

## The End of Multilateralism? Rising Regional Trade Agreements, Trade Wars, and The Future of the International Trading System

*Derya Hekim, Assoc. Prof.*  
Bursa Uludag University, Türkiye

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Approved: 18 March 2026  
Posted: 20 March 2026

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*Cite As:*

Hekim, D. (2026). *The End of Multilateralism? Rising Regional Trade Agreements, Trade Wars, and The Future of the International Trading System*. ESI Preprints.  
<https://doi.org/10.19044/esipreprint.3.2026.p595>

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### Abstract

The multilateral trading system, consolidated through the World Trade Organization (WTO), faces an existential crisis driven by three mutually reinforcing dynamics: the structural failings and deliberate paralysis of the WTO, most acutely manifested in the Appellate Body's incapacitation since December 2019; the exponential proliferation of regional trade agreements (RTAs); and two waves of unprecedented trade wars under the Trump administration in 2018–2020 and 2025–2026 that have systematically eroded the rules-based trading order. The COVID-19 pandemic deepened these fractures by exposing supply-chain vulnerabilities and legitimising economic nationalism. While a substantial body of scholarship addresses each of these phenomena in isolation, no existing study integrates all three within a single comparative analytical framework that also encompasses the 2025–2026 second Trump trade war — the most disruptive tariff episode since the Smoot-Hawley era, culminating in a landmark Supreme Court ruling that struck down the legal basis of the tariffs themselves. This study fills that gap by developing an integrated framework that analyses the three phenomena as a self-reinforcing cycle of institutional erosion, drawing on terms-of-trade theory, the deep-agreements literature, and the welfare economics of trade wars. The study reaches four principal conclusions. First, the WTO's crisis is structural, not cyclical, and cannot self-correct without deliberate institutional reform, most urgently the restoration of appellate dispute settlement. Second, RTAs are not inherently

stumbling blocks or building blocks: their welfare and systemic effects depend critically on their depth — shallow and asymmetric agreements impose costs on weaker parties and undermine multilateral norms, while deep agreements that govern investment, regulation, and services can complement them. Third, the future trading system is most plausibly a tiered architecture in which deep regional agreements govern commercially significant trade, a residual WTO framework provides a normative baseline, and bilateral managed trade fills governance gaps — an architecture that is already visible but fragile. Fourth, technology export controls and critical mineral restrictions represent a new and ungoverned category of trade barrier for which neither existing WTO rules nor current RTAs provide effective discipline, constituting the most significant emerging threat to any future trading framework.

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**Keywords:** Multilateralism, World Trade Organization, Regional Trade Agreements, Trade Wars

## Introduction

The international trading order that emerged from the ashes of the 1930s was constructed on a deliberate premise: that the discriminatory, beggar-thy-neighbour commercial policies which followed the Smoot-Hawley Tariff Act of 1930 had prolonged the Great Depression and contributed to the conditions from which the Second World War emerged. The General Agreement on Tariffs and Trade (GATT, 1947) and its institutional successor, the World Trade Organization (WTO, 1995), embodied the collective determination to subject trade policy to binding rules, reciprocal commitments, and impartial adjudication. For half a century, this architecture largely delivered: average applied tariffs fell from approximately 22% to around 5% across eight negotiating rounds, and the WTO's dispute settlement mechanism became, in the words of its admirers, the 'crown jewel' of the multilateral system (Hoekman & Mavroidis, 2015).

That architecture is now under severe stress, and this study is motivated by a central research question: is the multilateral trading system in structural and potentially irreversible decline, and if so, what form of international trade governance — bilateralism, regionalism, or a reformed multilateralism — will replace it? This question is decomposed into three related sub-questions. First, what are the specific institutional, legal, and political mechanisms through which the WTO has lost its capacity to govern international trade, and what role have trade wars and the COVID-19 pandemic played in that process? Second, does the proliferation of regional trade agreements represent a constructive substitute for multilateral governance, or does it further erode the non-discrimination principles upon

which a stable trading order depends? Third, among the plausible futures for the international trading system, which is most consistent with the theoretical requirements of sustainable trade cooperation and the empirical evidence on current institutional trajectories?

These questions have a substantial existing literature, but that literature has three important gaps that this study addresses. First, the dominant scholarship treats the three phenomena — WTO institutional decline, RTA proliferation, and trade wars — as largely separate research programmes. Studies of WTO dispute settlement reform (Hoekman & Mavroidis, 2020; Bown & Keynes, 2020) generally do not integrate the RTA proliferation literature; analyses of deep trade agreements (Mattoo et al., 2022; Hoffmann et al., 2019) typically treat WTO paralysis as background context rather than as a causal variable; and the welfare economics of trade wars (Amiti et al., 2019; Fajgelbaum et al., 2020) focus on tariff incidence rather than on institutional consequences. This study treats all three as components of a single self-reinforcing cycle and analyses their interactions explicitly. Second, existing comparative analyses of trade governance futures predominantly predate the second Trump administration (2025–2026), which has introduced qualitatively new elements: the use of the International Emergency Economic Powers Act (IEEPA) to impose tariffs on virtually all trading partners simultaneously, a US Supreme Court ruling striking down that authority, the weaponisation of critical mineral export controls as a bargaining instrument, and the negotiation of a ‘hub-and-spoke’ bilateral deal architecture designed to substitute for multilateral rules. These developments demand fresh analytical treatment that prior scholarship could not provide. Third, the governance gap created by technology export controls and critical mineral restrictions — trade instruments that fall largely outside WTO rules and most RTA frameworks — has not been systematically integrated into analyses of the multilateral system’s future, despite becoming one of its central challenges. This study places that gap at the centre of its prospective analysis.

That architecture is now under severe stress. Three convergent forces have driven this transformation. First, the WTO has proved institutionally incapable of governing twenty-first-century trade: its consensus-based negotiating machinery broke down with the Doha Round's collapse, and its dispute settlement mechanism has been deliberately disabled. Second, regional trade agreements have proliferated in the vacuum created by multilateral failure. Third, trade wars — first under Trump's initial term (2018–2020) and then in dramatically amplified form in his second term (2025–2026) — have demonstrated that the world's largest economy is prepared to deploy unilateral tariff escalation on a scale inconsistent with its

WTO bindings, while the institutional mechanism for enforcing those bindings is too broken to respond.

The COVID-19 pandemic intersected with and accelerated these dynamics, exposing supply chain concentration risks, legitimising industrial policy resurgence, and providing new political justifications for economic nationalism. The pandemic did not cause the multilateral system's crisis, but it deepened it and made recovery harder.

The following sections develop these arguments in sequence. The first analytical section examines the structural failings of the WTO, tracing three overlapping crises: the collapse of multilateral negotiations with the Doha Round's failure after 2008; the ossification of WTO substantive rules relative to twenty-first-century trade realities including global value chains, digital commerce, and state-capitalist competition; and the deliberate paralysis of the Appellate Body since December 2019, which has removed the enforcement mechanism upon which the entire cooperative framework depends. It further documents the economic consequences of both waves of Trump trade wars and the role of the COVID-19 pandemic in legitimising economic nationalism. The following section turns to the proliferation of regional trade agreements, evaluating the theoretical causes and empirical welfare implications of RTA growth, the crucial distinction between shallow and deep agreements, and the specific — and paradoxical — ways in which both waves of Trump-era trade wars have simultaneously accelerated RTA formation and degraded its quality. The third section confronts the central question of the study directly: what kind of trading system is emerging from the wreckage of the postwar multilateral order, and whether bilateralism, regionalism, or a reformed multilateralism will govern its future? Three analytically distinct scenarios are evaluated against the empirical evidence. The conclusion synthesises the key findings, evaluates the limitations of the analysis, and identifies the decisive variables that will determine the trading system's long-run trajectory.

## **The crisis of the multilateral trading system**

### *From ambition to paralysis: The WTO's structural failings*

The WTO was constructed to govern a world in which trade liberalisation through reciprocal tariff reduction was the primary objective. Three structural failings are analytically central to its current crisis.

The first is the breakdown of multilateral negotiations. The Doha Development Round, launched in November 2001, effectively stalled by 2008 and has never recovered. The failure reflected the system's consensus requirement, the expanded membership of developing economies that arrived at the negotiating table with blocking power rather than merely with interests to be accommodated (Baldwin, 2016), and the sheer scope of the new trade

agenda — services, intellectual property, investment, competition policy — that exceeded what a consensus-based institution could resolve. As Mansfield and Reinhardt (2003) demonstrated empirically, the growth of WTO membership paradoxically accelerated preferential trade agreement formation because it made multilateral consensus progressively harder to achieve.

The second failing is the ossification of WTO rules. The substantive WTO framework was negotiated in the early 1990s and has not been comprehensively updated since. The trading landscape it governs has been transformed: global value chains have restructured production across dozens of jurisdictions; digital trade has created an entirely new category of commerce; and the rise of China as a state-capitalist power has generated commercial practices — technology transfer requirements, discriminatory procurement, subsidised overcapacity — that existing WTO rules were not designed to discipline (Bown & Hillman, 2019; Rodrik, 2018).

The third failing, and the most acute, is the paralysis of the WTO's dispute settlement mechanism. The Appellate Body ceased to function on December 10–11, 2019, when the United States' systematic blocking of appointments reduced its membership below the three-member quorum required to hear appeals. Bown and Keynes (2020) document this as a deliberate strategy: the US sought to disable adverse rulings on its trade remedy practices, particularly anti-dumping 'zeroing' methodologies. As of March 2026, more than 32 panel rulings have been 'appealed into the void' — formally appealed to an Appellate Body that cannot hear them, rendering findings legally non-final in perpetuity. Annual WTO dispute filings collapsed from a peak of 50 consultations in 1997 to just 6 in 2023. Shaffer (2019) characterised this trajectory as a structural shift from rule-based to power-based trade relations, formalised by Mattoo and Staiger (2020) as a reversion to unilateral terms-of-trade manipulation: exactly the dynamic that Bagwell and Staiger (1999) showed GATT/WTO rules were designed to correct.

### *Trade wars and the WTO's enforcement deficit*

Both waves of Trump-era trade wars must be understood not merely as episodes of unilateral protectionism, but as symptoms of, and accelerants to, the WTO's institutional collapse. In the first wave, US Section 301 tariffs on approximately \$370 billion of Chinese imports and Section 232 steel and aluminium tariffs on most trading partners were litigated at the WTO in DS543 and DS544 respectively. Both panels found US measures inconsistent with GATT obligations; both were appealed into the void. The practical lesson drawn by the US administration was that adverse rulings generated no compliance obligation when the appellate system was inoperative.

The second wave, beginning January 2025 under the invocation of the International Emergency Economic Powers Act (IEEPA), escalated this logic to an unprecedented level. At their April 2025 peak following the so-called 'Liberation Day' proclamation, US tariffs covered approximately 86% of all imports at an average effective rate of 22–27% — levels not seen since the Smoot-Hawley era. At least six WTO disputes were filed, with China, Canada, the EU, and Brazil as complainants. In each case, the United States invoked GATT Article XXI (the national security exception) as a blanket defence. Crucially, the IEEPA tariffs were struck down not by the WTO — the system had no means to do so — but by the US Supreme Court itself that IEEPA does not authorise tariffs. The administration's immediate pivot to Section 122 tariffs and new Section 301 investigations demonstrated that the impulse toward unilateral tariff escalation was structural, not merely administrative.

The economic literature on both trade wars converges on three findings. First, tariffs are borne primarily by domestic consumers and import-using firms: Amiti et al. (2019, 2020) documented near-complete tariff pass-through for the 2018 tariffs, and the Yale Budget Lab estimated peak 2025 consumer costs of \$3,800 per average household. Second, aggregate welfare effects are negative but modest in GDP terms: Fajgelbaum and Khandelwal (2022) summarised consensus estimates at net losses of 0.04% of GDP for the 2018 tariffs, while McKibbin et al. (2025) projected 0.4–2.1% of GDP for the 2025 tariffs. Third, Handley and Limao (2017) showed that trade policy volatility suppresses investment and export entry independently of applied tariff levels — the destruction of policy certainty is the trade wars' most durable damage.

#### *Covid-19: Supply-side shock and the legitimisation of economic nationalism*

The COVID-19 pandemic, while not a cause of the multilateral system's structural crisis, interacted with and deepened it in ways that have proved difficult to reverse. At the immediate level, the pandemic disrupted global supply chains with a directness and speed that decades of trade liberalisation had made possible but also fragile: semiconductor shortages, pharmaceutical supply concentration, personal protective equipment export restrictions, and shipping bottlenecks collectively demonstrated the vulnerability of the just-in-time, geographically dispersed production model. The WTO reported that world merchandise trade volumes fell 5.3% in 2020.

Beyond the immediate disruption, the pandemic performed a legitimising function for economic nationalism. The concentration of pharmaceutical active ingredient production in China and India, the dependence on single-source suppliers for critical components, and the visible failure of multilateral institutions to coordinate a global response all

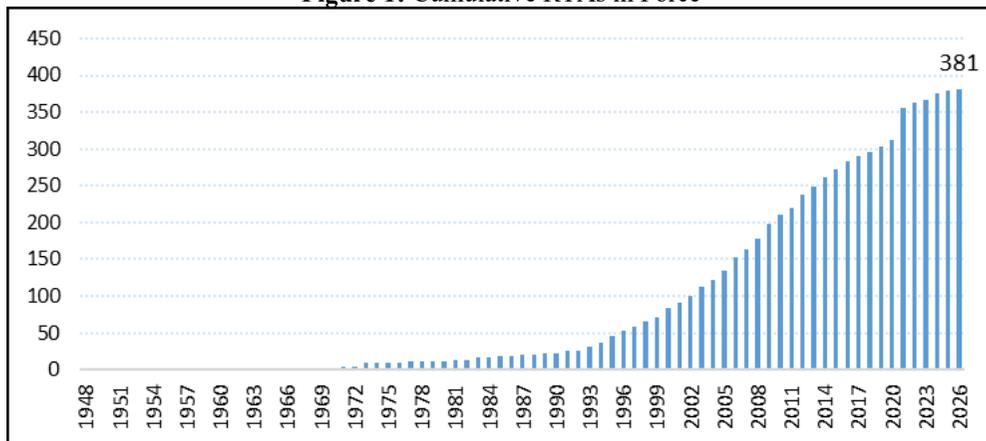
provided political cover for industrial policy resurgence that had previously been constrained by WTO rules on subsidies and investment. The CHIPS and Science Act (2022), the EU's European Chips Act (2023), and analogous measures across major economies represent a new generation of industrial policy operating at the frontier of WTO legality — and the WTO, in its current disabled state, is institutionally incapable of disciplining them.

## Rising regional trade agreements: Causes, consequences, and the trade war connection

### *The statistical and structural reality*

The growth of RTAs since the WTO's establishment constitutes one of the most significant structural transformations of the international trading system. From fewer than 50 agreements in force in 1990, the WTO's Regional Trade Agreements Information System records 381 in force as of January 2026 (Figure 1), corresponding to 628 notifications when goods, services, and accession protocols are counted separately (WTO, 2024). Every WTO member is now party to at least one RTA; the average is substantially higher. The most dramatic acceleration occurred after the Doha Round's effective failure in 2008, confirming the pattern Mansfield and Reinhardt (2003) identified: multilateral stagnation drives preferential formation.

**Figure 1:** Cumulative RTAs in Force



Source: <https://rtais.wto.org/UI/charts.aspx#>

The causes of this proliferation are multiple. Bagwell et al. (2016) ground the basic incentive in terms-of-trade theory: when multilateral coordination fails, countries turn to bilateral alternatives that capture a subset of the cooperative gains. Baldwin's (1993, 2006) 'domino theory' captures a political economy dynamic: once a major RTA forms, excluded country exporters face disadvantage in the partner market and lobby for counter-agreements, producing a contagious cascade. Grossman and Helpman (1995)

emphasise the role of organised interest groups; Fernandez and Portes (1998) identify the credibility-signalling function particularly important for developing economies. Eichengreen et al. (2019) add a geopolitical dimension: defence alliances significantly raise the probability of RTA formation, a finding of heightened relevance in the post-2016 environment.

#### *Deep agreements and their welfare implications*

A crucial development in the RTA landscape is the evolution from shallow, tariff-focused agreements toward deep agreements extending into regulatory harmonisation, investment protection, competition policy, intellectual property, and digital trade. Hoffmann et al. (2019) systematically mapped RTA provisions across 52 distinct policy areas. Horn et al. (2010) distinguished 'WTO+' provisions — going further than WTO commitments in already-covered areas — from 'WTO-X' provisions — addressing areas entirely outside WTO jurisdiction — identifying 14 WTO+ and 38 WTO-X areas in EU and US PTAs.

The welfare implications of this deepening are, on balance, positive. Mattoo et al. (2022) demonstrate that deep agreements produce substantially more trade creation and less trade diversion than shallow agreements, with some provisions functioning as de facto public goods that benefit even non-member countries. Kohl et al. (2016), using the DESTA depth index of Dur et al. (2014), confirm that agreement depth is positively associated with bilateral trade volumes. Baier and Bergstrand's (2007) foundational gravity-model finding — that the average FTA doubles bilateral trade over a decade once endogeneity is corrected — appears to strengthen for deep agreements. However, the stumbling-block mechanism identified by Limao (2006) — whereby PTA partners become less willing to cut MFN tariffs because doing so erodes their preference margins — remains empirically documented for the United States, and Karacaovalı and Limao (2008) show analogous effects in the EU.

#### *Trade wars as catalysts for regional agreement formation*

The two waves of Trump trade wars have had a specific and underappreciated effect on RTA formation: they have simultaneously accelerated proliferation and degraded quality. In the first wave, the US withdrawal from TPP prompted the remaining eleven members to conclude CPTPP — a genuinely deep agreement covering 13% of world GDP. RCEP, finalised in 2020, reflected a desire among Asia-Pacific economies to lock in rule-based trade frameworks against the risk of future unilateral disruption. These agreements represent genuine advances in trade governance.

The second wave produced a different dynamic. The Trump administration's bilateral strategy — offering tariff reductions in exchange

for investment pledges, defence cooperation, and implicit commitments to distance from China — generated a hub-and-spoke architecture centred on Washington. The deals struck with Japan, the EU, South Korea, India, and others are better characterised as managed trade arrangements than as liberalising trade agreements in the WTO sense. Mattoo and Staiger (2020) provide the theoretical framework: these represent power-based rather than rules-based bargaining, in which a large economy extracts concessions through the credible threat of tariff escalation rather than through reciprocal commitment within a binding legal framework. Power-based bargains lack the durability and enforceability of rules-based ones: they depend on the continued willingness of the dominant party to honour them. The Phase One Agreement of 2020, which China fulfilled at only 60% of its purchase commitments (Bown, 2021) illustrates this fragility.

### **The future of trade: Bilateralism or multilateralism?**

#### *The theoretical stakes*

The question of whether the future trading system will be anchored in bilateralism or multilateralism is, at its core, a question about whether the cooperative equilibrium described by Bagwell and Staiger (1999, 2002) can be sustained against the forces that have destabilised it. In their framework, the WTO's principal achievement was to implement, through the principles of reciprocity and MFN non-discrimination, an efficient multilateral bargain that internalised the terms-of-trade externality — the incentive each large country has to manipulate its terms of trade through unilateral tariffs at the expense of others. The collapse of the Appellate Body removes the primary enforcement mechanism for that bargain; the proliferation of bilateral deals replaces it with power-based arrangements that cannot perform the same function.

Mattoo and Staiger (2020) make the key theoretical point: the central costs of trade wars arise not merely from the tariffs themselves but from the destruction of the rules-based framework — the shift from a regime in which tariff bindings constrain policy options to one in which large economies exploit their market power freely. Smaller and medium-sized economies lose the protection that bound MFN rates and binding dispute settlement provided. The Handley and Limao (2017) uncertainty framework adds the investment channel: policy uncertainty in a power-based system is structurally higher than in a rules-based one, suppressing the trade-related investment that drives productivity and income growth.

#### *Three scenarios for the future trading system*

Three scenarios can be distinguished analytically. The first is restored multilateralism, in which the WTO undergoes sufficient institutional reform

to restore functional dispute settlement, and multilateral disciplines are updated for the new trade agenda. The preconditions are demanding: the United States would need to accept a reformed Appellate Body; major players would need to agree on subsidy disciplines sufficiently robust to address Chinese state capitalism; and the WTO's consensus rule would need reform to allow plurilateral progress without universal agreement. The empirical evidence offers limited grounds for optimism. The administration's replacement of invalidated IEEPA tariffs with Section 122 tariffs within days of the Supreme Court ruling signals no recommitment to multilateral norms.

The second scenario is stable bilateralism, in which the hub-and-spoke architecture of 2025–2026 becomes the dominant framework for governing trade among major economies. This scenario has the advantage of descriptive accuracy as a characterisation of the current direction of travel, but it faces severe sustainability problems. Bilateral managed trade — as Phase One demonstrated — is difficult to enforce and prone to backsliding precisely because it lacks the institutional apparatus that makes multilateral commitments credible. More fundamentally, bilateral deals cannot solve the coordination problems that multilateral frameworks address: rules of origin, regulatory harmonisation, intellectual property enforcement, and anti-dumping disciplines all require multilateral consistency to function efficiently.

The third and most analytically plausible scenario is a tiered architecture, in which deep regional agreements govern commercially significant trade among members of the major trade blocs; a residual multilateral framework provides a baseline of tariff bindings, MFN discipline, and transparency; and bilateral managed trade fills the governance gaps. This architecture is already visible in outline: CPTPP, RCEP, the EU's FTA network, and the African Continental Free Trade Area collectively cover the majority of world trade with enforceable legal disciplines. The critical question is whether the multilateral residual can perform its function without functional enforcement.

### *The case for qualified pessimism*

This analysis supports qualified pessimism about the prospects for functional multilateral governance, while resisting the more extreme conclusion that the trading system is simply collapsing. Three structural dynamics warrant this assessment. First, the legal authority for US tariff escalation has been substantially constrained by the February 2026 Supreme Court ruling. The administration's pivot to Section 122 tariffs capped at 15% and expiring after 150 days narrows the legal space for unilateralism. Second, the deep regional agreements that have proliferated in response to multilateral failure contain genuine governance content that partially

substitutes for WTO disciplines. Mattoo et al. (2022) show these agreements generate trade creation with limited diversion; their investment, regulatory, and intellectual property provisions provide binding disciplines for participating members. Third, critical mineral and technology export controls — China's weaponisation of rare earth exports and the US semiconductor export control regime — represent a new form of trade restriction for which neither WTO rules nor most RTAs provide effective governance. This gap is likely to widen and constitutes the most significant structural challenge to any future trading framework.

The long-run trajectory will be determined by three variables: whether the United States eventually joins the MPIA or accepts a reformed Appellate Body; whether WTO rules can be updated to govern industrial policy and technology trade; and whether the major regional agreements maintain their institutional depth and disciplinary authority. On current evidence, all three remain uncertain.

## **Conclusion**

This article set out to examine whether the multilateral trading system is in structural decline and, if so, what form of governance is likely to replace it. The analysis has generated four substantive conclusions, which together constitute the article's core contribution.

The first conclusion concerns the nature of the WTO's crisis. The analysis establishes that the multilateral trading system's difficulties are not a temporary disruption that will self-correct once political conditions change. They are structural: the WTO's consensus-based negotiating machinery cannot govern a membership of 164 countries with divergent interests across the new trade agenda; its substantive rules have not been updated since the early 1990s and are increasingly irrelevant to the actual conduct of international commerce; and the deliberate incapacitation of the Appellate Body has removed the enforcement mechanism that gave multilateral commitments their credibility. The COVID-19 pandemic compounded these problems by legitimising industrial policy resurgence and supply-chain nationalism at precisely the moment when WTO rules most needed to constrain them. The implication is sobering: even if political willingness to reform the WTO emerged tomorrow, the institutional repair required is both technically complex and politically contested. A reformed Appellate Body, updated rules on digital trade and subsidies, and a revised decision-making architecture would each independently require years of negotiation in a system already marked by deadlock.

The second conclusion concerns regional trade agreements and their relationship to the multilateral system. The study confirms that the proliferation of RTAs is not, in itself, the cause of multilateral erosion: the

evidence reviewed consistently shows that deep agreements generate trade creation with limited diversion and that some of their provisions function as public goods that benefit non-member countries. The study therefore qualifies Bhagwati's stumbling-block hypothesis: whether RTAs obstruct or complement multilateralism depends critically on their content, not their mere existence. The policy implication is that the quality of RTA design matters as much as the decision to negotiate one. The two waves of Trump trade wars have further complicated this picture: the first wave inadvertently produced deep agreements of genuine value (CPTPP, RCEP), while the second wave generated politically managed bilateral arrangements that lack the legal durability and enforceability of rules-based agreements. This distinction between trade liberalisation and managed trade — between agreements that constrain future policy discretion and arrangements that depend on the continued goodwill of a dominant power — is the critical fault line in the contemporary RTA landscape.

The third conclusion concerns the future architecture of trade governance. The analysis finds that neither pure bilateralism nor restored multilateralism adequately describes the emerging order. Pure bilateralism is structurally unstable: it cannot internalise the terms-of-trade externalities that gave rise to multilateral cooperation in the first place, it imposes disproportionate costs on smaller economies that lack bargaining power, and it is subject to the reversals that any arrangement dependent on the continued goodwill of a dominant power must face. The Phase One Agreement's partial implementation provides concrete evidence of this instability. Restored multilateralism, while theoretically optimal, requires institutional repairs whose political preconditions do not currently exist. The US Supreme Court's February 2026 ruling while constraining IEEPA-based tariffs, did not signal a recommitment to multilateral rules-based governance. The most plausible trajectory is therefore a tiered architecture: deep regional agreements governing the bulk of commercially significant trade; a residual WTO framework providing a normative baseline and transparency mechanism; and bilateral managed trade filling the remaining gaps. This architecture is already visible in the CPTPP, RCEP, the EU's FTA network, and the African Continental Free Trade Area. Its stability depends on whether the major regional agreements can maintain their institutional depth and whether the WTO residual can retain normative authority even without strong enforcement. On current evidence, both are uncertain but possible.

The fourth conclusion concerns the new governance gap opened by technology and industrial policy. The study identifies critical mineral export controls, semiconductor export restrictions, and industrial subsidies as a category of trade restriction for which neither WTO rules nor existing RTAs provide effective governance. China's weaponisation of rare earth dominance

during the 2025–2026 trade war, and the US semiconductor export control regime operating through the Entity List and the Validated End-User programme, demonstrate that geoeconomic competition is generating trade barriers of a qualitatively different kind from the tariffs that GATT/WTO rules were designed to address. This gap is likely to widen as US-China strategic competition deepens, and it constitutes the most significant structural challenge to any future trading framework — multilateral, regional, or bilateral.

These conclusions must be qualified by the study's inherent limitations. The analysis is theoretical and comparative rather than econometric: it synthesises existing empirical evidence rather than generating new estimates, and it cannot predict with precision how the political variables it identifies will evolve. The rapid pace of institutional change in 2025–2026 — multiple rounds of tariff escalation, bilateral negotiations, a landmark Supreme Court ruling, and ongoing WTO disputes — means that some of the specific empirical facts cited may have shifted by the time of publication; the structural arguments, however, are not contingent on those specifics. Future research should address three open questions that this study was unable to resolve. First, what institutional design for WTO appellate review would be both technically adequate and politically acceptable to the United States? Second, how can the deep agreements already in force — CPTPP, RCEP, and the EU FTA network — be deepened and interconnected in ways that approximate multilateral disciplines without requiring universal membership? Third, what governance architecture for technology trade and critical mineral supply chains is feasible in a world of US-China strategic competition?

The overarching finding is this: the international trading system is not collapsing, but it is undergoing a structural transformation whose outcome is not predetermined. The cooperative equilibrium that Bagwell and Staiger formalised as the theoretical rationale for GATT/WTO — the mutual restraint from exploiting terms-of-trade power in exchange for binding market access commitments — remains economically superior to the non-cooperative alternative. The task for institutional reformers is to reconstruct sufficient enforcement capacity to make that equilibrium self-sustaining again, under conditions of geopolitical rivalry and technological competition that the architects of the postwar trading order did not foresee. Whether they succeed will determine whether the gains from trade — which have raised living standards for billions of people across the world economy — can be preserved for the generations that follow.

**Conflict of Interest:** The author reported no conflict of interest.

**Data Availability:** All data are included in the content of the paper.

**Funding Statement:** The author did not obtain any funding for this research.

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