

# IV. Special topic: Global trade on most-favoured- nation terms

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# Global trade on most-favoured-nation terms

The most-favoured-nation (MFN) principle, whereby all trading partners are treated equally, is instrumental in promoting stability and equitable trade conditions. The special topic of this year's report analyzes global merchandise trade flows under the MFN principle. It also looks into recently announced tariff actions and the use of preferential tariffs at a time when bilateral and regional trade agreements are increasingly being used to offer more favourable treatment to selected partners.

Utilizing comprehensive data provided by WTO members, the study assesses the utilization of preferential treatment across 184 economies. The findings reveal that MFN trade shares vary significantly across economies and product groups, underscoring the ongoing importance of the multilateral trading system. Despite the recent announcements of tariff actions and existing anti-dumping and countervailing measures, preliminary calculations indicate that approximately 74% of global trade is conducted on MFN terms.

## Introduction

The “most-favoured-nation” (MFN) principle, whereby all trading partners are treated equally, is a cornerstone of the World Trade Organization (WTO), enshrining a key aspect of non-discrimination in global trade. This principle, embedded in Article I of the General Agreement on Tariffs and Trade 1994 (GATT 1994), states that any trade advantage granted by a WTO member to any trading partner must be extended immediately and unconditionally to all other members. The MFN principle has fostered a more stable and predictable global trading environment among the WTO's membership of 166 countries and separate customs territories, discouraging discriminatory

trade practices and promoting fairness in global trade relations.

However, the global trade landscape has witnessed a surge in preferential trade agreements deviating from the MFN principle since the post-“Cold War” period of the 1990s. By the end of 2024, hundreds of preferential trade agreements were in force, with all economies in the world having at least one agreement allowing trade on preferential terms. In the context of the WTO, these are referred to as regional trade agreements (RTAs). In addition, there are also many unilateral schemes that provide preferential market access to certain groups of members, such as least-developed countries under the

Generalized System of Preferences and other schemes. In the WTO, these schemes are referred to as preferential trade arrangements (PTAs). To avoid any potential confusion between the terms “Regional Trade Agreements” and “Preferential Trade Arrangements”, this note will use the hybrid term “Preferential Trade Agreements” abbreviated as PTA for consistency.

The aim of this analysis is to highlight the share of global merchandise trade conducted under MFN tariffs, looking at it across economies, product categories and income groups, since a deeper understanding is needed in a world increasingly perceived to be characterized by PTAs.

## Data

The analysis uses data from the WTO's Integrated Database (IDB), which consists of annual datasets submitted by WTO members covering MFN and preferential duties, along with bilateral import statistics. Most members report these data at the more detailed national tariff line level, covering 84% of tariffs and 76% of imports. This paper also utilizes the WTO's Analytical Database, which includes information from the WTO Committee on Regional Trade

Agreements and the International Trade Centre (ITC). Bilateral import flows are supplemented with UN Comtrade and Trade Data Monitor data.

The dataset aggregates information at the Harmonized System (HS) subheading level (six-digit number) for 184 economies. It covers various dimensions, including year, reporting economy, trading partner, MFN duties, and the best eligible

preferential duties. Intra-EU trade is excluded for analysis purposes.

Data on trade remedy measures and tariff actions imposed by various economies is incorporated into the dataset, based on information from the WTO Trade Remedies Data Portal, WTO Trade Monitoring Database, official government announcements, and external media sources.



# Methodology

This analysis examines import data for 2022, focusing on imports by duty scheme essential for our methodology. To enhance our understanding of MFN trade, we utilize a dataset from the WTO's "Transparency Mechanism for Preferential Trade Arrangements." This dataset provides detailed information on preferential treatment for bilateral imports. Several WTO members voluntarily report on all preferential duty schemes, allowing us to better analyze PTAs.

The datasets allow us to identify products eligible for preferential tariff treatment and to assess actual utilization of these benefits. The reporting members represent 40–50% of global trade. In our analysis, we define preferential treatment as an economy receiving or offering a tariff lower than the MFN rate. We also consider alternative classifications where trade flows are treated as preferential if a trade agreement is in place and the MFN rate is zero. We include non-WTO members to enhance the dataset's

comprehensiveness; excluding them would not significantly change the results. Non-members' imports are treated as "quasi-MFN", meaning universal tariffs are applied uniformly unless specific preferences exist.

Using the dataset, we can calculate the preference utilization rate (PUR). This is defined as the ratio of the trade value that benefits from preferential treatment to the total trade value eligible for such treatment. It adjusts for bilateral trade flows of economies for which detailed imports are not available.

## Results

### Global overview

Table 1 presents global import values in USD trillion followed by "eligible" trade shares, i.e. the share of global merchandise trade which may theoretically be subject to preferential tariff treatment under full preference utilization. It then provides "observed" values derived from WTO members' notifications and estimates based on our methodology. Additionally, the table presents the proportions of trade impacted by global trade tensions, including unilateral tariff actions, anti-dumping and countervailing duties.

The columns presenting values for "eligible preferential" and "MFN" import shares suggest that even assuming that all bilateral preferential tariffs are

fully utilized, the global share of MFN would still stand at 78%. However, as previously explained, the granted preferences are not always fully utilized. As presented in the "observed" columns, we estimate that only 17% of global imports actually benefit from preferential tariff treatment. This is significantly lower than the 22% share of imports that are eligible. In other words, about one-fifth of trade eligible for preferential treatment does not use those preferences and is traded under MFN terms instead. Hence, the share of trade in goods traded under MFN terms reached 83% as of end-2022.

Trade falling under the "Global trade tensions" category is estimated to

account for approximately 9% of global imports. This marks a significant increase compared to previous years, when such measures affected a smaller share of world trade and the use of trade policy instruments beyond traditional remedies was less prevalent. It is important to emphasize that this 9% figure is based on preliminary assessments and remains subject to change. The nature of tariff actions is fast-evolving and unpredictable, which makes precise estimation challenging. Taking these recent developments into account, the global share of trade conducted under MFN terms is estimated to have declined to approximately 74% as of May 2025.

**Table 1: Global trade shares (US\$ trillion and percentage shares, 2022)**

| Total US\$ trillion <sup>2</sup> | Eligible     |     | Observed <sup>1</sup> |               |              |     | Global trade tensions <sup>3</sup> |
|----------------------------------|--------------|-----|-----------------------|---------------|--------------|-----|------------------------------------|
|                                  | Preferential | MFN | Preferential          | MFN duty free | MFN dutiable | MFN |                                    |
| 20.096                           | 22%          | 78% | 17%                   | 51%           | 32%          | 83% | 9%                                 |

Sources: WTO Integrated Database and WTO Analytical Database, 2024

<sup>1</sup> Includes both WTO Members that submit detailed datasets and estimates for other economies according to our methodology.

<sup>2</sup> Total annual import values, excluding EU intra trade.

<sup>3</sup> Based on preliminary assessments as of May 2025.



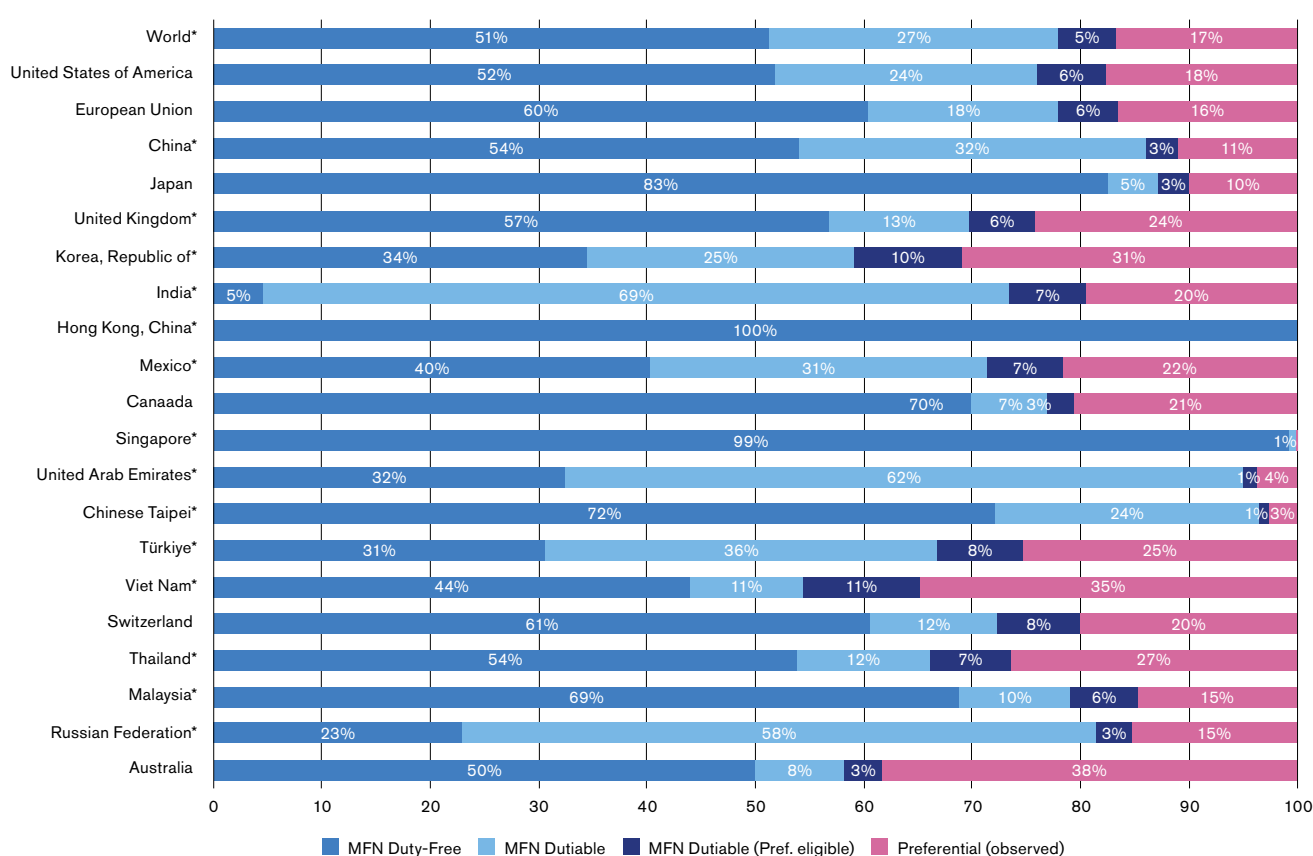
## By economy

Our dataset facilitates a more detailed disaggregation by reporting economies. Figure 1 illustrates the top 20 importing nations in 2022, ranked in descending order by total import value. The total imports are divided into four segments: MFN duty-free trade, MFN dutiable trade, MFN dutiable trade that is eligible for preferential tariffs, and trade under preferential duty regimes.

For example, an analysis of the United States' import data in 2022 reveals the following: 52% of imports entered duty-free, 24% were subject to MFN duties, and 18% utilized preferential trade arrangements. The dark blue segment, representing 6% of US imports, highlights the portion of MFN dutiable trade that could have benefited from preferential tariffs but did not, thus increasing the overall

MFN trade share. The underutilization of preferential tariff schemes can occur for a variety of reasons, which may include exporters' inability to meet rules of origin requirements, the complexity and administrative burden of proving eligibility, and the limited benefits when preferential margins are small, or a lack of awareness or understanding of available schemes.

**Figure 1: Import shares by MFN and preferential tariff regimes, top 20 importers (percentage shares, 2022)**



Sources: WTO Integrated Database and WTO Analytical Database, 2024

\* MFN and preferential shares estimates based on methodology above.

Data on trade shares covered by global tariff actions are not included due to their lack of robustness.



Download the data:  
[www.wto.org/statistics](http://www.wto.org/statistics)

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## By Multilateral Trade Negotiations (MTN) category

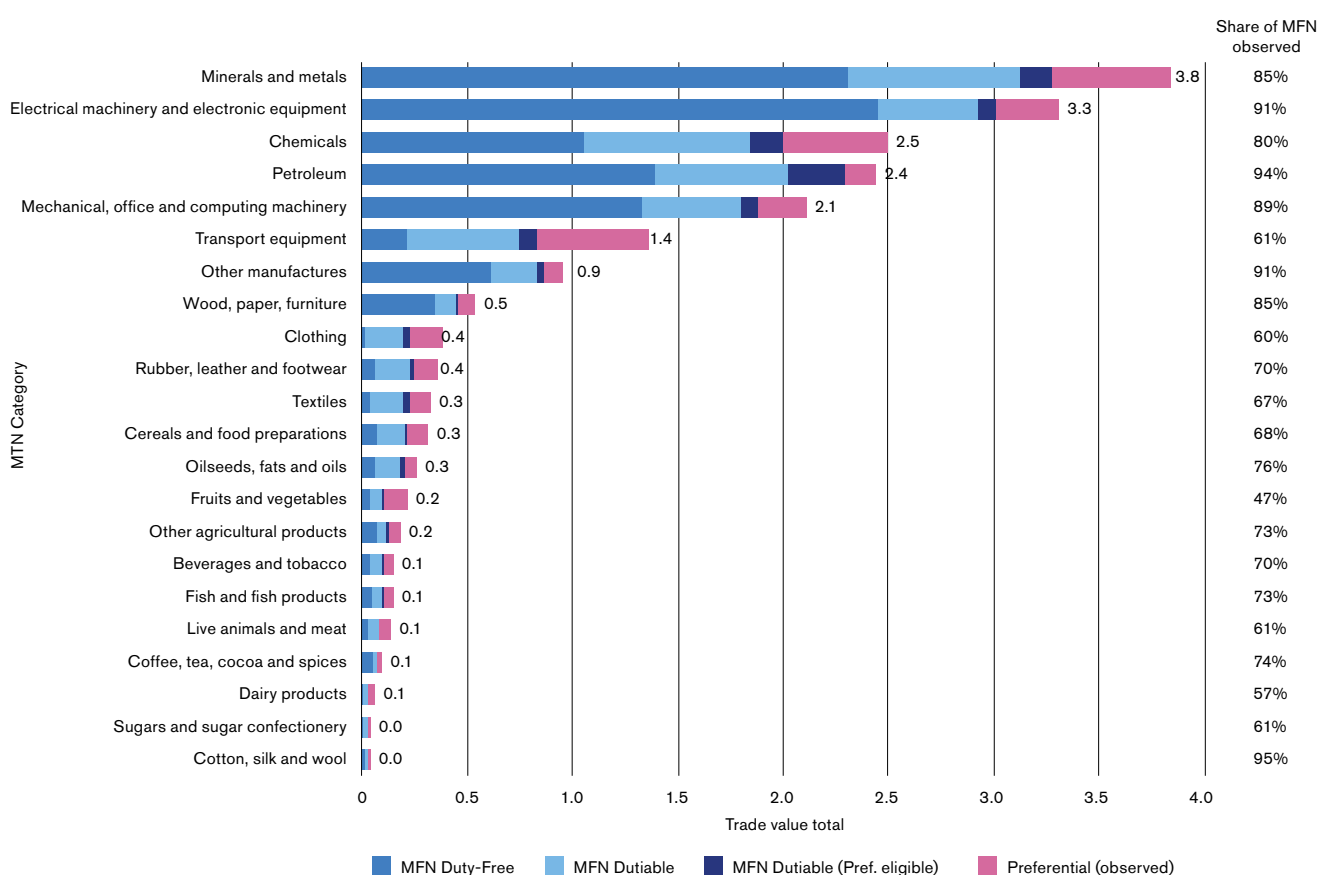
In Figure 2, global import values for 2022 are categorized according to MTN categories, the product classification system used by the WTO for trade statistics and policy analysis. They are ranked by total import value. The leading product category is “minerals and metals” with a corresponding value of USD 3.8 trillion. Of this total, USD 2.3 trillion is

MFN duty-free, USD 0.8 trillion is MFN dutiable, and USD 0.15 trillion is eligible for preferential treatment but traded under MFN terms. These segments, highlighted in blue, represent USD 3.2 trillion, or 85% of trade within this category conducted under MFN terms.

The bar chart also highlights the relative importance of certain sectors in global trade. The top five product

categories — “minerals and metals”, “electrical machinery and electronic equipment”, “chemicals”, “petroleum” and “mechanical, office, and computing machinery” — collectively account for more than 70% of global trade. The corresponding MFN trade shares for these categories range from 80% to 94%.

**Figure 2: Import shares by MFN and preferential trade regimes<sup>1</sup> by MTN category (US\$ trillion<sup>2</sup> and percentage shares, 2022)**



Sources: WTO Integrated Database and WTO Analytical Database, 2024

<sup>1</sup> Includes both WTO members that submit detailed datasets (see Annex Table 1) and estimates for other economies according to our methodology.

<sup>2</sup> Total annual import values, excluding EU intra-trade.

Data on trade shares covered by global tariff actions are not included due to their lack of robustness.

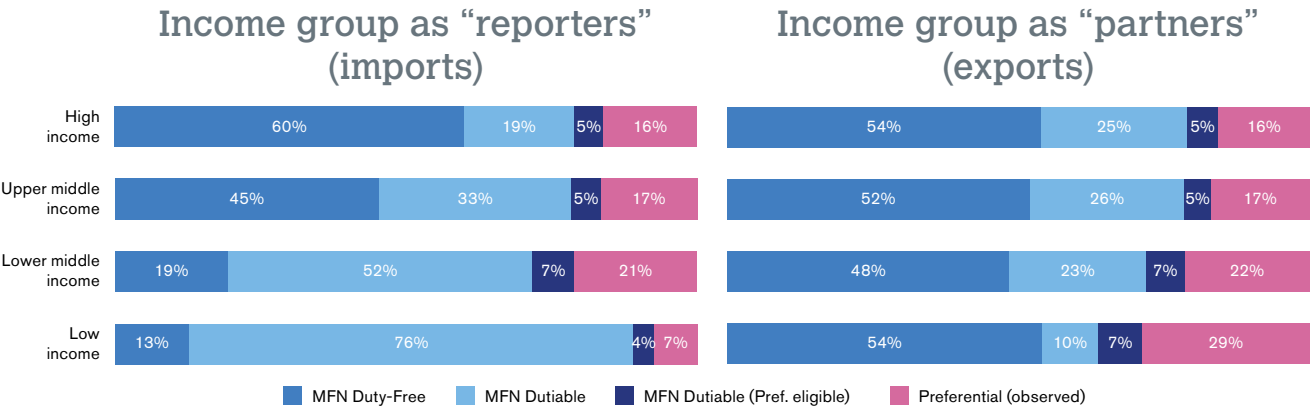
## By income groups

Figure 3 illustrates trade shares by income category, based on World Bank classifications of income groups. In terms of imports, high-income economies apply MFN treatment to 84% of imports, with 16% receiving preferential treatment. Upper-middle-income economies have a slightly lower

MFN share at 83%, while lower-middle-income economies have a 79% share. Low-income economies have the highest share, with 93% on MFN terms. In terms of exports, high-income countries export 84% of their goods under MFN terms, while for low-

income countries the level is 71%. This suggests that exporters from less developed economies often benefit from preferential conditions through non-reciprocal arrangements such as the Generalized System of Preferences (GSP) and LDC duty schemes.

**Figure 3: Trade by duty schemes<sup>1</sup> and “income group” (percentage shares, 2022)**



Sources: WTO Integrated Database and WTO Analytical Database, 2024

Income groups as defined by the World Bank.

<sup>1</sup> Includes both WTO members which submit detailed datasets (see Annex Table 1) and estimates for other economies according to our methodology.

## Conclusion

The increasing number of regional trade agreements (RTAs) and preferential trade arrangements (PTAs) has raised questions about the relevance of the most-favoured-nation (MFN) principle. Utilizing a detailed dataset from the WTO’s Integrated Database, which includes tariff provisions and bilateral trade flows for 184 economies, we find that 83% of global trade is conducted under MFN treatment as of end-2022.

Although 22% of global trade is theoretically eligible for preferential tariffs, only 17% benefits from them in practice due to underutilization of preferential duty schemes.

Our analysis shows that developing economies are more likely to utilize preferential tariffs while developed economies mainly function under MFN terms. These findings highlight

regional disparities in MFN reliance and underscore the MFN principle’s importance in fostering a robust multilateral trading system.

Recent shifts in trade policy have led to a notable increase in the share of trade affected by broader trade tensions, decreasing the global MFN trade share to around 74% in May 2025.

This special topic is an extract based on the WTO ERSD Working Paper (ERSD-2025-02) “Significance of Most-Favoured-Nation Terms in Global Trade: A Comprehensive Analysis” by Tomasz Gonciarz and Thomas Verbeet, published on 15 January 2025. It has been enriched with additional findings on the impact of tariff actions announced by major economies in 2025, following the paper’s initial release, incorporating developments observed until the end of May.



Download the data:  
[www.wto.org/statistics](http://www.wto.org/statistics)

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# Annex

Table 1

| Reporter                         | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------------------|------|------|------|------|------|------|
| Australia                        | X    | X    | X    | X    | X    | X    |
| Canada                           | X    | X    | X    | X    | X    | X    |
| Chile                            |      |      | X    |      |      |      |
| European Union                   | X    | X    | X    | X    | X    | X    |
| Iceland                          | X    | X    | X    | X    | X    | X    |
| Japan                            | X    | X    | X    | X    | X    | X    |
| Korea, Republic of               | X    | X    | X    | X    | X    |      |
| Montenegro                       | X    | X    | X    | X    |      |      |
| Norway                           | X    | X    | X    | X    | X    | X    |
| Switzerland                      |      | X    | X    | X    | X    | X    |
| Chinese Taipei                   | X    | X    | X    | X    |      |      |
| Türkiye                          |      |      | X    |      |      |      |
| United States of America         | X    | X    | X    | X    | X    | X    |
| Share of world merchandise trade | 47%  | 48%  | 50%  | 46%  | 43%  | 40%  |