

FOREWORD BY THE WTO DIRECTOR-GENERAL



The world trading system is in the midst of the most severe period of disruption in 80 years. We have seen trade rules challenged on a scale unseen since multilateral institutions were created to underpin open, stable and predictable global trade in the wake of the Great Depression and the Second World War.

Some of these disruptions reflect relatively recent pressures arising from macroeconomic dynamics within major economies. Some reflect gaps in domestic social protection. But an important part of them stems from a widespread sense that WTO rules have not kept pace with a rapidly changing global economy. This year's World Trade Report takes that sense of unease seriously, and examines what lies behind it.

While the WTO's World Trade Reports typically focus on a single theme, such as artificial intelligence (AI) or inclusiveness, this edition, "A critical juncture for the world trading system", is different. It steps back to ask a more foundational set of questions: how and why has the General Agreement on Tariffs and Trade (GATT) and WTO multilateral trading system worked? What has it delivered? Where has its operation faltered? What is still working well? And what does all of this mean for the reform of the system that members are now pursuing?

The findings remind us of what is at stake. Despite the various trade measures we have seen over the past year, nearly three-quarters of global merchandise trade, around 72 per cent, still operate under the most-favoured-nation (MFN) tariff terms that the

WTO's 166 members negotiated and are legally committed to uphold.

The multilateral trading system was created to promote peace and prosperity through trade, and it has been shown that it has acted as a check on the kind of unrestrained, beggar-thy-neighbour protectionism that deepened the Great Depression. Evidence presented in this report links WTO-facilitated trade to a measurable peace dividend among members.

Since 1995, WTO membership has helped to expand trade between members by roughly 140 per cent. Economies that undertook deeper reform commitments as part of their accession grew faster as a result. From the mid-1990s, integration into the multilateral trading system has helped to drive faster growth in low-income and middle-income economies, contributing to a narrowing of the income gap with wealthier economies for the first time since the Industrial Revolution two centuries ago.

Not everyone has shared equally in these gains, and this report is candid about that. Least-developed countries (LDCs) still account for less than 1 per cent of world trade; Africa's share remains below 3 per cent. Within some developed economies, workers exposed to import competition and rapid technological change have faced job losses and have not always received the domestic support needed to adjust and benefit. These gaps in participation and adjustment help to explain some of the weakening of public confidence in open trade, and illustrate

why reform of the system must go hand-in-hand with better domestic complementary policies.

The central argument of this report is both sobering and clarifying. Many of the pressures the WTO faces today are, in an important sense, a consequence of the system's own successes. GATT and WTO rules have helped to build a more open, more integrated and more rules-based global economy – but also one that is more multipolar, in which trade policy carries higher stakes, trade frictions are more complex and economic power is far more widely distributed than it was in 1947, or even in 1995. The founding logic of the system, that governments can do better for themselves – and for others – by exchanging enforceable, non-discriminatory market access commitments rather than acting unilaterally, remains as sound today as ever. What has changed is the world in which that logic operates.

This report traces four developments that are testing the system most directly. Economic power has become more dispersed, which is fuelling friction over bargains that date back to the 1990s, but is also creating opportunities to strike new bargains, including through negotiations among developing economies. The growing diversity in how governments intervene in their economies has raised “interface” and level-playing-field concerns with other economies, which existing disciplines and remedies do not always resolve. The changing nature of trade itself, shaped by global value chains (GVCs), digitalization, AI and the environmental transition, is generating new kinds of cross-border spillovers that the WTO framework was not originally designed to address. And rising geopolitical tensions are straining the balance between the benefits of interdependence and concerns about security and resilience.

None of this diminishes the value of the multilateral trading system; if anything, it raises the cost of allowing it to erode. Scenario analysis by WTO economists, included in this report, finds that fragmentation of the trading system along geopolitical lines could reduce global GDP by

around 5 per cent, and that a world without the WTO altogether could cost closer to 7 per cent of GDP, with smaller and poorer economies losing far more than high-income economies. A strengthened multilateral system, by contrast, could add roughly 3 per cent to global GDP. The message could not be clearer: the choice before members is not between reform and the status quo. It is between adapting rules-based cooperation to today's economic realities and drifting toward a more unpredictable, power-based way of managing trade that would ultimately leave most economies worse off.

What I find heartening here is that members are now engaging actively on WTO reform in full recognition that the status quo is not an option. Reform is not an end in itself. It is how we ensure that the WTO can more effectively continue to deliver the broad predictability, transparency and fairness that this report shows the system has provided for 80 years, for a membership and a global economy that look very different from those of 1995. Reform and the delivery of concrete negotiating outcomes, whether on fisheries subsidies, agriculture, services or development, are not competing priorities to be traded off against one another; they must advance together.

I want this report to be read as an invitation rather than a verdict. It does not seek to prescribe a blueprint for reform. It simply aims to explain, with factual rigour and historical depth, how the system has worked, what it has delivered, and where its mechanisms are now under strain. I am grateful to the WTO economists and researchers who produced this analysis, and to the many members, academics and partners who engaged with them along the way.

The multilateral trading system was built by governments that chose cooperation over confrontation in the aftermath of the most destructive conflict in human history. It has been repaired and renewed before, and I believe it can be again. I hope that this report will equip all of us, members above all, with the understanding and the resolve needed to do so.



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