pineapples, and tropical fruits). Tariffs should also be dropped on seasonal products that are produced counterseasonally to domestically produced agricultural products at times when US production is fallow. Such tariffs penalize US consumers and boost inflation but accomplish little in terms of promoting US jobs and production, since it would be unrealistic to grow such fruits and vegetables in the dead of winter. Access to imported produce ensures that households have year-round access to healthy fresh fruits and vegetables and thus advances Secretary Robert F. Kennedy’s Make America Healthy Again initiative.
- 3 Compensate US farmers for negative impacts of higher US tariffs.** In December 2025, the Trump administration announced a \$12 billion aid package for US farmers to offset economic damage from trade disruptions, high input costs, and inflation. The Farmer Bridge Assistance (FBA) Program delivers \$11 billion in direct, one-time payments to row crop producers, with another \$1 billion for other commodities. While compensatory schemes such as the MFP payments from the first Trump administration are not a long-term solution, farmers should be compensated for losses arising from IEEPA, Section 232, and Section 301 tariffs.

4 Full enforcement of other countries' agricultural commitments.

A special case for the United States is reform of the WTO dispute settlement. Binding dispute settlement in the era of the Appellate Body's existence benefitted US agriculture by enforcing existing AoA commitments on market access and SPS. Given (in the US view) its rigidities, the presence of an entrenched secretariat, its inability to come to grips with nonmarket economy competition particularly in the case of industrial subsidies, the absence of rules in some areas, and the failure of member oversight of its functions, the Appellate Body is not in our view going to be resurrected. Nevertheless, in areas where the rules are clear, such as SPS, and other commitments regarding agriculture, binding dispute settlement would be practicable. In our view, there would be real value in making AoA rules subject to binding dispute settlement. This would also be a chance for the WTO to show that its dispute settlement and appeals mechanisms have learned from the current impasse and will not go wildly astray in terms of gap-filling and overreaching.

Panels still currently meet on AoA enforcement issues. The central question is what happens if a party wishes to file an appeal. There are a range of technical solutions to the handling of appeals. It should not be foreclosed that in some areas of the WTO rulebook, binding dispute settlement is entirely feasible, where in others, the rulebook needs review, such as with respect to national security claims, before binding dispute settlement could be agreed, if at all. US agriculture has been a substantial beneficiary of the WTO's dispute settlement system. Research in 2020 showed that in cases involving the AoA, panels sided with plaintiffs in over 85 percent of the claims (Glauber and Xing 2020), even as panels and the Appellate Body found against the United States and other members in over 90 percent of challenges to antidumping and countervailing duty measures. During the previous Trump administration, the United States won two major cases against China involving agriculture: China—Domestic Support for Agricultural Producers (DS511) and China—Tariff Rate Quotas for Certain Agricultural Products (DS717).⁷⁴

74 Joseph W. Glauber and Xiaorong Xing, "WTO Dispute Settlement Cases Involving the Agreement on Agriculture, 1995-2019," Discussion Paper No. 1917 (International Food Policy Research Institute, 2020).

As a result, US farm groups have pressed for reforming and restoring the AB.⁷⁵ While full restoration of the Appellate Body as it was would be unrealistic and undesirable, the fact remains that the United States would benefit if obligations under the AoA were enforceable. The United States should explore entering into formal agreements with counterparts that adjudications of WTO AoA obligations will be enforced with binding findings. One solution would be to make panel findings on agriculture in the WTO and FTAs binding and if there is to be an appeal, it will be settled promptly under a mutually agreed process (whether a second panel, good offices of the Director-General or otherwise). While binding dispute settlement is perhaps desirable for all products, agriculture is a special case, and reliability of commitments is universally important for this sector. Food security depends on reliable market access, tariff ceilings that are bound, avoidance of unwarranted SPS restrictions, subsidy levels maintained within AoA stipulated levels, and on imposition of protection only within allowed procedures.

The prospect of unilateral US enforcement under Section 301 may provide an incentive for an agreed solution, particularly since disputes are likely to arise with respect to commitments secured by the current Trump administration in its various framework agreements. The Section 301 and Super 301 provisions of US trade law were one of the main incentives for the adoption of the WTO's Dispute Settlement Understanding (DSU). A limited agreement on agriculture disputes could provide an interim step toward a broader solution and serve as a confidence-building measure.

- 5 **Transparency.** While it may be too much to expect far-reaching reforms to emerge from the Cameroon Ministerial, an agreement to improve transparency should be a core US demand and would represent a modest but hopefully realistic win for the United States and rules-based trade. Policies and measures that distort trade in agriculture should be notified to the WTO. Counternotifications should be encouraged. The Secretariat should be tasked with ferreting out and verifying trade distorting measures, and reporting on the same. Absent greater transparency, WTO disciplines are likely to remain

75 Almond Alliance et al., “[Letter to Ambassador Tai on Agriculture and Dispute Settlement Reform](#)” (Almond Alliance, 2022).

ineffectual. Because agricultural trade was largely outside GATT/WTO disciplines until the Uruguay Round AoA, transparency is particularly important, particularly in view of the WTO's failure to embark on additional market access negotiations as contemplated by the AoA. If the WTO continues to fail to come to grips with new disciplines to increase the available markets for agricultural trade, increased transparency is even more important. In a world in which AI is ferreting out information of all sorts from the corners of the web, not much is beyond reach and exposure. What is missing is the sort of verification and analysis of trading conditions that can best come from the WTO if its members wish it. There is no good reason why the United States and its trading partners—other members—should be against building on a core competence of the organization and improving it. This is a natural evolution from what exists today.

- 6 **Negotiations to remove foreign discrimination.** There are numerous areas where trade barriers to US agricultural exports require continued attention beyond tariffs. SPS standards can readily prove serious barriers to specific commodities. These areas of shortfall from free trade may well be maintained for extended periods of time or may be permanent. Transitional measures included in FTAs for agricultural products must indeed be transitional within a reasonable period to be allowed.

IX. CONCLUSION

For US agriculture, there is no realistic substitute for access to global markets, particularly China. The US market cannot replace export sales when over 95 percent of the world's population lives outside the United States and around one-fifth of US farm products are exported. The vast untapped potential to expand US exports to foreign markets is also the main hope for further growth in US farm production and incomes. Unfortunately for US farmers, they are likely to be targeted whenever bilateral trade tensions erupt, but there are certain palliative steps that can be taken. First, absent threats to US national or economic security, the administration should continue to seek deals with US trading partners and try to maintain—and if at all possible, build on—the US-China trade truce that was struck in Geneva in May and resuscitated by Presidents Trump and Xi at their Korea summit in October. This would ensure trade tensions don't again erupt into conflict and retaliation.

Second, while MFP payments are not a long-term solution, farmers should continue to be compensated for losses arising from IEEPA, Section 232, and Section 301 tariffs, as it is unfair for one sector to bear such a disproportionate share of the costs of Trump trade policy.

These are important short-term measures to put into place. The administration should seek to open new markets for US agriculture, particularly in the rapidly growing economies of Southeast and South Asia. US agriculture has long been the leading beneficiary of US FTAs, and FTAs remain the best way to open new markets for American farm products by knocking down prohibitive foreign tariffs and protectionist SPS restrictions.

Continuing to alienate trading partners through the indiscriminate use of tariffs will not provide long-term solutions for US agriculture and only intensifies that search by US trading partners for alternatives to American suppliers. The means should be found to engage in international cooperation that can lead first to trade agreements that result in opening global markets for US products.



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