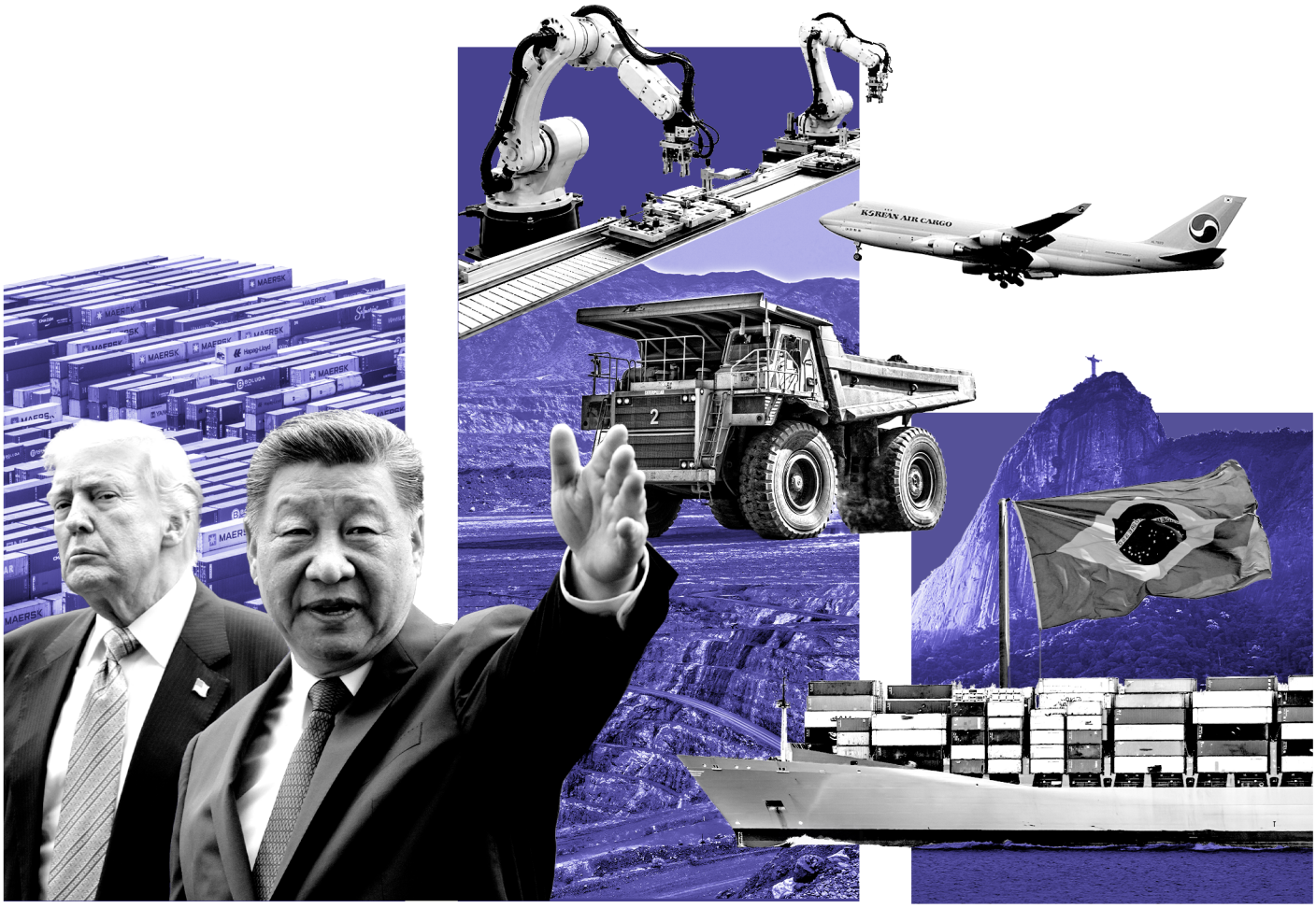
GIS Dossier

The protectionist pivot

Free trade under fire



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Countries are scrambling to combine mercantilist and free-market tools as the trading system fragments.

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Experts

Enrico Colombatto

Professor Emeritus of economics at the University of Turin, Italy, and director of research at the Institut de Recherches Economiques et Fiscales (IREF) in Paris.

Karl-Friedrich Israel

Professor of Economics at the Université Catholique de l'Ouest (UCO) in Angers, France, and previously visiting professor at Saarland University in Saarbrücken and at the Institute for Economic Policy at Leipzig University, Germany.

Prince Michael of Liechtenstein

Executive chairman of Industrie- und Finanzkontor Ets., a leading trust company with expertise in the long-term, multigenerational preservation of wealth, family values and businesses. Among other ventures, he is also the founder and chairman of Geopolitical Intelligence Services AG.

John Polga-Hecimovich

Lecturer and researcher with a focus on governance, democratic institutions and stability in Latin America. He is an associate professor of Political Science at the U.S. Naval Academy and an associate researcher at FLACSO-Ecuador.

Bob Savic

Head of international trade and sanctions consulting at the Global Policy Institute and head of European Union trade and industry regulatory advisory at the Federal Trust for Education and Research.

Junhua Zhang

Senior associate at the European Institute for Asian Studies, and professor of political science at the School of International and Public Affairs of the Shanghai Jiao Tong University and Zhejiang University.

Layout and graphics by Michał Rogalski

Illustrations of experts by Andreas Leitner

Introduction

Protectionism is nothing new. For decades, governments have sought to shield domestic interests from foreign competition, even as the World Trade Organization and its predecessor, the GATT, worked to constrain such measures and promote freer trade. In the United States, protectionism has traditionally been justified in terms of protecting jobs and domestic industry, increasingly through tariffs. The European Union has more often pursued it through regulation, frequently framed around consumer protection, environmental standards and market access. China has relied heavily on subsidies and state support to strengthen domestic industries and promote exports. These approaches have long coexisted with the global trading system, even as the WTO has struggled to prevent them from distorting it.

What is changing is the geopolitical context in which these tools are being deployed. As the world becomes more multipolar and strategic competition intensifies, measures that once served primarily economic or domestic political objectives are increasingly being weaponized. U.S. President Donald Trump's tariff's, the EU's Carbon Border Adjustment Mechanism, China's use of export controls – particularly on critical minerals and rare earths – and the growing use of sanctions all demonstrate how economic interdependence is becoming a source of geopolitical leverage. For businesses and markets, this creates a more complex trading environment in which efficiency must be weighed against resilience, access to markets against exposure to geopolitical risk and global supply chains against strategic dependence. The question now is how businesses and markets can operate in a world where trade itself is increasingly a tool of strategic competition.

Ngozi Okonjo-Iweala, director-general of the World Trade Organization (WTO), during the 2025 Institute of International Finance meeting in Washington, D.C., on Oct. 15, 2025. The International Monetary Fund warned that the global economy is showing signs of strains from sweeping U.S. tariffs and protectionism even though it so far has held up better than expected.

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