

# Chapter 1.1

## Geopolitical Changes and the New Agricultural Trade Environment

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### Introduction

In the previous edition of this book series, published in 2024 as a contribution to the 13<sup>th</sup> Ministerial Conference, one of our main themes was the profound geopolitical changes that were taking place in the world and its implications for the functioning of the World Trade Organization (WTO) and trade in general. Our analysis pointed to a progressive weakening of multilateral institutions and of the enforcement of multilateral trade rules. This was particularly noticeable among the large economies with considerable bargaining power. We warned that this trend risked a return to power-based bilateralism, at the expense of global cooperation.

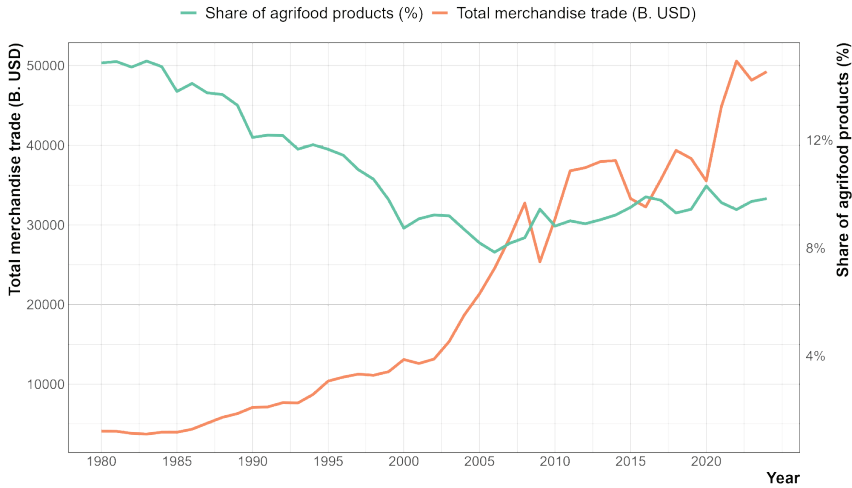
Two years later, as we approach the 14<sup>th</sup> Ministerial Conference (MC14) in Yaoundé, the geopolitical changes we were concerned about—and the threats to the rules-based multilateral trade system—have gained a scale and intensity that exceed even the most pessimistic forecasts. This crisis is fueled by a growing conviction in many advanced economies, led by the United States of America (US), that the current trade framework is outdated. The US perspective has shifted from supporting the system to actively disrupting it, citing chronic non-compliance, particularly by China, and the perceived failure of the WTO to address state-led economic models. As a result, the global landscape has shifted beyond potential risks, with increasing use of reciprocal tariffs and a gradual fragmentation of trade relationships.

## Present and potential future impacts on agricultural trade

Over the past forty-five years, world merchandise trade has undergone profound structural changes, and agrifood products have been part of this transformation. Between 1980 and 1985, global trade remained relatively stagnant, reflecting the sluggish growth that followed the macroeconomic turbulence of the late 1970s and early 1980s. However, from the mid-1980s to the early 2000s, international trade expanded steadily, driven by trade liberalization, technological progress, and deeper economic integration. This expansion accelerated significantly between 2005 and 2010 as the consolidation of global value chains (GVCs) intensified cross-border production linkages and boosted trade volumes. Between 2010 and 2020, merchandise trade growth slowed and stabilized amid weaker global demand and rising tensions. In the post-COVID-19 era, trade flows rebounded sharply—driven largely by rising international prices—reaching a historical peak in 2022 against the backdrop of the war in Ukraine.

Agrifood trade followed a related but distinct trajectory. Its share of total merchandise trade declined steadily from the mid-1980s, overshadowed by the rapid expansion of manufactured goods. This trend began to reverse around 2005, as surging global demand, evolving consumption patterns, and higher commodity prices bolstered agrifood's relative standing—the sector's share stabilized at approximately 10%. Despite this recovery, agrifood products have not regained the relative importance they held in the early 1980s, indicating a permanent structural shift in the composition of global trade.

These long-term trends are illustrated in Figure 1, which tracks the expansion of global merchandise trade alongside the evolving weight of agrifood products. The data clearly highlights the mid-2000s acceleration, the post-2010 stabilization, and the sharp post-pandemic rebound. Crucially, the figure captures the mid-2000s inflection point, marking the gradual recovery in the agrifood share after decades of decline.

**Figure 1: Evolution of world merchandise trade and agrifood products share.**

Source: Author's calculations based on WTO data.

Beyond aggregate volumes, geopolitical transformations and growing uncertainty have altered the geographic configuration of trade. We are witnessing a realignment of countries and regions, both in terms of their relative participation in global markets and in the structure of “preferred” trade partnerships. Asia, and China in particular, has played a central role in these shifts. The early development of high-tech industries, combined with proactive and strategic trade policies, allowed the region to expand its global presence significantly. Asia’s share of global trade surged from approximately 33% in 2019 to 55% in 2023, a shift that includes a substantial increase in agricultural imports.

This massive geographical shift is the primary driver behind the recent growth in agricultural trade, fueled largely by surging import demand in Asian economies, especially China. At the same time, agricultural trade remains highly sensitive to tariffs and sanitary regulations—tools historically used as pillars of agricultural policy to protect domestic production, particularly in Asia and Europe. To be sure, average tariffs applied globally to agricultural products declined during the previous decade, even if they remained structurally higher than those in other sectors. However, in 2024 and 2025, the geopolitical environment shifted significantly. Several countries resorted to tariffs not just for protection, but as aggressive bargaining instruments in broader trade disputes.

A definite example was China's abrupt tariff hikes on US pork and soybeans in response to industrial trade pressures. As a result of renewed protectionist measures among major food-importing countries, China's trade-weighted average tariff applied to global agricultural imports increased from 15% in 2024 to a peak of 33% in April 2025, before declining to 17% in December 2025. Similarly, the United States' trade-weighted average tariff on global agricultural imports rose from 3% in 2024 to a peak of 15% in September 2025, easing thereafter to 12% in December 2025.

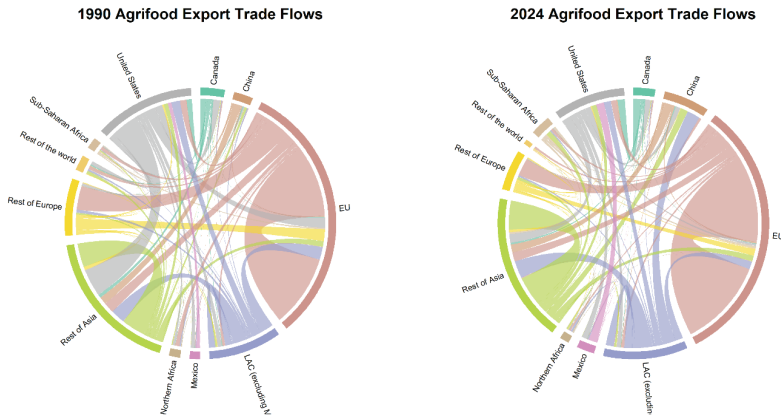
Sanitary and phytosanitary (SPS) regulations have also become increasingly relevant. While these measures are, in principle, legitimate instruments to protect public health and prevent the spread of pests and diseases, they often function as non-tariff barriers when applied in a discriminatory, opaque, or scientifically disproportionate manner. The integration of climate-related measures into trade policy led by the European Union (EU) further complicates the regulatory landscape and increases uncertainty in agrifood markets. Two prime examples are the EU's Deforestation Regulation (EUDR) and Carbon Border Adjustment Mechanism (CBAM). The former, set to begin on December 30, 2026, requires that key commodities—including soy, beef, palm oil, and coffee—be produced on land not subject to deforestation or forest degradation after 2020. The latter, which entered its definitive phase on January 1, 2026, targets the carbon footprint of energy-intensive imports. For agrifood, its most immediate impact is on fertilizers, as importers must now account for the emissions embedded in these inputs.

Despite these changes, agrifood trade flows between 1990 and 2024 show a remarkable degree of structural continuity. The principal trade corridors observed in 1990 remain largely visible in 2024, suggesting that the fundamental architecture of global agrifood trade is resistant to radical transformation. However, the intensity and direction of specific flows have evolved, reflecting a gradual rebalancing of regional participation.

This reconfiguration is depicted in Figure 2, which compares the geographic structure of agrifood exports across the two years. The data reveal a relative decline in U.S. market participation, driven primarily by a contraction in export flows to traditional hubs in Asia and the EU. While trade relations with Mexico and Canada remain strong, imports from Latin America and the Caribbean (LAC) have decreased, indicating a greater concentration of trade within North America. In contrast, Asia—especially China—has strengthened its role as a central node in global agrifood trade. This shift is mirrored by LAC's consolida-

tion as a major supplier to the Asian market. Furthermore, Asia has expanded exports to Sub-Saharan Africa and deepened intra-regional trade, while the EU has reduced its trade intensity with the rest of Europe and with Asia excluding China, signaling a relative shift in its external trade orientation.

**Figure 2: Agrifood export trade flows. In current USD, 1990 and 2024.**



*Notes: Fisheries are not included in agrifood products.*

*Source: Author's calculations based on FAOSTAT data.*

Looking ahead, the persistence of geopolitical tensions suggests that uncertainty may remain a defining feature of the global agricultural trade environment. The “middle game” of this geopolitical restructuring—marked by retaliatory tariff measures and broader strategic use of trade policy instruments—threatens to further distort market incentives. In this more fragmented and confrontational context, the risk of a permanent retreat from multilateralism is real. The blind pursuit of national security and commercial edge has already led some large economies to revert to broader agricultural protectionist policies. In this scenario, a “race to the bottom” can become inevitable, setting back the modest but hard-fought liberalization of the late twentieth and early twenty-first centuries. The damage to the long-sought and laudable objectives of increasing global food security, particularly for low-income countries, can be disastrous.

## Global trade implications for developing economies

It is increasingly clear that the multilateral trade framework is seriously impaired. In the words of Mark Carney, Prime Minister of Canada, in his January 2026 address in Davos: “In the new order that is slowly and painfully emerging, a new trade framework will have to emerge.”<sup>1</sup> Carney emphasized that the world is experiencing a “rupture, not a transition.” He also made two very relevant additional comments. First, all countries must recognize this reality and cease the pretense that multilateralism remains “well and alive”. Second, he noted that medium-sized countries have two options: they can retreat behind trade walls and revert to protectionism, or they can be “smarter” by forming strategic, plurilateral coalitions and negotiating trade agreements among themselves to preserve their collective sovereignty.

In pursuing this second option, interested countries must prioritize preferential trade agreements (PTAs) with regional, inter-regional, and plurilateral dimensions, as their relevance in this new fragmented environment has been greatly strengthened. Plurilateral trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), will play an important role as they evolve into global “clubs” for trade-dependent economies. In addition, two landmark inter-regional agreements that had languished in negotiations for decades were finally concluded and signed in January 2026. On January 17, a broad and inclusive partnership was signed between the EU and Mercosur (Argentina, Brazil, Paraguay, and Uruguay), creating one of the world’s largest free trade zones. This was followed on January 27 by a historic agreement between the EU and India, described by many as the “mother of all deals.” These agreements serve as primary examples of new institutional frameworks that preserve the core principles of a rules-based system, providing a “variable geometry” that allows middle powers to bypass the paralysis of traditional multilateralism.

Looking into the future, it is likely that other PTAs—both existing and emerging—will gain prominence, leveraged by the natural advantages of geographic proximity or by historical and political ties. These PTAs are an important tool to mitigate the losses associated with the fragmentation of the global economy. On the other hand, a good part of global trade will occur under the umbrella of bilateral trade agreements. These arrangements will have different

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1 Carney, Mark. “Principled and Pragmatic: Canada’s Path.” Special Address at the World Economic Forum Annual Meeting, Davos, Switzerland, January 20, 2026

geometries and levels of inclusion, where conditions will most likely favor larger economies with greater negotiating power. This shift is already evident in the active participation of the US, which has signed several bilateral trade agreements in recent months, including with LAC countries such as the US-Argentina Agreement on Reciprocal Trade and Investment (ARTI), signed in February 2026. This deal illustrates the new "reciprocal" model: while providing Argentina with expanded quotas for products like beef, it also requires deep regulatory alignment with U.S. standards and strategic cooperation on economic security.

The remainder of the global trade will occur outside of trade agreements, leaving exporting countries vulnerable to a shifting landscape of unilaterally imposed regulations and standards. Framed around environmental, social, and security-driven justifications such as the EU's CBAM and the U.S. Bulk Data Rule, these measures are often unstable and subject to arbitrary modification.<sup>2</sup> Consequently, the terms of this non-preferential trade are dictated primarily by the relative economic and political leverage of the intervening parties. In this environment, market access is no longer guaranteed right under international law but a variable condition, deeply contingent on the specific geopolitical alignment and market pressures of the moment.

In this context, and despite all the difficulties just described, it is important that developing countries—particularly in LAC, given their critical agricultural export capacity—continue their active participation in the WTO. As a region, LAC must persist in pushing for a reconstruction of the multilateral trade framework, ensuring that a basic set of global rules remains in place to guard against a total "law of the jungle". However, we must also recognize the immediate pragmatic reality: in the near future, the most tangible market access results will be achieved through preferential negotiations

In addition, because of the more confrontational geopolitical environment that has developed in recent years, these preferential agreements will be negotiated, in most cases, between countries with shared values—especially those that do not have significant security frictions.<sup>3</sup>

These arguments are very specifically relevant to LAC countries in the present regional political situation. During most of the previous three or four de-

2 Executive Order 14117, "Preventing Access to Americans' Bulk Sensitive Personal Data and United States Government-Related Data by Countries of Concern," issued on February 28, 2024. See <https://researchservices.cornell.edu/policies/departments-justice-doj-bulk-data-rule#:~:text=The%20National%20Security%20Division%20of,Covered%20Persons%E2%80%9D%20as%20a%20Data>

3 Crystia Freeland. PIIE Trade Talks February 4, 2026

ades, LAC had two political strengths. First, they were able to present themselves to the rest of the world relatively united and with common views about major geopolitical events. Second, they maintained strong political and economic relationships within subregional groups, including trade and integration agreements between the countries. Examples of this are the Central America trade agreement, Mercosur in the Southern Cone, the Pacific Alliance in the Andean region, and the Caribbean Community (CARICOM).

In recent times, however, significant political shifts within the LAC region have fundamentally altered the landscape. A wave of new governments, often with different political and geopolitical views, has created frictions in regional alliances and global positioning. Because of these frictions, the traditional regional integration mechanisms have weakened, albeit with important subregional nuances. CARICOM, despite the shortcomings of the common external market, has managed to maintain its cohesion. Similarly, Mercosur continues to function as a "partially resilient" bloc, buoyed by the historic signing of its EU agreement in January. In contrast, other frameworks like the Pacific Alliance and Central American Integration System have struggled to find common ground as members diverge between US aligned security postures and deepening economic ties with China.<sup>4</sup>

Going forward, political projections suggest that by the end of 2026, a significant majority of LAC countries will be governed by center-right administrations. These governments are expected to share convergent views on international political alliances, economic sovereignty, and trade relationships with the rest of the world. This emerging political configuration will provide fresh opportunities for regional alliances and for a decisive repositioning of LAC within global affairs: moving away from ideological fragmentation toward a more pragmatic, security-oriented bloc that seeks to balance U.S. hemispheric preeminence with the necessity of maintaining diverse global trade channels.

Similarly, Africa also faces an important moment of repositioning. While the continent is politically diverse, there is a growing recognition across governments that deeper regional integration is not only desirable but necessary in a more fragmented global trade environment. The progressive implementation of the African Continental Free Trade Area (AfCFTA)—which entered its sec-

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4 For details of recent development in LAC subregional agreements see <https://caricom.org/annual-reports/>; <https://www.mercosur.int/documento/informe-tecnico-de-comercio-exterior-del-mercador-2022>; [https://www.sica.int/sica/vista\\_en.aspx](https://www.sica.int/sica/vista_en.aspx) and <https://alianzapacifico.net/en/what-is-the-pacific-alliance/>.

ond five-year phase in early 2026—offers a concrete institutional framework to strengthen intra-African trade, reduce dependence on extra-regional markets, and build more resilient regional value chains. By harmonizing rules, improving customs cooperation, and addressing non-tariff barriers, AfCFTA can help unlock economies of scale and create a larger, more predictable market for agricultural producers and processors.

Within this context, and subject to the evolution of preferential trade agreements—be they bilateral, regional, or plurilateral—it is likely that trade barriers will continue to proliferate. This protectionist shift is increasingly evident in major food-importing nations, which are frequently implementing unilateral policies under the frameworks of national security and environmental sustainability. For developing countries, particularly those that are major agricultural exporters, such as those in LAC and Africa, this heightened uncertainty in global agrifood markets presents a profound challenge to their trade strategies and broader economic development. To mitigate this vulnerability, these nations must bolster the productivity of their farms—particularly through the adoption of climate-friendly, sustainable technologies—while simultaneously anchoring themselves within a framework of strategic preferential agreements. By aligning with trade-friendly partners capable of reducing exposure to geopolitical frictions, these exporters can transform "compliance" from a barrier into a competitive advantage.

Proponent(s)	Main Focus Areas	Reference
Brazil	Broad agriculture reform roadmap and draft ministerial decision, covering domestic support, market access, special safeguard mechanism, and enhanced negotiation structure	WTO Draft Decision on Agriculture Negotiations (Brazil submission) — <i>JOB/AG/271</i>
African Group	Comprehensive priorities for agriculture talks; seeks to integrate existing texts into a single work program through MC15	African Group sets out detailed agriculture priorities ahead of MC14 <i>JOB/AG/242, JOB/AG/257</i>

Proponent(s)	Main Focus Areas	Reference
Indonesia	Food security and resilience-focused draft ministerial decision, emphasizing special and differential treatment and post-MC14 roadmap	WTO members share new agriculture proposals ahead of MC14 (Indonesia submission)
Argentina, Brazil, Paraguay, and Uruguay	Market access reform communication	WTO members table seven new agriculture negotiating submissions (market access communication) <i>JOB/AG/255R1</i>
C4+ Group (Benin, Burkina Faso, Chad, Mali, Côte d'Ivoire)	Cotton-focused on negotiating the submission and accompanying ministerial declaration	WTO members table seven new agriculture negotiating submissions (cotton proposal)
Jamaica	Draft ministerial declaration linking trade and food security	WTO members table seven new agriculture negotiating submissions (Jamaica declaration) <i>JOB/AG/270</i>
Least Developed Countries (LDC Group)	Draft decision addressing trade and food security concerns	WTO members table seven new agriculture negotiating submissions (LDC submission) <i>TN/AG/W/13</i>

### Box 1: The Evolving state of WTO agricultural negotiations

In parallel with the shifting geopolitical context described earlier, the state of agricultural negotiations within the WTO remains fragile and politically complex. Since the WTO's creation, agriculture has been one of the most contentious areas of multilateral rulemaking, subject to entrenched interests and structural asymmetries between countries. While the 1995 Agreement on Agriculture (AoA) provided the initial framework to begin disciplining trade-distorting policies, progress toward deeper reform has consistently faltered. Despite a brief window of optimism around the 2008 draft modalities, negotiations have since entered a pattern of recurring deadlock, marked by minimal convergence and repeated exclusion of agriculture from final ministerial packages.

As the MC14, held in Yaoundé, Cameroon, took place, Cameroon, the political backdrop for agriculture remains both urgent and uncertain. The convergence of supply chain disruptions, rising food insecurity, climate-related shocks, and a retreat from multilateralism has reshaped the political economy of agricultural trade. These challenges, combined with intensified geopolitical rivalries and diverging national priorities, have further weakened the WTO's capacity to broker consensus on agricultural reform. And yet, precisely because of these tensions, there is renewed awareness that the current moment cannot be treated as business as usual.

In late 2025 and early 2026, a notable number of WTO Members resumed their engagement in the Committee on Agriculture's Special Session, submitting a new wave of proposals aimed at breaking the long-standing impasse. Mercosur countries (Argentina, Brazil, Paraguay, and Uruguay) put forward contributions on market access, reaffirming their interest in disciplines that reflect their comparative advantage as agricultural exporters. Brazil advanced a roadmap for continuing negotiations beyond MC14, structured around a phased approach. In parallel, the African Group presented one of the most comprehensive proposals to date, bringing together elements from previous texts and proposing a sequenced agenda through MC15. Their submission includes concrete priorities such as curbing trade-distorting domestic support, operationalizing a special safeguard mechanism for developing countries, and updating reference prices that underpin various disciplines (see more on this in section 3.2).

These submissions signal both continuity and change. Long-standing issues remain unresolved, but there is also evidence of new narratives gaining traction—particularly those linking trade reform to food system resilience, development objectives, and the evolving climate agenda. Proposals from Indonesia, Jamaica, and the Least Developed Countries (LDCs) have emphasized the importance of maintaining policy space for food security interventions, strengthening transparency around export restrictions, and ensuring that agricultural rules support rather than constrain national food system strategies.

Against this backdrop, expectations for MC14 remained cautious. Most Members recognized that achieving a comprehensive agricultural agreement in Yaoundé was unlikely, and ultimately, no significant progress was made. However, there is a broad consensus that the moment should not be wasted. Even in the absence of binding outcomes, the conference offers a platform to clarify positions, rebuild trust, and define a path forward. Some Members have called for a general ministerial declaration that outlines shared principles and commits to technical engagement beyond MC14. Such a declaration could

help reframe the conversation, restore momentum, and create a foundation for more ambitious reforms in the future.

For LAC and Africa in particular, advances in the negotiation agenda are important. Both regions are affected by the current fragmentation of global agricultural trade, whether major exporters are vulnerable to rising protectionism or as net food importers exposed to supply and price shocks. In this context, MC14 offers an important opportunity to articulate a shared vision for agricultural trade—one that prioritizes fair rules, development-oriented outcomes, and the need for a reinvigorated multilateral system. Although immediate breakthroughs may be out of reach, meaningful progress can still be made by anchoring negotiations in the real concerns of developing countries and committing to an inclusive agenda that extends beyond the ministerial.

## Implications for Latin America and the Caribbean

These changes in the global agricultural trading environment pose significant challenges for LAC countries. For net agricultural exporters, higher protectionist measures in importing markets may lead to reductions in traded volumes, downward pressure on international prices, and rising logistics costs. Together, these factors reduce market opportunities and diminish the net economic benefits derived from agricultural exports.

For net food-importing countries, particularly those that apply tariffs, the effects are different but equally concerning. Higher import costs translate into higher consumer food prices, while increased market uncertainty heightens the risk of food insecurity. These impacts are likely to be more severe for smaller economies with limited market power and constrained negotiating capacity in bilateral or plurilateral trade settings.

At the same time, the region's internal structure offers important, though underutilized, opportunities. LAC includes major net agricultural exporters—particularly the Southern Cone countries, Chile, and Peru—as well as net food-importing economies, especially in the Caribbean. These complementarities create clear potential for expanded intraregional trade. However, this potential has not been fully realized due to limited trade agreements, persistent sanitary and other non-tariff barriers, and inadequate transport and logistics

infrastructure. Targeted trade negotiations and coordinated investments in infrastructure could help overcome these constraints and strengthen regional resilience in an increasingly uncertain global trade environment.

## Implications for Africa

The current transformation of the global agricultural trade system has concrete implications for African countries. Rising tariffs, the increased use of export restrictions, and the weakening of multilateral disciplines are occurring alongside the introduction of new regulatory requirements in major markets. For African exporters of coffee, cocoa, tea, cotton, horticultural products, and other primary commodities, access to traditional destinations such as the EU and Asia is becoming more complex and costly. The implementation of the European Union Deforestation Regulation, together with the expansion of private sustainability standards and carbon-related trade measures, introduces new traceability, certification, and compliance obligations. These requirements can significantly increase transaction costs, particularly for smallholders and small and medium-sized agribusinesses with limited technical and financial capacity. The result is a higher risk of exclusion from high-value markets and a reinforcement of existing asymmetries in global agricultural trade.

At the same time, Africa's structural position as a net food-importing region increases its vulnerability to external shocks. Export bans imposed by major producers and general price volatility directly affect food availability and affordability. Higher logistics, fertilizer, and fuel costs further amplify these pressures, translating into higher domestic food prices and worsening food security conditions, particularly for low-income households. These trade-related vulnerabilities interact with broader macroeconomic constraints, including currency depreciation, tightening fiscal space, and rising public debt in several countries.

Despite these challenges, there are also significant opportunities. Africa's large and growing internal market, combined with the progressive implementation of the AfCFTA, provides a framework for strengthening intra-African trade and developing regional value chains. By harmonizing standards, improving customs procedures, and reducing intra-regional barriers, AfCFTA can reduce dependence on extra-regional markets and mitigate exposure to external trade disruptions. However, realizing this potential requires substantial investment in transport corridors, logistics, storage, certification systems, and digital trade facilitation tools. It also requires stronger institutional capacity and co-

ordinated negotiating strategies to ensure that African interests are effectively represented in multilateral and plurilateral trade discussions. In the current environment, a proactive and coordinated approach to trade policy will be essential for transforming external pressures into opportunities for structural change and greater resilience.