

Commentary on Recent US Trade Negotiations and the Trend of the Turnberry System

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Abstract: This article analyzes recent trade negotiations of the United States (US) and the nature, risks, and far-reaching impacts of the so-called Turnberry System. Designed to subvert the WTO-centered multilateral trading system, the Turnberry System features four core flaws: violation of WTO rules, unequal bargaining terms, severe policy uncertainty and limited implementation feasibility. After the US reciprocal tariffs imposed under IEEPA were ruled illegal by the Supreme Court in early 2026, the US replaced them with Section 122 tariffs and launched new Section 232 and 301 investigations to sustain the restrictive system. Targeting Chinese exports, the US deploys coordinated containment tools including discriminatory tariff proliferation, punitive duties on transshipped goods, stricter origin rules and supply chain security clauses, pressuring third economies to reduce cooperation with China. The WTO now operates as a "WTO-minus-one" system amid long-term conflicts between the US unilateralism and multilateralism. This article argues that the Turnberry System cannot replace the multilateral trade rules, and all economies should jointly reform the WTO to advance inclusive globalization.

Keywords: Turnberry System, US Unilateral Tariffs, Multilateral Trading System, WTO Reform

On July 31, 2025, the White House updated the reciprocal tariff rates for various countries and regions through a presidential executive order. This executive order reflects the progress in recent economic and trade negotiations of the United States (US). On August 7, 2025, the day when the new reciprocal tariffs officially took effect, US Trade Representative Jamieson Greer published an article in *The New York Times*, referring to the tariff system being developed by the US as the "Turnberry System". The Trump Turnberry Resort is a property owned by the Trump Organization in Scotland, where the US and the European Union (EU) leaders jointly announced the key points of the newly reached trade

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agreement framework between the US and the EU on July 27, 2025.

Although the reciprocal tariff and other tariffs based on the International Emergency Economic Powers Act (IEEPA) were ruled unlawful by the Supreme Court of the United States (SCOTUS) in February 2026, the US government has initiated more Section 301 cases and Section 232 cases aiming to rebuild the Turnberry System.

This article will first provide a brief comment on the recent US trade negotiations and developments in the Turnberry System. Then, it will focus on measures related to blocking Chinese products. Finally, it will briefly discuss trends in the international trading system going forward.

I. BASIC CHARACTERISTICS OF THE RELEVANT BILATERAL TRADE AGREEMENT FRAMEWORKS

A. Non-compliance

First, although most of the relevant agreements have not yet been finalized in text, the key points disclosed by the US regarding the frameworks of these agreements clearly indicate that they are inconsistent with the World Trade Organization (WTO) rules. There is no doubt that the US has long planned to restructure the international trading system, and the entire design of the reciprocal tariff system aims to subvert rather than reform the existing multilateral trading system. The three steps that may subvert the multilateral trading system through the Turnberry System are as follows: First, the US imposes differential tariffs on different countries, a practice that violates the WTO's most important principles, namely the non-discrimination principle based on the unconditional Most-Favored-Nation (MFN) treatment clause and the bound tariff principle. Second, the US forces other countries and regions, especially WTO members, to sign bilateral agreements with the US that are inconsistent with WTO rules. Third, the US promotes the implementation of trade policies that violate WTO rules among other WTO members, particularly discriminatory policies against China.

Currently, the trade agreement frameworks reached by the US with multiple other countries all feature the US imposing tariffs of over 10%, while

the other party implementing zero tariffs on the US. Such agreements are definitely not free trade agreements and do not meet the requirements specified under Article XXIV of the General Agreement on Tariffs and Trade (GATT) regarding exceptions to the MFN treatment. Moreover, the zero tariffs imposed by other countries on US goods, based on the information disclosed so far, are all unilateral tax reductions that do not take effect for other WTO members, thus violating the relevant rules on unconditional MFN treatment.

B. Inequality

The so-called reciprocal tariffs proposed by the US are based on a repeatedly used narrative that countries around the world have deceived the US, and that the US has suffered losses. Reciprocity is a fundamental principle of international economic and trade relations, reflecting the overall balance between rights and obligations. However, the “reciprocity” currently emphasized by the US is limited solely to merchandise trade, particularly to manufacturing trade, while avoiding addressing the broad benefits the US gains in the fields of services trade, investment, and currency. The US indeed faces a structural issue of the hollowing out of its manufacturing sector, but this is largely the result of the combination of US monetary hegemony and a lack of fiscal constraints. A series of trade agreements reached by the US are all signed by the other parties under coercion, with the US wielding the “tariff stick” to pressure other countries and regions to cut tariffs, even in cases where the US already runs a trade surplus with those countries.

C. Instability

When the US first announced the reciprocal tariff rates on April 2, 2025, it stated that these rates would be capped and would not increase further, provided that the other countries and regions did not retaliate. However, on July 31, 2025, the final tariff schedule announced by the US revealed that multiple countries and regions faced higher tariffs. Under the methodology for calculating reciprocal tariffs, the higher the ratio of the US trade deficit with a counterparty to the total value of imports from that counterparty, the higher the reciprocal tariff rate. Since bilateral trade balance is subject to dynamic fluctuations, this introduces uncertainty into the future direction of tariff rates.

The recent judgment of the SCOTUS, and Section 232 and Section 301 cases newly initiated by the US government introduced further uncertainty.

D. Difficulty in Enforcement

The US has demanded large investment commitments and procurement commitments from other countries. For instance, Japan has committed to investing \$550 billion in new investments in the US, South Korea \$350 billion, and the EU \$600 billion. These commitments are required to be completed within the term of the current US administration. At least for the investments from Japan and South Korea, US officials have stated that 90% of the returns from these investments will accrue to the US. At present, the volume of commitments for the purchase of US energy products made by various countries has actually exceeded the supply capacity of the US. There is considerable uncertainty about how these commitments will ultimately be fulfilled and how they can be implemented. The US has indicated that if these commitments are not fulfilled, it will raise tariffs, making these agreements more vulnerable.

II. RELEVANT BILATERAL NEGOTIATION CONTENT REFLECTED IN EXECUTIVE ORDERS

The Executive Order of July 31, 2025 on reciprocal tariffs issued by the US primarily reflects the negotiation contents related to tariffs. However, these contents often represent the US side's interpretation of the negotiation outcomes. For example, after the US disclosed the negotiated tariff rate of 20% with Vietnam, media reports indicated that Vietnam was greatly surprised by the rate, believing it was inconsistent with the negotiation content, and planned to continue pushing for a lower tariff rate. However, the July 31 Executive Order maintained the 20% tariff for Vietnam.

A comparison between the reciprocal tariff rate schedules of July 31 and April 2 shows that the two are still highly correlated, with the July 31 tariffs mainly determined based on the relative scale of trade deficits. However, the July 31 rates also reflect a series of bilateral negotiation outcomes or progress. The new rates may also reflect the political relationship between the two countries, and have been simplified, with quite a number of countries and

regions now facing tariff rates adjusted to levels such as 10%, 15%, and 20%.

The legal basis for reciprocal tariffs is the IEEPA. Following the SCOTUS declaration that the IEEPA tariffs are unlawful, the US government suspended reciprocal tariffs and other IEEPA-related duties on February 24, 2026. Simultaneously, it began imposing a 10% Section 122 tariff citing severe global payment imbalances as the justification.

Under the US–UK Economic Prosperity Agreement, the US will impose lower tariffs on British products such as automobiles. These arrangements largely fall under the scope of Section 232 tariffs. The product exemption lists for the invalidated reciprocal tariffs and the newly imposed Section 122 tariffs are remarkably similar. Under the previous arrangement, the UK faced a 10% reciprocal tariff; this is now replaced by a 10% Section 122 tariff. The Section 232 tariff concessions stipulated under the Economic Prosperity Agreement remain unaffected. Consequently, the UK has not reacted fiercely to the new arrangement, with official statements asserting that the agreement remains largely intact. However, a potential hike to 15% for the Section 122 tariff would negatively impact the UK. According to calculations by the Global Trade Alert (GTA), a 15% Section 122 tariff would raise the UK's weighted average tariff rate by 2.1%, making it the country most severely affected by the negative impact.

In the agreements with the EU and Japan, the US committed that the combined tariff rate (including MFN tariffs) would not exceed 15%. This implies that if an MFN tariff rate exceeds 5%, the addition of a 10% Section 122 tariff would breach the agreed upper limit. Currently, the US simple average MFN tariff rate stands at 3.3%, yet there exist specific products with MFN tariffs surpassing the 5% threshold. The EU has quantified the scope of the negative impact: 7% of its exports to the US, totaling €4.2 billion annually, will face tariff rates exceeding 15%. Cheese products constitute the hardest-hit category. While Japan has not yet announced the specific monetary value of the impact, it faces a similar situation.

For other countries and regions, reciprocal tariffs are imposed on the basis of MFN tariffs. Replacing reciprocal tariffs with a 10% Section 122 tariff would, essentially, have no negative impact, disregarding the minor differences in product exemptions between the two tariff measures. Clearly, however, the

US is contemplating further tariff escalations beyond the current 10% Section 122 duty.

The US initiated two Section 301 investigations in March 2026, focusing on alleged structural overcapacity in manufacturing and insufficient enforcement of import bans on goods produced with forced labor. It remains to be seen how the existing bilateral agreements concluded by the US will influence the outcomes of these 301 investigations.

III. BLOCKAGE MEASURES TARGETING CHINESE PRODUCTS

In US negotiations with other countries, in interviews of US officials with the media, and in related US policy documents, we can frequently see US efforts to mobilize other countries and regions to contain Chinese products. Bloomberg referred to this as the “Great Blockade Plan”. Below, we will focus on analyzing four measures aimed at blocking Chinese products: spread of discriminatory tariffs, tariff hikes on transshipped goods, tightening of rules of origin, and supply chain security clauses. These four types of measures are not mutually exclusive and may be used simultaneously. Additionally, the abuse of trade remedy measures and non-economic measures that affect China’s interests also merit attention.

A. Spread of Discriminatory Tariffs

The US Section 301 tariffs, fentanyl tariffs, and reciprocal tariffs are all unilateral tariffs that violate WTO rules. While opposing unilateral US tariffs, China must do everything possible to prevent the spread of discriminatory tariffs against China to third countries.

In February 2025, after the US began imposing fentanyl tariffs, Treasury Secretary Scott Bessent proposed the “North American Fortress” concept, urging Canada and Mexico to cooperate to jointly block Chinese products. Such demands by the US on Canada and Mexico had already existed during the Biden Administration. Mexico increased import tariffs on some products twice in 2024 and announced further increase in 2025. Although Mexico claimed that these were within the WTO’s bound tariff limits and implemented

on a non-discriminatory basis, Chinese intermediate goods suffered most. At the same time, Mexico has recently increased anti-dumping investigations against Chinese products. China has closely tracked these changes in Mexico's relevant policies and announced that Mexico's China-related restrictive policy had constituted trade and investment barriers after the investigation finished in March 2026. However, Canada imposed high discriminatory tariffs specifically on products such as electric vehicles from China as early as the end of 2024. China initiated its first anti-discrimination investigation and implemented countermeasures in March 2025. Following the change of the Canadian government, there were signs of improved relations between China and Canada after a conversation between the two sides' premiers. The two sides finally reached a solution to the dispute in January 2026 during the Canadian Prime Minister Mark Carney's visit to China.

B. Tariff Hikes on Transshipped Goods

Provisions on tariff hikes for transshipped goods were first introduced in a tweet posted by President Trump on July 2, 2025, where he announced the framework of a US–Vietnam agreement, stating that a 40% tariff would be imposed on any transshipped goods. This rule has sparked much speculation in the market. However, due to unclear definitions of transshipment, many analyses lacked a factual basis.

On July 31, 2025, the US Executive Order on Reciprocal Tariffs provided further specific regulations regarding the issue of “transshipment”. These regulations are aimed at addressing the cases where transshipping is used to evade imposed tariffs. This means that normal transshipment trade, which is not intended to evade tariffs, remains unaffected. For example, if Chinese products are transshipped through Mexico or undergo minor processing there, and their country of origin is correctly declared as China when customs declarations are filed at US ports, US customs will apply tariffs based on the goods' origin, and there will be no additional transshipment tariffs. However, if transshipment is used to evade tariffs, such as by making a false declaration of country of origin, once discovered by US customs, a transshipment-related additional tariff will be imposed, replacing the original reciprocal tariff rate with a 40% tariff rate. For example, if a product originally made in China is

transshipped through Vietnam, undergoes minor processing, and is falsely declared as Vietnamese origin for export to the US, US Customs and Border Protection (CBP) will, upon discovery, replace the original 10% tariff rate for Chinese-origin goods with a 40% rate. The practical effect is a 30% increase in the tariff burden. However, beyond this, other tariffs on Chinese products still need to be imposed, including Section 301 tariffs, fentanyl tariffs, and MFN tariffs. More importantly, in cases involving false declaration of country of origin, the relevant parties shall be subject to various fines or other penalties, including fines imposed under Section 592 of the Tariff Act of 1930, which governs false declarations of origin. Depending on the subjective circumstances of the parties, violations may fall into three categories: fraud, gross negligence, and negligence, with fines potentially reaching up to the domestic value of the goods. In addition, offenders are also subject to treble or double damages for violating the False Claims Act and may even face criminal liability, with sentences of up to two years in prison. US Department of Justice officials have recently emphasized the need to strengthen efforts to pursue accountability for trade and customs fraud.

Thus, it is evident that the US has implemented extremely severe punitive measures for cases involving the evasion of tariffs through transshipment. Although the replacement of the reciprocal tariff rate corresponding to the goods' actual origin with a 40% rate is meant to deter violations, the deterrent effect remains limited. The key lies in whether US Customs can effectively identify fraudulent declarations of origin.

C. Tightening of Rules of Origin

According to media reports, given that there has been no change to US rules of origin, whether transshipment constitutes an attempt to evade tariffs is still determined based on the existing rules of origin. In the context of China's trade with the US, cases of false origin declarations (commonly referred to as "origin laundering") may exist. However, a more common situation is likely one where China exports intermediate products to a third country/region, and substantial transformation is done through processing in that third party, granting it the legal right to use the third country's origin label before entering the US. In recent US trade negotiations, the White House disclosed information about

discussions with Indonesia and the EU, stating that further negotiations will be held to strengthen rules of origin.

Rules of origin are divided into preferential and non-preferential categories. Preferential rules of origin are generally used in free trade agreements (FTAs) or under the Generalized System of Preferences (GSP), where both exporting and importing countries have signed agreements or have established sound customs cooperation mechanisms. For non-preferential rules of origin, each country has its own set of rules. While the WTO has the Agreement on Rules of Origin, which includes principled regulatory requirements like non-discrimination, transparency, fairness and reasonableness, the harmonization of these rules of origin has not been fully achieved despite over 30 years of efforts. As a result, it is a common phenomenon that there are discrepancies between the rules of origin, particularly the origin standards, of exporting and importing countries. Generally speaking, importing countries have the right to implement trade regulations based on their own rules of origin. In practice, origin certificates issued by exporting countries can play an important role, but they are not decisive.

In negotiations, the US may request the other parties to assist in strengthening origin verification processes, and comply with US requirements regarding matters such as the issuance of origin certificates and affixing origin labels.

Regarding the rules of origin criteria, the US may seek to increase the current threshold for substantial transformation. For example, media reports indicate that in negotiations with Thailand, the US asked if Thailand would accept a 70% value-added requirement as the standard for substantial transformation. Thai officials responded that such a high standard would be difficult to implement. Clearly, if the standard for substantial transformation is raised, some of the previously legitimate trade (where Chinese intermediate products are exported to a third country for processing before being re-exported to the US) may no longer meet the new requirements and may be deemed illegal.

The US non-preferential rules of origin are complex, formed through long-term evolution and combining case law as the mainstay with statutory rules. The substantial transformation criteria are typically assessed based on three

factors: name, character, and use. When implementing these rules, changes to the tariff classification are prioritized, while the value-added standards act as a supplementary one, with specific rules for certain goods. For China, tariff classification changes mainly rely on four-digit classification changes, whereas the US primarily adopts six-digit classification changes. The US typically adopts a 35% value-added standard, while China uses a 30% standard. For the US standard, changes to tariff classification are used first; if no change occurs, the value-added standard is applied. However, the US non-preferential rules of origin may not always be consistent across different scenarios, such as the collection of MFN tariffs, the imposition of trade remedies and anti-circumvention tariffs, trade statistics, and origin label management. For example, the recent case of BYD's Cambodia factory concerns enforcement of non-preferential rules of origin in anti-circumvention matters. Since the implementation of Section 301 tariffs and the Special Reciprocal Tariff System targeting China, the non-preferential rules of origin have become increasingly important due to the need for different tariff rates imposed on products from different countries and regions.

Currently, the specific outcomes of US negotiations with other countries on origin rules and possible approaches to revising the substantial transformation standard remain unclear. Modifying these rules will likely involve significant costs and challenges. In terms of specific revision methods, one potential change could involve increasing the tariff classification change threshold from six digits to four or even two digits. Another possibility is raising the 35% value-added standard to 40%, 50%, or even higher, and introducing key process requirements for more products. Additionally, there could be the introduction of requirements for technical origin and ownership origin that differ substantially from current rules. For example, as discussed in the supply chain security clause section below, the US–UK trade agreement includes indications that ownership origin requirements might be incorporated.

D. Supply Chain Security Clauses

In the general clauses of the US–UK Economic Prosperity Agreement, the UK agrees to comply with US requirements regarding supply chain security for steel and aluminum products and to cooperate on supply chain security

in sectors covered by US Section 232 investigations or measures, such as the pharmaceutical industry. Notably, with regard to steel and aluminum, the agreement also mentions the “ownership attributes of relevant production facilities”. The exact meaning of this clause remains unclear, but it is possible that Chinese investors who establish businesses overseas may face restrictions, even if the production processing does not occur in China, as long as the ownership belongs to Chinese investors or Chinese state-owned entities.

The issue of supply chain security may or may not be tied to rules of origin. For example, Canada imposes a 25% tariff on products imported from countries other than the US that contain Chinese-melted and cast steel or iron; this policy does not address the actual content of Chinese components, making it essentially unrelated to origin issues.

The issue of supply chain security is actually not a new one. For instance, the existing measures such as Xinjiang-related sanctions against China, as well as Information and Communication Technology Services (ICTS) reviews, may also involve supply chain issues. Currently, the trend is that such restrictions are evolving from traditional tools for security, labor, and environmental standards into arbitrary and discriminatory tools for trade protection.

E. Other Measures

In addition to the above tools, the US has further generalized the concept of “non-market economies” in negotiations, and referenced addressing “non-market policies” under several agreement frameworks. This includes collaboration with related countries and regions to strengthen or even abuse trade remedies. Canada and Mexico have seen their number of trade remedy investigations against China rise from their long-term rankings of 8th and 9th to 4th and 5th respectively in 2025.

On August 9, 2025, *The Washington Post* published an exclusive report by Lynch and Natanson, titled *Trump Expands Use of Tariffs to Reach National Security Goals*, revealing many examples that during tariff negotiations, the US pressured other countries to abandon cooperation with China in both economic and non-economic areas, and to strengthen coordination with the US to implement containment strategies against China.

IV. THE CURRENT STATE AND FUTURE TREND OF THE INTERNATIONAL TRADING SYSTEM

The US trade war, especially the implementation of the reciprocal tariff system in 2025, has significantly disrupted the multilateral trading system centered around the WTO. The series of bilateral agreements signed on the basis of the “America First” principle and related tariff system, referred to as the Turnberry System by Jamieson Greer, has raised a critical question: Can these agreements eventually supersede multilateral rules and replace the multilateral trading system?

The international trading system is indeed undergoing changes. Many observers even argue that the WTO is “dead”, and that the multilateral trading system is no longer useful. In fact, maintaining both China’s development interests and the multilateral trading system is highly aligned under the current circumstances. Protecting the multilateral trading system not only benefits China but also aligns with the historical development trend of global trade.

Currently, the WTO has 166 members. In fact, trade among WTO members other than the US continues under the MFN treatment and the bound tariff commitments. However, the two-way trade between the US and other members has largely deviated from the WTO rules. The current international trading system is essentially a “WTO-minus-one” system, which can also be called the “American exception” system. On the one hand, the US clearly intends to overturn the multilateral trading system, while on the other hand, it has not withdrawn from the WTO. The US domestic law requires an evaluation every five years to decide whether to withdraw from the WTO, and 2025 is the evaluation year. However, to date, there has been no indication from the US government that it intends to withdraw from the WTO. In this context, the so-called Turnberry System is like a vicious tumor growing on the body of the multilateral trading system, eroding it from within. For a fairly long period ahead, whether this system will spread and ultimately kill the multilateral trading system, or whether the multilateral trading system will eliminate this tumor, remains uncertain. The struggle between unilateralism and multilateralism may persist for a long time to come.

Historically, a trading system of “one country first” has emerged. In 1932,

the UK abandoned free trade policy, significantly raised tariffs, and established an imperial preferential tariff system based on its colonial framework. It also clearly put forward the slogan “Home producers first, imperial producers second, foreign producers last”. However, this system was eventually replaced by a new free trade regime. In the present context, despite the fact that the US, once the standard-bearer of free trade over the past 80 years, has become the biggest opponent of free trade and globalization, the other 165 WTO members, along with over 20 countries applying for membership, still hope to maintain a stable and predictable multilateral trading system. After the Appellate Body was paralyzed due to US obstruction, an alternative temporary appeal arbitration mechanism, i.e., Multiparty Interim Appeal Arbitration Arrangement (MPIA), was established. Following the accession of Japan and the UK, all developed countries, except the US, and many large and medium-sized developing economies, including China, have joined the mechanism.

Since 1860, the principles of non-discrimination and *Pacta Sunt Servanda*, which have long been the mainstream of international trade rules, have proven to be vital. Trade arrangements based on “one country first” and lacking predictability are unlikely to establish a true international trade order. Maintaining the multilateral trading system does not mean ignoring its inherent problems. We should work towards a balanced development of rules uniformity and inclusivity, and carry out necessary reforms while adhering to the basic principles.

Historically, both the UK and the US once served as the “world factories”. China’s current position as a manufacturing hub is a natural outcome of the combination of spontaneous economic laws and the efforts of Chinese people. This is not a problem with current globalization. Since the beginning of this century, the increased share of global economic power held by developing countries, including China, is a positive phenomenon in this round of globalization. China has no intention of pursuing large trade surpluses, as this does not align with its long-term interests. Chinese companies have expanded their global presence to collaborate with many countries, especially developing countries, to help them develop their manufacturing sectors, which is also a positive development. Meanwhile, issues such as hollowing-out of industry faced by the United States are an objective reality, but these cannot all be

blamed on the multilateral trading system. Rebalancing the global economy requires joint efforts from the US, China, and other countries. The US should strengthen fiscal restraint and reduce excessive spending. At the same time, lifting excessive restrictions on Chinese investment in US manufacturing will benefit mutual cooperation. China needs to strengthen competition policies, improve mechanisms for market access and exit, vigorously expand domestic demand, and further advance high-level institutional opening-up. All countries should work together to promote the joint reform of the international trading system and the international monetary system, advancing a multipolar world that is equal, orderly, and conducive to inclusive and equitable economic globalization.