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# Industrial Policy in an Era of Re-Globalization

Weihuan Zhou\* & Yuxin Liu\*\*

*“If political and economic order is to be rebuilt, we must provide, in our trade relationships, the solid foundation upon which the superstructure of international cooperation is to stand.”*

*Clair Wilcox, A Charter for World Trade (1949)*

## 1. INTRODUCTION

Industrial policy is characterized as “the ghost in capitalism’s machine – always present, rarely acknowledged”.<sup>1</sup> Yet, in recent times, it has returned to the centre of academic and policy debate. Facing profound economic and geopolitical challenges since the pandemic, governments are racing to implement inward-looking industrial policies. The most consequential trade tensions today, such as escalating U.S. tariffs worldwide, export controls on semiconductors and critical minerals, and restrictions on electric vehicles (EVs) and data flows, are all underpinned by certain industrial policy goals. A recent study of the International Monetary Fund reported 2,500 new industrial policies around the globe in 2024: 71% of them were trade-distorting while almost all were motivated by non-economic goals.<sup>2</sup> In October 2025 alone, the Global Trade Alert identified more than 500 trade and industrial policy interventions worldwide.<sup>3</sup> As Nobel laureate Professor Michael Spence remarked, industrial policy becomes inevitable because “rising geopolitical tensions ... supply-chain fragmentation, [and] national-security considerations are shaping economic policy”; and these objectives may not “align well with economic efficiency”.<sup>4</sup>

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<sup>1</sup> Peter Draper, ‘The Ghost in Capitalism’s Machine: Industrial Policy Returns to Global Trade’, Hinrich Foundation White Paper (Aug. 2025) at 1, <https://www.hinrichfoundation.com/research/wp/trade-distortion-and-protectionism/the-ghost-in-capitalism-s-machine-industrial-policy-returns-to-global-trade>.

<sup>2</sup> Simon Evenett et al, ‘The Return of Industrial Policy in Data’, IMF Working Paper No. 2024/001 (January 2024), <https://www.imf.org/en/Publications/WP/Issues/2023/12/23/The-Return-of-Industrial-Policy-in-Data-542828>. See also Simon Evenett et al, ‘Industrial Policy Since the Great Financial Crisis’, IMF Working Paper No. 2025/222 (October 2025), <https://www.imf.org/en/Publications/WP/Issues/2025/10/31/Industrial-Policy-Since-the-Great-Financial-Crisis-570816>.

<sup>3</sup> Fiana Angeles and Marius Risse, ‘GTA Monthly Roundup: October 2025’ (4 Nov 2025), <https://globaltradealert.org/blog/GTA-Monthly-Roundup-October-2025>.

<sup>4</sup> Michael Spence, ‘In Defense of Industrial Policy’, Project Syndicate (5 May 2023), [www.project-syndicate.org/commentary/industrial-policy-us-chips-and-science-act-debate-by-michael-spence-2023-05](http://www.project-syndicate.org/commentary/industrial-policy-us-chips-and-science-act-debate-by-michael-spence-2023-05).

This paradigm shift in national industrial policies, driven overwhelmingly by self-declared non-economic goals, is causing a sea change from cooperation to unilateralism. The destructive effect on the rules-based global trade regime, long supported by the World Trade Organization (WTO), is unprecedented and far-reaching. The integration of non-economic goals into the new generation of industrial policies makes disentangling legitimate and protectionist policies increasingly difficult.<sup>5</sup> As governments orient regulation towards non-economic goals, they tend to prioritize national over global interests, leading to extensive negative spillovers across borders.<sup>6</sup>

The proliferation of industrial policy sits within a broader systemic shift of the global trading system. In the words of Dr Ngozi Okonjo-Iweala, the Director-General of the WTO, the system has entered a phase of “re-globalization” where it is imperative for the WTO to adapt and respond to the growing need for “a secure, inclusive and sustainable future”.<sup>7</sup> Re-globalization, therefore, offers a new narrative to help stabilize and strengthen the system in light of broader goals of inclusiveness, economic security, and environmental sustainability.<sup>8</sup> Instead of criticizing globalization as a problem, re-globalization provides a solution through reforms of the current trade norms, standards and mechanisms to reinvigorate international cooperation for tackling “key challenges of today.”<sup>9</sup> Thus, the WTO must reorient its priorities by focusing more on how trade can be used to achieve many of the sustainable development goals.<sup>10</sup> With trade increasingly being viewed as a means rather than the ends, resilience, diversification, national security, inclusiveness and sustainability have become possible end goals of trade policy.<sup>11</sup>

As industrial policy continues to evolve in ways that challenge the conventional wisdom on the role of trade and trade institutions, governments will continue to redefine priorities, repurpose trade policies, and redesign approaches at both domestic and international levels. How might industrial policy and the global trading system look like in the decades ahead? Would re-globalization provide a way to accommodate diverse and oftentimes competing

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<sup>5</sup> Bernard Hoekman, Petros Mavroidis and Douglas Nelson, *Non-Economic Objectives, Globalisation and Multilateral Trade Cooperation* (Paris & London: CEPR Press, 2023), <https://cepr.org/publications/books-and-reports/non-economic-objectives-globalisation-and-multilateral-trade>.

<sup>6</sup> See IMF, OECD, World Bank and WTO, *Subsidies, Trade, and International Cooperation*, Analytical Notes No 2022/001 (April 2022), <https://www.imf.org/en/Publications/analytical-notes/Issues/2022/04/22/Subsidies-Trade-and-International-Cooperation-516660>; Willy C. Shih, ‘The New Era of Industrial Policy Is Here’, *Harvard Business Review* (September-October 2023), <https://hbr.org/2023/09/the-new-era-of-industrial-policy-is-here>.

<sup>7</sup> World Trade Organization, *World Trade Report 2023: Re-globalization for a Secure, Inclusive and Sustainable Future* (Geneva: WTO, 2023), [https://www.wto.org/english/res\\_e/publications\\_e/wtr23\\_e.htm](https://www.wto.org/english/res_e/publications_e/wtr23_e.htm).

<sup>8</sup> *Ibid.*, at 7.

<sup>9</sup> *Ibid.*, at 21-22.

<sup>10</sup> World Trade Organization, ‘The WTO and the Sustainable Development Goals’, [https://www.wto.org/english/thewto\\_e/coher\\_e/sdgs\\_e/sdgs\\_e.htm](https://www.wto.org/english/thewto_e/coher_e/sdgs_e/sdgs_e.htm).

<sup>11</sup> Weihuan Zhou, ‘Trade and Sustainability in an Era of Re-globalization’, (2025)24(s2) *World Trade Review* 129.

interests among governments, particularly when faced with rising geopolitical tensions and developmental needs? What changes are required for the trading system to address the paradigm shift in industrial policies? This chapter seeks to advance academic and policy discussions on these questions. We do so through a series of case studies in Section 2, with an aim to discover and analyze major patterns and features of modern industrial policies, and their implications for revitalizing a rules-based global trading system (Section 3). Section 4 offers concluding remarks.

## 2. (NEW GENERATION) INDUSTRIAL POLICIES

While industrial policies have had ups and downs in decades of evolution, they have always existed in one way or another.<sup>12</sup> Even in the United States (US) where economic liberalism had long prevailed over government intervention, such policies were deployed to support a range of industries and firms.<sup>13</sup> In the past, industrial policies were mainly directed at enabling the establishment of infant industries or promoting the competitiveness of select sectors for national economic growth.<sup>14</sup> Recent years have witnessed a dramatic shift whereby industrial policies are deployed predominantly for non-economic goals. This shift has been increasingly documented and empirically evidenced, as referenced above. To contribute to this discussion, we undertake case studies to help understand how modern industrial policies have interacted with the global trading system.

Many WTO disputes have involved industrial policies primarily aimed at fostering the development of select industries in both developing and developed economies. Examples include China's support of domestic auto, integrated circuits, and other industries via subsidies, discriminatory taxes and other measures,<sup>15</sup> Indonesia's discriminatory National Car Programme to foster its auto industry,<sup>16</sup> South Korea's dual retail system and subsidies to support its beef sector,<sup>17</sup> the intractable dispute between the US and the European Union

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<sup>12</sup> Peter Draper, 'The Ghost in Capitalism's Machine: Industrial Policy Returns to Global Trade', Hinrich Foundation White Paper (Aug. 2025); Dani Rodrik, 'Industrial Policy for the Twenty-First Century', John F. Kennedy School of Government RWP04-047 (November 2004) 1-56.

<sup>13</sup> Gary Clyde Hufbauer and Euijin Jung, 'Scoring 50 Years of US Industrial Policy', PIIE Briefing 21-5 (Nov. 2021), <https://www.piie.com/publications/piie-briefings/2021/scoring-50-years-us-industrial-policy-1970-2020>.

<sup>14</sup> See e.g. Chad Bown, 'Modern Industrial Policy and the WTO', (2024)16 Annual Review of Economics 243, 244-46; Anna Ilyina et al., 'Industrial Policy is Back But the Bar to Get it Right Is High', IMF Blog (12 Apr. 2024), <https://www.imf.org/en/Blogs/Articles/2024/04/12/industrial-policy-is-back-but-the-bar-to-get-it-right-is-high>.

<sup>15</sup> For a detailed discussion of these cases particularly China's implementation, see Weihuan Zhou, *China's Implementation of the Rulings of the World Trade Organization* (Oxford and Portland, Oregon: Hart Publishing, 2019).

<sup>16</sup> An official summary of this dispute is available at: WTO, Indonesia — Certain Measures Affecting the Automobile Industry (DS54), [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds54\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds54_e.htm).

<sup>17</sup> An official summary of this dispute is available at: WTO, Korea — Measures Affecting Imports of Fresh, Chilled and Frozen Beef (DS161), [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds161\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds161_e.htm).

(EU) concerning their respective subsidies provided to Boeing and Airbus,<sup>18</sup> Canada's effort to promote the development of its infant renewable energy industry via local content requirements,<sup>19</sup> and a wide spectrum of cases involving the use of trade remedies to address the impact of supportive policies in steel, solar and other manufacturing sectors adopted in many economies.<sup>20</sup> Below, we discuss the paradigm shift in industrial policies and the challenges it poses to the multilateral trading system by studying five recent WTO disputes.

## 2.1 National security: *US – Steel and Aluminium Products (China)*<sup>21</sup>

A defining change in U.S. economic and trade policy under the Trump administration has been a significant expansion of security interests. Throughout his two terms and amongst other goods, President Trump imposed global tariffs on steel and aluminium products for the protection of national security.<sup>22</sup> Starting with a rate of 10% (aluminium) and 25% (steel) in March 2018, the rate rose to 50% in June 2025.<sup>23</sup> The underlying security concern has focused on overcapacity created by unfair trade practices of other economies leading to a flood of imports into the US, harming the domestic steel and aluminium industries and causing the shrinking of its “ability to meet national security production requirements in a national emergency”.<sup>24</sup> The tariffs were imposed despite compelling evidence showing that their impact on U.S. manufacturing industry as a whole considerably outweighed any perceived gains for the protected sectors.<sup>25</sup>

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<sup>18</sup> An official summary of this dispute is available at: WTO, United States – Measures Affecting Trade in Large Civil Aircraft – Second Complaint (DS353), [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds353\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds353_e.htm).

<sup>19</sup> An official summary of this dispute is available at: WTO, Canada — Measures Relating to the Feed-in Tariff Program (DS426), [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds353\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds353_e.htm). For a discussion of the dispute, see e.g. Steve Charnovitz and Carolyn Fischer, ‘Canada–Renewable Energy: Implications for WTO Law on Green and Not-So-Green Subsidies’, (2015)14(2) World Trade Review 177.

<sup>20</sup> A full list of WTO disputes is available here, <https://worldtradelaw.net/databases/wtopanels.php>.

<sup>21</sup> Panel Report, *United States – Certain Measures on Steel and Aluminium Products*, WT/DS544/R (circulated 9 December 2022).

<sup>22</sup> The White House, Adjusting Imports of Aluminum and Steel into the United States, 3 June 2025, <https://www.whitehouse.gov/presidential-actions/2025/06/adjusting-imports-of-aluminum-and-steel-into-the-united-states/>.

<sup>23</sup> The White House, Fact Sheet: President Donald J. Trump Increases Section 232 Tariffs on Steel and Aluminum, 3 June 2025, <https://www.whitehouse.gov/fact-sheets/2025/06/fact-sheet-president-donald-j-trump-increases-section-232-tariffs-on-steel-and-aluminum/>.

<sup>24</sup> Ibid. See also Executive Office of the President (2018), ‘Adjusting Imports of Steel Into the United States’, Federal Register (15 March 2018), [www.federalregister.gov/documents/2018/03/15/2018-05478/adjusting-imports-of-steel-into-the-united-states](http://www.federalregister.gov/documents/2018/03/15/2018-05478/adjusting-imports-of-steel-into-the-united-states); Executive Office of the President (2018), ‘Adjusting Imports of Aluminum Into the United States’, Federal Register (15 March 2018), [www.federalregister.gov/documents/2018/03/15/2018-05477/adjusting-imports-of-aluminum-into-the-united-states](http://www.federalregister.gov/documents/2018/03/15/2018-05477/adjusting-imports-of-aluminum-into-the-united-states).

<sup>25</sup> See e.g. Shannon K. O’Neil and Julia Huesa, ‘Trump’s New Aluminum and Steel Tariffs Explained in Six Charts’, Council on Foreign Relations (5 June 2025), <https://www.cfr.org/article/trumps-new-aluminum-and-steel-tariffs-explained-six-charts>;

As a major target of the steel and aluminium tariffs, China challenged the tariffs at the WTO in April 2018.<sup>26</sup> In developing its defence under the security exceptions of GATT<sup>27</sup> Article XXI(b)(iii), the US insisted that the exceptions are self-judging, a claim subsequently rejected by the panel.<sup>28</sup> The panel also rejected the US submission that the tariffs were adopted “in time of an emergency in international relations”, a major condition for the application of the exception. The panel held that an “emergency in international relations” ... must be, if not equally grave or severe, at least comparable in its gravity or severity to a “war” in terms of its impact on international relations.”<sup>29</sup> In the panel’s view, global steel overcapacity and its impact on the industries in the US and worldwide did not amount to such an emergency, although it had provoked international concerns and cooperative actions to address the overcapacity.<sup>30</sup> The panel’s interpretation on the issues of “self-judging” and “emergency” was consistent in the other three disputes over the security exceptions.<sup>31</sup>

It is unquestionable that the US tariffs were deployed to protect domestic steel and aluminium industries. Such protectionist tariffs are typical breaches of WTO rules on tariff bindings (GATT Article II:1) and non-discrimination (GATT Article I:1). Nevertheless, where a protectionist industrial policy is coupled with a declared national security objective, it becomes questionable how WTO tribunals may exercise their judicial discretion in ways that do not encroach on domestic autonomy, especially where issues of high political sensitivity such as national security are at stake.<sup>32</sup> The challenge for the global trading system concerns not only a small number of WTO disputes invoking security exceptions. It lies in the explosive use of national security by the US and other major players to justify classic protectionist and trade-restrictive measures in a manner that systematically abandons established trade principles and obligations. In this context, supply chain safety and technological leadership in strategic and frontier sectors, and economic competitiveness and industrialization in

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<sup>26</sup> An official summary of this dispute is available at: WTO, *United States — Certain Measures on Steel and Aluminium Products* (DS544), [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds544\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds544_e.htm). The tariffs were also challenged by eight other members. With its report on the dispute brought by China, the panel also issued four separate reports on the disputes brought by India (DS547), Norway (DS552), Switzerland (DS556), and Turkey (DS564). The other disputes were either settled (i.e. the ones involving the EU (DS548), Canada (DS550) and Mexico (DS551)) or not proceeded (i.e. Russia (DS554)).

<sup>27</sup> General Agreement on Tariffs and Trade, opened for signature 30 October 1947, 61 Stat. A-11, T.I.A.S. 1700, 55 U.N.T.S. 194.

<sup>28</sup> See above n 21, Panel Report, *US – Steel and Aluminium Products (China)*, paras. 7.105-128.

<sup>29</sup> *Ibid.*, para. 7.139.

<sup>30</sup> *Ibid.*, paras. 7.142-148.

<sup>31</sup> See generally Panel Report, *Russia – Measures Concerning Traffic in Transit*, WT/DS512/R (adopted 26 April 2019); Panel Report, *Saudi Arabia – Measures concerning the Protection of Intellectual Property Rights*, WT/DS567/R (circulated 16 June 2020); Panel Report, *United States – Origin Marking Requirement*, WT/DS597/R (circulated 21 December 2022).

<sup>32</sup> For a dedicated analysis of the intersection of industrial policy and national security under the global trading system, see generally Petros Mavroidis, *Industrial Policy, National Security, and the Perilous Plight of the WTO* (Oxford: Oxford University Press, 2025).

general, are increasingly viewed via a security lens,<sup>33</sup> blurring the boundary between national security and industrial policy. The shift is clear: industrial policy is increasingly intertwined with security interests which have prevailed over considerations of national welfare and economic efficiency in policymaking.

## 2.2 Public health and critical supply: *Turkey – Pharmaceutical Products (EU)*<sup>34</sup>

*Turkey – Pharmaceutical Products (EU)* is the first appellate decision via arbitration based on Article 25 of the DSU<sup>35</sup> after the Appellate Body was disbanded in 2019. While Turkey was not a party to the so-called Multi-Party Interim Arbitration Arrangement (MPIA),<sup>36</sup> it agreed with the EU to resolve this appeal through arbitration under largely the same processes. At the core of the dispute was Turkey's local content requirement which mandated localization of the production of pharmaceutical products. Specifically, via the Universal Health Insurance Scheme and the Social Security Institution (SSI), the Turkish government paid part of the price of pharmaceutical products distributed to outpatients by retail pharmacies.<sup>37</sup> To be eligible for reimbursement, a pharmaceutical product must be included in an official list determined and regularly updated by the SSI (the Annex 4/A list attached to the Health Implementation Communiqué). As a major eligibility criterion, the contested measure required foreign producers to make a commitment to produce certain pharmaceutical products in Turkey. If they failed to submit or fulfil a commitment, or a proposed commitment was rejected by the Turkish authorities, the products concerned were no longer reimbursable. Turkey defended the localization requirement based on the public health exception under GATT Article XX(b), arguing that the measure served to "ensure an uninterrupted access to safe, effective and affordable medicines for all patients in Turkey"

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<sup>33</sup> See Weihuan Zhou, et al., 'Trade vs. Security: Recent Developments of Global Trade Rules and China's Policy and Regulatory Responses from Defensive to Proactive', (2023)22(2) *World Trade Review* 193, 193-94. Marc Fasteau and Ian Fletcher, *Industrial Policy for the United States: Winning the Competition for Good Jobs and High-Value Industries* (Cambridge: Cambridge University Press, 2024). For a summary of recent rounds of U.S. tariffs and bilateral agreements with major partners for economic and security goals, see The White House, 'Further Modifying the Reciprocal Tariff Rates', Executive Order (31 July 2025), <https://www.whitehouse.gov/presidential-actions/2025/07/further-modifying-the-reciprocal-tariff-rates/>.

<sup>34</sup> Panel Report, *Turkey — Certain Measures concerning the Production, Importation and Marketing of Pharmaceutical Products*, WT/DS583/12 (dated 28 Apr. 2022); Award of the Arbitrators, *Turkey — Certain Measures concerning the Production, Importation and Marketing of Pharmaceutical Products*, WT/DS583/ARB25 (dated 25 Jul. 2022). For a detailed discussion of this dispute, see e.g. Weihuan Zhou, 'Turkey – Certain Measures Concerning the Production, Importation and Marketing of Pharmaceutical Products', (2023)117(2) *American Journal of International Law* 322; Julia Qin, 'Turkey–Pharmaceuticals: The First WTO Arbitration for Appellate Review', (2022)49(4) *Legal Issues of Economic Integration* 415.

<sup>35</sup> Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU) in annex 2 to the Marrakesh Agreement Establishing the WTO, 1869 U.N.T.S. 401.

<sup>36</sup> For discussions of the MPIA and future directions of the WTO's dispute settlement system, see e.g. Weihuan Zhou and Victor Crochet, 'Confronting Fragmentation: A Quest for a Plurilateral Appellate Mechanism under the WTO', (2025)26(1) *Journal of World Investment & Trade* 275.

<sup>37</sup> The facts of the dispute are summarized in the Panel Report, above n 34, paras. 2.1-33.

by reducing over-reliance on imported pharmaceutical products which can lead to a shortage of supply in the long term.<sup>38</sup> Turkey's defence was rejected by both the panel and the arbitrators.

The panel found that the Turkish measure was designed to pursue an industrial policy objective rather than the declared public health objective, largely on the ground that the alleged risk of long-term shortage was "theoretical, abstract and hypothetical" and that the local content requirement had no rational relationship to the stated objective of meeting 60% of domestic pharmaceutical demand through domestic production.<sup>39</sup> Since the measure failed the "design" test (the preliminary test under Article XX(b)), the panel did not undertake a more sophisticated assessment of the "necessity" of the measure. On appeal, the arbitrators endorsed the panel's discretion in examining the evidence on record and upheld its ultimate findings.<sup>40</sup>

Like *US – Steel and Aluminium Products (China)*, the *Turkey – Pharmaceutical Products (EU)* dispute exemplified the growing tendency of governments to pursue domestic non-economic goals via industrial policies and the difficulties in disentangling such policies from protectionist measures. Prior to this dispute, WTO tribunals had treated the "design" test merely as a threshold analysis imposing a low evidentiary requirement on defendants and had always inquired further about whether a measure was "necessary".<sup>41</sup> Therefore, it is arguable that the panel and arbitrators deviated from the established practice by imposing a higher standard on a central exception of the GATT, consequently constraining the policy space governments expect to retain. Despite the negative impacts that localization requirements may have on trade, efficiency, and economic welfare, they are used widely by governments, often in the pursuit of a mix of trade and non-trade objectives.<sup>42</sup> In supporting its defence, Turkey submitted a host of evidence, including incidents of shortage of certain pharmaceutical goods, policy and regulatory documents aimed at reforming Turkey's healthcare system (including ensuring sufficient local supply of pharmaceuticals as a key element), and the (potential) impacts of COVID-related restrictions imposed by governments on global medicine supply.<sup>43</sup> The tribunal, however, did not find the evidence to be sufficient for the measure to pass what's supposed to be a threshold test. Nonetheless, after having experienced the disruptions in the global supply of essential goods during the pandemic, governments' priorities have evolved towards taking more cautious approaches to mitigate

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<sup>38</sup> Ibid. paras. 7.129, 7.139.

<sup>39</sup> Ibid. paras. 7.165-211.

<sup>40</sup> See above n 34, Award of the Arbitrators, paras. 6.93-142.

<sup>41</sup> See e.g. Appellate Body Report, *Colombia – Measures Relating to the Importation of Textiles, Apparel and Footwear*, WT/DS461/AB/R (adopted 22 June 2016) paras. 5.67–70.

<sup>42</sup> See Susan Stone, James Messent & Dorothee Flaig, *Localisation Barriers to Trade* (OECD Trade Policy Papers No. 180, May 1, 2015), [www.oecd-ilibrary.org/trade/emerging-policy-issues\\_5js1m6v5qd5j-en](http://www.oecd-ilibrary.org/trade/emerging-policy-issues_5js1m6v5qd5j-en).

<sup>43</sup> See above n 34, Panel Report, paras. 7.174–7.176, 7.185–7.197, 7.209.

similar risks in the future. Indeed, even the most advanced economies have taken (joint) action to support domestic pharmaceutical industries and affordable supplies, as evidenced by a series of measures or deals pursued by the US just in 2025.<sup>44</sup> This dispute, therefore, suggests that the tension between trade and non-trade values is likely to intensify, especially as governments increasingly resort to industrial policy for non-economic objectives.

### 2.3 Industrialization and economic development: *Indonesia – Raw Materials*<sup>45</sup>

In *Indonesia – Raw Materials*, Indonesia banned the export of nickel ore and mandated raw nickel to be processed domestically (i.e. the local processing requirement). Import/export restrictions are some of the most trade-restrictive instruments generally prohibited under GATT Article XI:1. The panel had no difficulty in finding the measures in breach of this WTO rule.<sup>46</sup> Under GATT Article XI:2(a), Indonesia argued that the bans were “essential” to its economy based on their contributions to government revenue and employment and to ensuring sufficient input supply for its steel industry and expansion of domestic EV battery production.<sup>47</sup> In dismissing this argument, the panel reasoned that “nickel ore is not already an input to important downstream industries in Indonesia”, particularly EV battery production which was to be established.<sup>48</sup> The panel was also unconvinced that Indonesia faced a “critical shortage” of nickel ore which, in its view, “cannot simply be a situation of short supply” but instead “must be of decisive importance or at a turning point and capable of being resolved.”<sup>49</sup> Indonesia’s alternative defence relied on GATT Article XX(d), claiming that the measures were necessary to secure compliance with domestic laws and regulations aimed at managing mining activities for the protection of the environment and the conservation of natural resources.<sup>50</sup> While the panel acknowledged that the measures may be designed to secure compliance with the stated regulation of mining activities, it found that the evidence was insufficient to show that they could make a material contribution to the environmental or

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<sup>44</sup> See e.g. U.S. Federal Register, Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits, Executive Order 14257 (2 Apr. 2025), <https://public-inspection.federalregister.gov/2025-06063.pdf>; The White House, Fact Sheet: President Donald J. Trump Announces Major Developments in Bringing Most-Favored-Nation Pricing to American Patient (6 Nov. 2025), <https://www.whitehouse.gov/fact-sheets/2025/11/fact-sheet-president-donald-j-trump-announces-major-developments-in-bringing-most-favored-nation-pricing-to-american-patients/>; Office of the United States Trade Representative, U.S. Government Announces Agreement in Principle with the United Kingdom on Pharmaceutical Pricing, Press Releases (1 Dec. 2025), <https://ustr.gov/about/policy-offices/press-office/press-releases/2025/december/us-government-announces-agreement-principle-united-kingdom-pharmaceutical-pricing>.

<sup>45</sup> Panel Report, *Indonesia — Measures Relating to Raw Materials*, WT/DS592/R (circulated 30 Nov. 2022).

<sup>46</sup> *Ibid.*, paras. 7.33-85.

<sup>47</sup> *Ibid.*, paras. 7.87, 7.97. Article XI:2(a) exempts export restrictions “temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting contracting party”.

<sup>48</sup> *Ibid.*, para. 7.101.

<sup>49</sup> *Ibid.*, para. 7.149. The panel also found that the measures were not applied only temporarily, the other condition for the exception to apply (paras. 7.121-122).

<sup>50</sup> *Ibid.*, para. 7.173.

conservation goals, while less-trade-restrictive means were available to achieve the same level of contribution as the measures concerned.<sup>51</sup>

It is widely understood that the export ban and the local processing requirement were part of Indonesia's overarching industrial policy seeking to build domestic refining capability and an emerging EV battery sector, in conjunction with other regulatory incentives to attract foreign investment in its nickel sector.<sup>52</sup> As such, the measures embodied a very traditional application of industrial policy for economic development, targeting select sectors.<sup>53</sup> They resembled Chinese export restraints on raw materials and rare earths in the 2010s, operating effectively as a subsidy for domestic downstream industries, coupled with similar environmental or conservation goals.<sup>54</sup> Despite the effectiveness of the policy at promoting Indonesia's economic objectives, the contested measures caused significant disruption of the global supply of nickel, affecting many WTO members who rely on Indonesia's supply.<sup>55</sup> At this stage of industrial development, the environmental and conservation goals claimed by Indonesia in the WTO dispute were arguably subordinate and long-term objectives.<sup>56</sup> In this sense, it is not unreasonable for the panel to dismiss Indonesia's arguments based on these non-economic goals. However, given the global rise of industrial policy,<sup>57</sup> including the use of export bans on critical technologies (e.g. semiconductors by the US) and raw materials (e.g. China) for strategic goals by more advanced economies, it is hard to argue that developing countries such as Indonesia must not pursue their own strategic and economic goals via similar policies or measures. The fact that Indonesia appealed the

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<sup>51</sup> Ibid., paras. 7.211-345.

<sup>52</sup> See e.g. David Guberman et al., 'Export Restrictions on Minerals and Metals: Indonesia's Export Ban of Nickel', Office of Industry and Competitiveness Analysis Working Paper ICA-104A (Feb 2024), [https://www.usitc.gov/publications/332/working\\_papers/ermm\\_indonesia\\_export\\_ban\\_of\\_nickel.pdf](https://www.usitc.gov/publications/332/working_papers/ermm_indonesia_export_ban_of_nickel.pdf); Ayman Falak Medina, 'Indonesia's Nickel Downstreaming Policy: Opportunities and Challenges for Investors', ASEAN Briefing (9 Apr 2025), <https://www.aseanbriefing.com/news/indonesias-nickel-downstreaming-policy-opportunities-and-challenges-for-investors/>; International Energy Agency, 'Prohibition of the Export of Nickel Ore', Policies (19 Mar. 2024), <https://www.iea.org/policies/16084-prohibition-of-the-export-of-nickel-ore>.

<sup>53</sup> Ibid.

<sup>54</sup> Jahen Rezki, 'Indonesia's Industrial Policy a Double-Edged Sword', (2025)17(4) East Asia Forum Quarterly 1, 35-37, <https://eastasiaforum.org/wp-content/uploads/2025/12/East-Asia-Forum-Quarterly-Volume-17-Number-4.pdf>. For a detailed discussion of the Chinese measures and the relevant WTO disputes, see above n 15, Zhou, at 70-90.

<sup>55</sup> See above n 52, David Guberman et al., at 12-18.

<sup>56</sup> Ibid., at 23-28. See also Chengzhang Zou et al., 'Strategic mineral policies for Indonesia: Enhancing global competitiveness, economic growth, and environmental sustainability through innovation and renewable energy', (2025)224 Renewable Energy 122593.

<sup>57</sup> Local content requirements are widely deployed by developing economies for industrial policies, see United Nations Economist Network, 'Reimagining Industrial Policy for Sustainable Development: A Framework for the 21<sup>st</sup> Century', Policy Brief (March 2025), [https://www.un.org/sites/un2.un.org/files/2025/02/unen\\_policy\\_brief\\_feb\\_2025.pdf?\\_gl=1\\*1447tel\\*\\_ga\\*MjA0MDUwOTA0NS4xNzU0NjlyNjUz\\*\\_ga\\_TK9BQL5X7Z\\*\\_czE3NjQ3MTYyNTcjbzQkZzEkdDE3NjQ3MTcxNDkajYwJGwwJGgw](https://www.un.org/sites/un2.un.org/files/2025/02/unen_policy_brief_feb_2025.pdf?_gl=1*1447tel*_ga*MjA0MDUwOTA0NS4xNzU0NjlyNjUz*_ga_TK9BQL5X7Z*_czE3NjQ3MTYyNTcjbzQkZzEkdDE3NjQ3MTcxNDkajYwJGwwJGgw).

panel's report into the void, like what the US did in *US – Steel and Aluminium Products (China)*, demonstrates a growing tension between industrial policy motivated by a mix of economic and non-economic goals and the rules-based trading system.

#### 2.4 Strategic competition, green transition and more: *US – IRA (China)*<sup>58</sup> and *EU – Definitive CVDs on BEVs (China)*<sup>59</sup>

The final two case studies epitomize similar, existential challenges faced by the WTO: the world's largest economies engage in intensified geopolitical competition via aggressive industrial strategies and subsidies. While both disputes are still underway, the industrial policies involved, and their WTO-legality, have been widely discussed.<sup>60</sup> The U.S. Inflation Reduction Act (IRA) of 2022 committed billions of dollars to promote manufacturing, and advancement and deployment of technologies, in clean energy industries.<sup>61</sup> A core element of the Law was designed to reshore the EV supply chain to the US or U.S. allies and reduce dependence on China particularly the supply of critical minerals.<sup>62</sup> Likewise, the EU has also rolled out expansive tools to enhance its economic sovereignty and global competitiveness in major green technologies, particularly renewable energies and EV batteries.<sup>63</sup> Compared to the recent moves of the US and the EU, China's industrial policy in the renewable energy and EV sectors has evolved for decades, enabling China to become the world's leading producer and exporter in these sectors. For example, in 2024 China accounted for over 70% of global EV production, followed by the EU and the US.<sup>64</sup> Given the strategic importance of these green technologies and industries, the competition among the superpowers is not only

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<sup>58</sup> This dispute is ongoing, and an official summary of the proceeding is available here: [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds623\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds623_e.htm).

<sup>59</sup> This dispute is ongoing, and an official summary of the proceeding is available here: [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds630\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds630_e.htm).

<sup>60</sup> See e.g. Chad Bown, 'Industrial Policy for Electric Vehicle Supply Chains and the US-EU Fight over the Inflation Reduction Act', PIIE Working Papers (May 2023), [www.piie.com/publications/working-papers/industrial-policy-electric-vehicle-supply-chains-and-us-eu-fight-over](http://www.piie.com/publications/working-papers/industrial-policy-electric-vehicle-supply-chains-and-us-eu-fight-over); Giulia Claudia Leonelli and Francesco Clora, 'Retooling the regulation of net-zero subsidies: lessons from the US Inflation Reduction Act', (2024)27(3) *Journal of International Economic Law* 441; Soo Ryung Park and Soojung Cho, 'The Nexus between the Battery Industry and International Economic Law', (2025)15 *Asian Business Lawyer* 15; Mandy Meng Fang and Weihuan Zhou, 'Greening the Road: China's Low-carbon Energy Transition and International Trade Regulation', (2022)35(2) *Leiden Journal of International Law* 357.

<sup>61</sup> U.S. Department of the Treasury, 'Internal Revenue Service Inflation Reduction Act Strategic Operating Plan FY2023-2031' (5 Apr 2023), <https://www.irs.gov/pub/irs-pdf/p3744.pdf>.

<sup>62</sup> See above n 60, Bown.

<sup>63</sup> See Terzi, A. Singh, and M. Sherwood (2022) 'Industrial Policy for the 21st Century: Lessons from the Past', *European Economy Discussion Paper* 157, [https://economy-finance.ec.europa.eu/publications/industrial-policy-21st-century-lessons-past\\_en](https://economy-finance.ec.europa.eu/publications/industrial-policy-21st-century-lessons-past_en); European Commission (2023) 'A Green Deal Industrial Plan for the Net-Zero Age COM(2023)62 Final', [https://commission.europa.eu/document/41514677-9598-4d89-a572-abe21cb037f4\\_en](https://commission.europa.eu/document/41514677-9598-4d89-a572-abe21cb037f4_en).

<sup>64</sup> International Energy Agency, 'Global EV Outlook 2025', Report (July 2025) 31-32, <https://iea.blob.core.windows.net/assets/7ea38b60-3033-42a6-9589-71134f4229f4/GlobalEVO Outlook2025.pdf>.

for market but also for technological autonomy and supremacy as well as supply chain safety. Therefore, the contested industrial policies, carried out through subsidies and other trade restrictive or distortive instruments, serve a complex mix of objectives, from enhancing manufacturing capability and economic competitiveness, promoting energy transition and protecting economic security, combating China's first-mover advantages gained through so-called unfair trade practices, to de-risking from China in critical supplies.<sup>65</sup>

This ongoing industrial policy race among the major powers has turned the WTO from a goalkeeper of trade values and rules to a battlefield of strategic rivalries. As China contended, the IRA subsidies violated a range of WTO principles and rules.<sup>66</sup> Yet, given U.S. record of appealing unfavourable panel rulings into the void,<sup>67</sup> China's objective is unlikely to win the case or compel the US to withdraw its industrial policy and subsidies. Instead, it is more about exposing the US as a bad citizen in the global trading system and strengthening China's own reputation and leadership in WTO reforms and shaping new generation of trade norms and standards. In this regard, the *EU – Definitive CVDs on BEVs (China)* is different because both the EU and China are MPTA parties and have agreed to adhere to the MPTA appellate procedure in this dispute.<sup>68</sup> By challenging the countervailing duties (i.e. 17% - 35.3%) imposed by the EU on Chinese EVs in October 2024,<sup>69</sup> China does not merely hope to regain its established market share in the EU. More importantly, this dispute is used as a test case to set a precedent for how (EV) industrial policy and subsidies, and associated overcapacity, may be addressed within the global trading system. China's move does not target the EU tariff alone; it also sends a signal to other countries that maintain or may take similar protective actions to counteract the effects of Chinese industrial policy.<sup>70</sup> However, as economic, climate and security aims in other economies are confronted with Chinese

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<sup>65</sup> See above n 60, Bown; Mann and Roberts. See also Weihuan Zhou, Victor Crochet and Haoxue Wang, 'Demystifying China's Critical Minerals Strategies: Rethinking "De-risking" Supply Chains', (2025)24(2) *World Trade Review* 267.

<sup>66</sup> WTO, *United States — Certain Tax Credits Under the Inflation Reduction Act*, Request for the Establishment of a Panel by China, WT/DS623/3 (dated 16 July 2024).

<sup>67</sup> A list of current appeals is available here: [https://www.wto.org/english/tratop\\_e/dispu\\_e/appellate\\_body\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/appellate_body_e.htm).

<sup>68</sup> WTO, *European Union — Definitive Countervailing Duties on New Battery Electric Vehicles from China*, Agreed Procedures for Arbitration under Article 25 of the DSU, WT/DS630/3 (dated 5 August 2025).

<sup>69</sup> WTO, *European Union — Definitive Countervailing Duties on New Battery Electric Vehicles from China*, Agreed Procedures for Arbitration under Article 25 of the DSU, WT/DS630/2 (dated 14 March 2025). Official Journal of the European Union, 'Commission Implementing Regulation (EU) 2024/2754 of 29 October 2024 imposing a definitive countervailing duty on imports of new battery electric vehicles designed for the transport of persons originating in the People's Republic of China', 2024/2754 (29 October 2024).

<sup>70</sup> Gil Lan, 'Electric Vehicle Tariffs by the US, EU, and Canada: Different Approaches and Implications for the WTO', (2024)28(12) *ASIL Insights* (13 Dec. 2024), <https://www.asil.org/insights/volume/28/issue/12>; Zhongxiang Zhang, 'China's EV Dominance Sparks EU Retaliation', (2025)17(4) *East Asia Forum Quarterly* 1, 32-34, <https://eastasiaforum.org/wp-content/uploads/2025/12/East-Asia-Forum-Quarterly-Volume-17-Number-4.pdf>.

manufacturing overcapacity and dominance in strategic sectors,<sup>71</sup> the efficacy of the current system in disciplining protectionist measures and safeguarding values of trade liberalization and predictability may only be limited.

### 3. ALIGNING INDUSTRIAL POLICY WITH THE GLOBAL TRADING SYSTEM: MISSION IMPOSSIBLE?

As Howse and Langille rightly observed, “the WTO is at an important institutional crossroads ... where returning to full throttle neoliberalism is inconceivable”.<sup>72</sup> Instead, they suggested that the future role of the WTO should focus on “empowering diversity through pluralism”.<sup>73</sup> In a similar vein, our case studies above have also highlighted the mounting necessity for the WTO to respond to a diverse range of domestic values and preferences which no longer prioritize trade liberalization and economic efficiency. In other words, where industrial policies increasingly serve non-economic, domestic imperatives, the economic value of promoting trade liberalization through established norms and principles becomes subordinate. Viewing the WTO via the lens of “re-globalization” charts a new course for the multilateral institution to address this paradigm shift in industrial policies. More broadly, it helps maintain the centrality of the WTO in global trade governance by prompting the institution’s systematic upgrading and adaptation to new realities.

There is no sign that industrial policy will retreat from the ongoing upward trajectory in any foreseeable future. The existing trade rules can hardly accommodate government preferences in deploying such policies, as the case studies have demonstrated. What reforms are required for the WTO to realign its institutional functions and norms with changing domestic imperatives? Some proposals have been put forward, which we briefly discuss below and show that none of these might be sufficient.

#### 3.1 Upgrade WTO rules to address cutting-edge issues

One of WTO’s most noticeable failures since its foundation in 1995 has been its inability to conclude new rounds of negotiations. Consequently, the existing rules, created in 1980s and 90s, are no longer fit for purpose in the very different world of today. For the WTO to stay abreast of contemporary changes, its rulebook must be updated to address issues relating to the green transition, the digital transformation, labor standards, gender equality, etc. While

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<sup>71</sup> See e.g. Simone Tagliapietra et al., ‘A smart European strategy for electric vehicle investment from China’, Bruegel Policy Brief (16 July 2025), <https://www.bruegel.org/policy-brief/smart-european-strategy-electric-vehicle-investment-china>; Mariko Watanabe, ‘China’s Industrial Policy a Recipe for Overcapacity’, (2025)17(4) East Asia Forum Quarterly 1, 40-42, <https://eastasiaforum.org/wp-content/uploads/2025/12/East-Asia-Forum-Quarterly-Volume-17-Number-4.pdf>.

<sup>72</sup> Robert Howse and Joanna Langille, ‘Continuity and Change in the World Trade Organization: Pluralism Past, Present, and Future’, (2023)117(1) American Journal of International Law 1, 14.

<sup>73</sup> Ibid., at 3.

it is hard to argue against this vision of WTO reform, it is important to realize that the WTO had been remarkably successful in safeguarding the values of trade liberalization and the predictability of the global trading system for more than two decades until the end of 2019 when the Appellate Body became paralyzed. This success was achieved despite its continued failure to upgrade its rulebook or advance progressive trade liberalization. Since domestic imperatives will likely remain dominant in industrial policymaking, upgrading WTO rules to fill some major gaps (such as digital trade and gender equality) is not an adequate solution to the underlying problems.

### 3.2 Soften WTO rules/case law to allow more policy space

WTO tribunals have long been criticized for promoting trade interests while unduly constraining domestic autonomy in pursuing non-trade objectives.<sup>74</sup> Indeed, many criticisms levelled at the Appellate Body concerned its “judicial overreach”, i.e. creating legal obligations or standards via treaty interpretation beyond what WTO members agreed on. It is not our task to engage in this debate on judicial overreach in this chapter.<sup>75</sup> It suffices to note that our case studies did show that WTO tribunals’ interpretation of some key legal conditions of exception clauses – e.g. “necessity”, “emergency”, and “critical shortage” – would not provide sufficient room for governments to pursue important domestic imperatives. Such restrictive interpretation, however, is not necessarily a result of judicial overreach but instead may well be a result of a lack of textual support for more flexible interpretation. Thus, it is incumbent on WTO members to determine how to rebalance the existing rules for enhanced policy space by negotiation. As far as industrial policy is concerned, possible changes may involve relaxing rules on certain policy instruments (e.g. tariffs) or the use of contingent measures (e.g. safeguards),<sup>76</sup> clarifying key legal standards for policy space (e.g. the “necessity” and “emergency” tests), developing new, dedicated exceptions under specific agreements (e.g. non-actionable subsidies under the Agreement on Subsidies and Countervailing Measures),<sup>77</sup> and/or creating detailed guidance for the use of the “authoritative interpretation” mechanism under Article XI:1 of the WTO Agreement.<sup>78</sup> Yet, since industrial policy instruments may capture a wide spectrum of WTO rules, rebalancing

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<sup>74</sup> In his farewell speech, former Appellate Body member Professor Peter Van den Bossche remarked: “The most challenging cases for me were those regarding the balance struck in the relevant WTO agreement between free trade and conflicting societal values”: [https://www.wto.org/english/tratop\\_e/dispu\\_e/farwellspeech\\_peter\\_van\\_den\\_bossche\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/farwellspeech_peter_van_den_bossche_e.htm).

<sup>75</sup> For a discussion, see Weihuan Zhou and Henry Gao, “‘Overreaching’ or ‘Overreacting’? Reflections on the Judicial Function and Approaches of WTO Appellate Body” (2019)53(6) *Journal of World Trade* 951.

<sup>76</sup> See Gregory Shaffer, ‘Governing the Interface of U.S.-China Trade Relations’ (2021) 155(4) *American Journal of International Law* 622, 640.

<sup>77</sup> See e.g. Ru Ding, ‘Time to Reform the Non-Actionable Subsidy Rules in the WTO: The COVID-19 Subsidies and Beyond’ in Amrita Bahri, Weihuan Zhou and Daria Boklan (eds), *Rethinking, Repackaging and Rescuing World Trade Law in the Post-Pandemic Era* (Oxford and Portland, Oregon: Hart Publishing, 2021) 57-76.

<sup>78</sup> For a more detailed discussion, see above n 75, Zhou & Gao, 973-76.

trade law and industrial policy via negotiation of changing all major rules can only be a long-term objective.

### 3.3 Reorient the WTO towards deliberation

Leading scholars have argued that one essential institutional adjustment of the WTO is remaking it into a forum for deliberation especially where sensitive issues such as national security are involved. From the General Council to committees and working groups, the WTO already has established infrastructure and procedures for members to deliberate on trade policies.<sup>79</sup> This deliberative function can be particularly useful for discussions of (industrial) policies driven by non-economic goals.<sup>80</sup> It could also serve as an interface for transparency and multi-party engagement to facilitate settlement of disputes by negotiation rather than adjudication.<sup>81</sup> While deliberation has the potential to maintain the utility of the WTO, as a procedural mechanism it may not be sufficient to resolve substantive problems for at least three reasons. The first concerns the efficacy of the mechanism. For instance, given the unsatisfactory record of notification (mandated by wide-ranging WTO rules on transparency), additional tools will be needed to better incentivize governments to comply with these obligations.<sup>82</sup> Secondly, there is no guarantee that governments will be willing to discuss sensitive issues or will resolve their disagreement by deliberation. This means that deliberation can only serve as part of the procedures for settling disputes. This limitation of deliberative processes also highlights the importance of the WTO's dispute settlement mechanism which provides a further venue to change the political dynamics at play for potential compromises. Thirdly, deliberation may not change the status quo, as it is not inconceivable that governments may continue to maintain their own (industrial) policies and prioritize domestic imperatives after rounds of deliberation.

Thus, subject to political will, governments need to creatively contemplate other approaches while they pursue existing initiatives or experiment with emerging ones. In search for other reform options, a fundamental question that needs to be agreed upon upfront is what the underlying aim/function of the WTO should be going forward: is it progressive trade liberalization based on rules and judicial review that mandates compliance, or is it merely a forum for deliberation without any baseline obligations, or is it something between these two extremes?

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<sup>79</sup> Mona Pinchis-Paulsen, 'Let's Agree to Disagree: A Strategy for Trade Security', (2022)25(4) *Journal of International Economic Law* 527, 534-41.

<sup>80</sup> See above n 5, Hoekman, Mavroidis and Nelson, at 69-78; above n 72, Howse and Langille, at 43.

<sup>81</sup> See above n 76, Shaffer, at 656-57.

<sup>82</sup> For suggestions and negotiating records, see e.g. Petros Mavroidis and Robert Wolfe, 'From Sunshine to a Common Agent: The Evolving Understanding of Transparency in the WTO', (2015)21(2) *The Brown Journal of World Affairs* 117; WTO, Council for Trade in Goods, 'Procedure to Enhance Transparency and Strengthen Notification Requirements under WTO Agreements', JOB/CTG/14 (dated 1 November 2018).

#### 4. CONCLUDING REMARKS: THE 2050 OUTLOOK

The WTO is at a critical juncture facing unprecedented challenges. Many factors have contributed to its declining credibility and efficacy at maintaining a global trading system that is based on rules and safeguards certainty and predictability for stakeholders. In an increasingly multipolar world fraught with geopolitical frictions and strategic concerns, any dramatic shift in government policies and priorities is not unimaginable. Against this rapidly evolving global economic and political landscape, governments pursue their domestic imperatives through unilateral industrial policies, oftentimes at the cost of the global economic order and trading partners. The prospect of the global trading system towards 2050, ultimately, hinges on how governments make political choices among some key paths, such as unilateralism vs. cooperation, protection vs. liberalization, and multilateralism, regionalism or bilateralism. In the foreseeable future, it is likely that industrial policy will remain at the centre of domestic and international economic or trade policymaking. This means that the WTO must continue to evolve in creative ways in response to new challenges if it is to remain as the backbone of the multilateral trading system. However, governments must also be reminded that a widespread abuse of unilateral (industrial) policies will increasingly marginalize the WTO. Given the history of the 1930s, a world economy without the WTO is not an option. When the global trading system emerged in 1949, Clair Wilcox, U.S. chief negotiator and a key architect of the GATT, already sent a prescient message to governments in making such a critical choice facing us today: “Nothing in this world is guaranteed. In any course of action, we must weigh the risks, strike a balance, and take a chance”.<sup>83</sup>

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<sup>83</sup> Clair Wilcox, *A Charter for World Trade* (New York: The MacMillan Company 1949) 219.



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