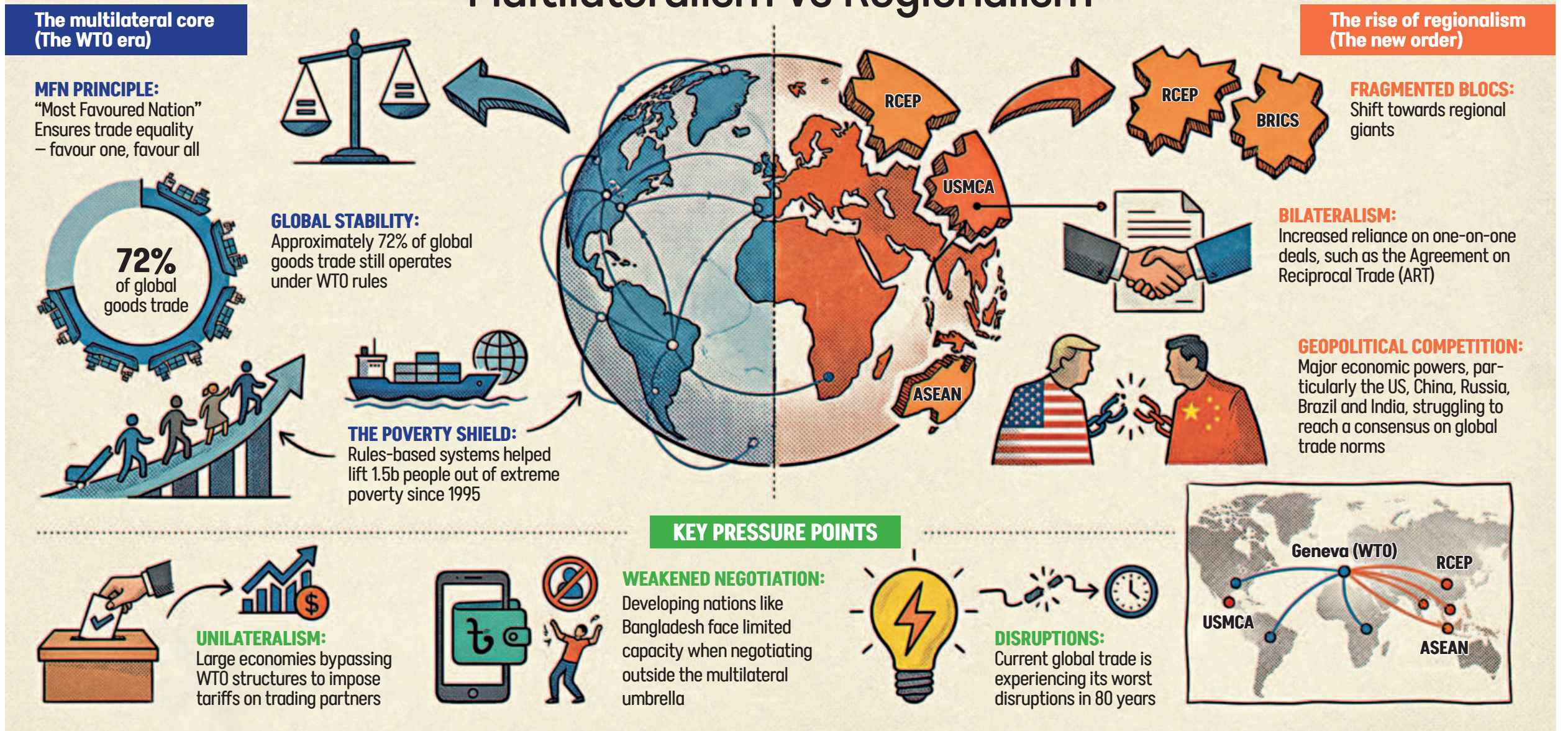


THE WTO SHIFT Multilateralism vs Regionalism



Is WTO losing its way?

As major powers increasingly bypass multilateral rules, the WTO's future hinges on whether political will can keep pace with geopolitical change

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The creation of the World Trade Organization (WTO) in 1995 was one of the most ambitious acts of post-war economic statecraft. Built on the foundations of the General Agreement on Tariffs and Trade (GATT), it promised a rules-based system in which countries—large and small—would trade under agreed disciplines rather than raw power. For several decades, that promise broadly held. Trade expanded, supply chains deepened, and hundreds of millions were lifted out of extreme poverty.

That success rested on a deceptively simple idea: predictability. Through binding tariff commitments and the principle of Most Favoured Nation (MFN), where concessions offered to one member must be extended to all, the WTO created a floor of fairness in global commerce. Even amid shocks such as the global financial crisis and the Covid-19 pandemic, this framework helped keep trade flowing.

The results were remarkable. According to WTO estimates, around 1.5 billion people were lifted out of extreme poverty during the era of expanding global trade. The volume of global trade today is more than 47 times higher than in 1950, while real global GDP has grown roughly 15-fold. The multilateral trading system did not achieve this alone, but it provided the scaffolding.

Yet that scaffolding is now under strain.

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The shift is most visible in the behaviour of major powers. The United States, long the system's chief architect, has grown sceptical of multilateral constraints. In April last year, it imposed reciprocal tariffs on several countries outside WTO norms, bypassing the MFN principle. Such measures signal a willingness to privilege strategic leverage over agreed rules.

Other powers have followed different but equally consequential paths. The rise of BRICS and regional agreements such as the Regional Comprehensive Economic Partnership reflects a world in which trade governance is fragmenting. Meanwhile, blocs like the Association of Southeast Asian Nations (Asean) and agreements such as the United States-Mexico-Canada Agreement have deepened regional integration—often at the expense of multilateral coherence.

The cumulative effect is a drift away from universality. Countries increasingly hedge their bets, signing bilateral deals or joining regional clubs

rather than relying solely on the WTO. No discussion of the WTO's predicament can ignore China. Its rise has been both a product of and a challenge to the multilateral system. By integrating into global markets under WTO rules, China became a manufacturing powerhouse. But its scale and state-led economic model have unsettled other major economies, particularly the United States.

This rivalry has paralysed consensus. Trade disputes between the world's two largest economies now spill into the WTO, where agreement is already difficult among 160-plus members. As a result, negotiations stall, and reforms languish.

Ironically, the very system that enabled China's ascent now struggles to accommodate its presence.

The WTO's institutional machinery is also faltering. Its dispute settlement system—once described as the "jewel in the crown"—has been effectively crippled. Since 2018, the United States has blocked the appointment of judges to the Appellate Body, rendering it unable to hear appeals. Without a functioning enforcement mechanism, rules lose credibility.

Recent ministerial meetings have exposed similar dysfunction. At the 14th WTO Ministerial Conference, held in Cameroon's Yaoundé on March 25-29, members failed to reach consensus on key issues, including e-commerce, fisheries subsidies, and broader institutional reform. Instead, partial and inconclusive outcomes were deferred to future discussions.

Such outcomes are becoming the norm. Negotiations drag on, compromises thin out, and ambition shrinks. As Mustafizur Rahman, distinguished fellow at the Centre for Policy Dialogue, put it, the WTO has been "saved, for the time being," but only by "agreeing to do almost nothing."

Perhaps the most consequential shift is the weakening of the MFN principle itself. Reciprocal tariffs imposed outside WTO disciplines, along with bilateral arrangements such as the United States' Agreement on Reciprocal Trade (ART), represent a departure

from non-discrimination.

For developing countries, this is particularly troubling. Under the traditional system, they benefited from predictable access to markets and preferential treatment. In a world of bilateral bargaining, however, negotiating power matters more than formal equality. Smaller economies risk being squeezed into unfavourable deals.

Countries like Bangladesh illustrate the dilemma. With limited leverage, they face pressure to accept terms dictated by larger partners. The shift from rules to power tilts the playing field. As Mohammad Abdur Razzaque, chairman of RAPID, warned, the system is increasingly becoming one of "rules of power."

Emerging issues are further complicating matters. Digital trade, for instance, has become a major point of contention. Since 1999, WTO members have maintained a moratorium on customs duties for electronic transmissions. Developed countries—major exporters of digital services—want this moratorium to be permanent. Many developing countries oppose this, arguing that it deprives them of revenue and policy space.

Here, too, interests diverge sharply. As Rahman noted, developing countries' interests are "primarily defensive," while those of developed economies are "offensive," reflecting their dominance in digital exports.

Is the WTO adrift?

Despite these tensions, the WTO is not yet obsolete. As Ngozi Okonjo-Iweala, its director-general, has noted, roughly 72 percent of global goods trade still occurs under MFN terms— "nearly

three-quarters of global goods trade."

That suggests the system retains a core of stability. Even as countries experiment with alternatives, they have not abandoned multilateralism altogether. The WTO remains a reference point—a baseline for global commerce.

But that baseline is eroding. Okonjo-Iweala has acknowledged that the system is "under threat" even as it continues to provide a "stable core" reflecting a structure that is enduring but under visible strain.

The current moment invites a deeper question: Is the global trading system undergoing a rupture or a transition? One school of thought sees a fundamental break. In this view, the post-war order—anchored in multilateral institutions—is giving way to a more fragmented and contested landscape. Power politics, not rules, will define the future.

Another perspective is more measured. It sees the present as a period of adjustment. As economic power becomes more diffuse, institutions must evolve. The WTO, in this reading, is not collapsing but adapting—albeit slowly and imperfectly.

Okonjo-Iweala frames it more bluntly: the old order has "irrevocably changed"; it will not return; and the task now is to decide what to preserve, what to repair, and what to rebuild.

Three realities stand out. First, the old order will not return. The era of uncontested multilateralism is over. Emerging powers, geopolitical

rivalry, and domestic politics have reshaped the landscape.

Second, the core principles of the WTO still matter. Predictability, transparency, and non-discrimination remain essential for global trade. Even critics of the system rely on these features.

Third, reform is unavoidable. The WTO must find ways to function in a more fragmented world. This may involve greater use of plurilateral agreements, where subsets of members move ahead on specific issues, while preserving a multilateral framework.

As Okonjo-Iweala put it, the task is to identify "what worked well... what did not... and the gaps we must now close."

The greater danger is not sudden collapse but gradual irrelevance. As countries increasingly bypass the WTO—through bilateral deals, regional agreements, or unilateral measures—the institution risks becoming peripheral.

This drift has consequences. Without a strong multilateral anchor, global trade could become more volatile, less predictable, and more unequal. Smaller economies would be particularly vulnerable.

For now, the WTO endures. But endurance is not enough. Without renewed commitment from its members—especially the largest ones—the system may continue to weaken.

The rules-based order, once a cornerstone of global prosperity, is being tested. Whether it adapts or fades will depend less on institutional design than on political will.

And that, at present, is in short supply.

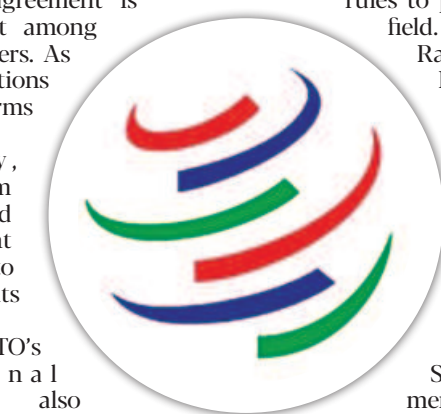


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