



Free Trade System and Its Challenges

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<http://dx.doi.org/10.18415/ijmmu.v12i10.7174>

Abstract

This article examines the major challenges facing the free trade system. The research findings indicate that the global free trade regime currently faces several significant obstacles; regional conflicts, existing political crises and related economic sanctions, the emergence of new trade patterns such as electronic commerce, global supply chains, and the outdated mechanisms for dispute resolution within the WTO are among the key challenges of this system. However, extreme nationalism, exemplified by Donald Trump, constitutes the greatest threat to the free trade system. By accusing others, especially China, of unfair practices and completely disregarding the principles governing the international economic legal framework, he acts accordingly. His retaliatory tariffs have nullified the achievements of the seventy-year-old GATT and WTO. Failure to seriously address these challenges could lead to decreased investments, trade contraction, global economic recession, and ultimately the collapse of the free trade system. Therefore, structural reforms, strengthening dispute resolution mechanisms, and aligning national policies with international principles are essential solutions, rather than neglect, extreme nationalism, retaliatory tariffs, and similar measures.

Keywords: *Free Trade System; Nationalism; Retaliatory Tariffs; Challenges*

Introduction

Mid to late twentieth century, especially among developed industrial countries, saw unprecedented convergence and cooperation in establishing a global free trade system. Extensive collaboration among nations facilitated the rapid formation of this system worldwide; the process of harmonizing trade laws advanced well, tariff and non-tariff barriers to global trade were minimized, broad commitments to uphold legal principles governing free, competitive, and fair trade were established, markets opened for large-scale industrial production, and international supervisory, supportive, and enforcement institutions were created with appropriate guarantees.

The free trade system has played a prominent role in economic development, social welfare, contributing to global security, transferring scientific and technological knowledge, and aiding the economic improvement of developing countries. The success of this system was so remarkable and attractive that leading socialist regimes such as Russia and China were compelled to join and become members of the WTO. They once viewed international institutions like the WTO as tools to perpetuate global imperialist dominance.

However, today, this system faces numerous challenges in fulfilling its long-term goals—from rapid technological changes and new trade patterns to global inequalities and political and military crises; from the emergence of electronic commerce to global supply chains, and from the rise of extreme nationalism to disruptions in dispute resolution mechanisms.

The existing challenges threaten to lead to the potential collapse of this system, which could have profound impacts on exports, investments, and trade—particularly in industrial goods. It appears that governments and international institutions bear a significant responsibility at this historical juncture; the collapse of the free trade system would not serve the common good of the international community but would instead cause various crises.

This article aims, in addition to reviewing the background and theoretical foundations of the free trade system and analyzing its goals and principles, to accurately identify and present its challenges. Precise recognition of these challenges will clarify the prospects for improving and reforming the system in today's dynamic world and provide a basis for better performance of international institutions and national policies to maintain stability and enhance the effectiveness of the free trade system.

Part One: The System of Free Trade

What is the legal system of free trade or the global free trade system? To clarify this question, a very brief explanation is provided below. It is important to first understand what is meant by the legal system of free trade at the global level and what its constitutive elements are.

A. Historical Background of the Free Trade System

The roots of the free trade system date back to past centuries, but its modern structure was comprehensively and coherently established in the mid-twentieth century, after World War II. The theories of specialization and division of labor by Adam Smith (Smith, 1776, p. 25) in the late eighteenth century, and the principles of absolute advantage by David Ricardo (Ricardo, 1817, p. 35) in the nineteenth century played a decisive role in shaping the modern free trade system. The nineteenth century marked the initial formation of the foundations of the modern free trade system based on bilateral and multilateral agreements; during this period, many countries entered into trade agreements to expand their commercial relations with other nations. The primary goal of these agreements was to reduce cross-border and transnational trade barriers, especially lowering tariffs on exported goods. Essentially, the cornerstone of trade liberalization beyond national borders and the legal commitments involved was the move away from protectionist policies favoring domestic industries.

In the third decade of the twentieth century, Heckscher-Ohlin introduced the idea that factors of production are the determining elements of trade patterns. This theory provided a better understanding of the dynamics of international free trade (Heckscher & Ohlin, 1933, p. 52).

The economic crisis of the 1930s (which involved increased tariffs and the adoption of reciprocal protectionist policies for domestic production), leading to rising prices, reduced employment, decreased foreign investment, and economic recession, strengthened broad support for the free trade system.

The post-World War II period was a pivotal point; the technological and industrial developments during the war made possible the global scale of industry and technology. The devastation wrought by World War II was unprecedented and destructive for the international community. One of the contributing factors to the collaborative approaches was the profound impact of the war's aftermath on the international society. Thinkers recognized that expanding foreign investment and trade relations interconnected national interests, and shared interests could promote peace, prevent war, and ensure lasting global security (Galbraith, 1966, pp. 102-105).

The process of globalization or the project of worldwide integration, driven by advances in communications, information technology, transportation, and the mobility of people, played an

unparalleled role in spreading the free trade system. As distances diminished and the movement of capital, goods, and services became easier and less costly, international flow increased significantly. Consequently, efforts to liberalize trade and remove barriers, under the umbrella of the General Agreement on Tariffs and Trade (GATT), commenced. Over eight rounds of negotiations spanning 47 years, industrial tariffs were reduced from 40% to 4%. During this period and afterwards, when the World Trade Organization (WTO) replaced GATT, many trade barriers at the global level were either completely removed or minimized.

Since the first GATT agreement was adopted in 1947, hundreds of trade agreements aimed at liberalization and barrier reduction have been enacted. At least sixty-one multilateral agreements and several regional and bilateral agreements have established a comprehensive legal foundation for the global system, creating binding international commitments for states. The core content of these agreements and conventions has been incorporated into the domestic laws of member countries.

The comprehensive international trade legal system thus established covers a broad range of the global economy—from international trade in goods to trade in services; from tariffs to non-tariff barriers; from protection of developing countries' economies to essential consumer goods; from environmental protection, to foreign direct investments, and to intellectual and industrial property rights.

A mandatory mechanism for resolving trade disputes has been created at the global level, with legal guarantees for the enforcement of rulings. To further facilitate the implementation of free trade commitments, auxiliary institutions such as the World Bank and the International Monetary Fund (IMF) were established. Therefore, speaking of a global free trade system refers to a comprehensive and all-encompassing legal regime that includes rules, principles, enforcement and supervisory institutions, and mechanisms, which in the second half of the twentieth century became fully operational.

B. The Theoretical Foundations of the Free Trade System:

The free trade system gradually emerged in the nineteenth century and early twentieth century, and by the mid-twentieth century, it became a comprehensive system based on several prominent economists' theories. The most prominent of these theories are listed and explained below.

1. The Theory of Absolute Advantage by Adam Smith

Adam Smith's theory forms the foundation of free economic thought; Smith, an eighteenth-century economist and author of the famous work "The Wealth of Nations," believed that countries should specialize in the commodity in which they are most efficient compared to other countries. In simple terms, a country that can produce a particular good more cheaply than others—due to any reason—should focus on producing that good. It should produce it in large quantities and exchange its inexpensive products with those of other countries. When each country concentrates on producing its specialized good and only produces that, efficiency increases, prices decrease, and overall welfare improves. As a result, a legal order based on the principles of competition and consumer choice is established.

By aligning prices with supply and demand, the market operates automatically based on needs and resources. The consequence is that free trade enhances productivity and leads to economic growth. (Smith, Adam; 1776, The Penguin Group, pages 14-18.)

2. Neoclassical and Neoliberal Economic Theories

The theories of neoclassical and neoliberal economists also contributed to the acceptance of the free trade system. Among the new economic theories, especially David Ricardo's theory of comparative advantage and Mainer Dakinz's theory of production costs, can be mentioned; these theorists emphasized that free trade can improve economic efficiency and increase overall welfare. (Maurice Obstfeld & Paul

Krugman (2018); p. 114-120.) Based on these theories, trade liberalization and access to global markets were promoted, and institutions such as GATT and WTO were established, which for over half a century have promoted and developed the free trade system.

3. The Heckscher-Ohlin Theory

One of the important theories that significantly contributed to the establishment of the free trade system between the two World Wars was the Heckscher-Ohlin theory. Edward Heckscher and Bergs Ohlin, in the 1930s, analyzed the factors of production in international trade. These theorists sought to demonstrate that countries can improve their economic efficiency and strengthen their trade and political ties by focusing on producing goods in which they have a comparative advantage, and engaging in free trade. (Heckscher & Ohlin (1933), p. 1-34.) This perspective encouraged countries to reduce trade tariffs and non-tariff barriers and to foster economic cooperation. It became widely accepted among trade and international economics elites that the only path to effective and sustainable development is the free trade system. Therefore, it can be argued that the Heckscher-Ohlin theory was one of the foundational theories underlying the global free trade system.

C. Objectives of the Free Trade System

The free trade system pursues several objectives. Its main goals can be summarized as follows:

- a. Economic Profit (or more explicitly, Material Gains)
- b. Ensuring Peace and International Security on a Global Scale
- c. Supporting Fundamental Human Rights and Freedoms Worldwide

Each of these objectives is briefly explained below.

1. Economic Profit

The most important goal of the free economy system is to increase profitability and economic welfare of member countries. By expanding the number of member countries in the free economic system, removing trade barriers, and creating extensive exchange opportunities for goods and services, countries can improve their production and allocate sufficient resources in this regard. As a result of free competition in the global trade arena and specialization in the production process, countries will achieve higher economic growth and increased monetary and credit income. In this way, the global free trade system will generate greater profitability for all (Smith, 2020, p. 45).

2. Ensuring Peace and International Security

Another significant objective leading to the formation of the free trade system is the promotion of peace and security among nations through convergence and mutual interdependence between states. When the economic interests of countries are interconnected, tensions and the likelihood of armed conflicts decrease; governments tend to avoid engaging in wars for fear of damaging their economic interests. This spirit fosters understanding and the peaceful resolution of disputes. It also contributes to the establishment of international institutions, agreements, and multilateral arrangements. Consequently, security and collaborative efforts are facilitated (Johnson, 2021, p. 78).

3. Supporting Fundamental Human Rights and Freedoms

Another goal of the free trade system is to meet the minimum needs of humanity; experts and the general belief hold that free and competitive trade can help developing countries to reduce poverty and hunger, thereby improving the living standards of their citizens. The process of establishing a free and competitive trade system reduces inequalities and provides a foundation for access to fundamental human rights and freedoms (Brown, 2019, p. 102).

D. Principles Governing the Free Trade System

As a complex economic structure, the free trade system requires cooperation and coordination among countries. To ensure the common interests of nations, a set of principles governs international trade activities and policies. These principles are briefly explained below.

1. Principle of Liberalization of Trade

The first fundamental principle of the free trade system is the liberalization of trade. This principle acts as the cornerstone, meaning that all barriers should be removed to facilitate global commerce. Experts identify two main obstacles: tariffs and non-tariff barriers. Non-tariff barriers include quotas, protections, and restrictions that governments impose on foreign and international trade for various reasons. The primary aim of free trade advocates has been the complete elimination of these barriers. However, total removal has been challenging, leading to a reduction rather than complete abolition. The goal of trade liberalization and fair competition is to create an environment where all companies have equal opportunities to engage in trade, and abuse of market power is prohibited (OECD, 2019, p. 45). Liberalization allows goods and services to be exchanged worldwide without restrictions and promotes healthier, fairer competition among domestic and foreign producers (World Trade Organization, 2019, p. 15).

2. Principle of Fair Competition

One of the core principles of the free trade system is ensuring fair competition. This involves guaranteeing conditions where companies and producers operate without discrimination and with equal rights, privileges, and opportunities in the global market. This principle rejects any anti-competitive or monopolistic actions taken by governments to protect domestic industries (OECD, 2020, p. 32).

3. Principle of Transparency

Transparency means easy and rapid access to information regarding laws, regulations, and trade procedures of countries. In the free trade system, countries are not allowed to conceal policy details; instead, they must make all trade-related laws and regulations readily available to other countries and trading companies. Adherence to this principle fosters trust among nations and corporations and helps prevent economic corruption (European Commission, 2021, p. 40). Most importantly, transparency increases investor certainty and encourages investments abroad without fear, enabling them to achieve expected profits (WTO, 2017, p. 28).

4. Principle of Non-Discriminatory Trade

The foundation of non-discriminatory trade stipulates that countries should not differentiate between trading partners or companies, nor impose different tariffs, standards, or conditions on specific countries or companies. In simple terms, a country should not apply preferential treatment to imports from one country over others (United Nations Conference on Trade and Development, 2019, p. 28). This principle helps establish a fair and predictable trading environment and fosters trust in international relations.

5. Principle of Supporting Intellectual and Industrial Property Rights

Supporting intellectual and industrial property rights is a vital principle of the free trade system. Protecting these rights is essential at both international and national legal levels. Proponents believe that innovations and inventions should be legally protected to promote development and commercialization. Extensive legal commitments, such as the Berne and Paris Conventions, have been adopted globally to safeguard intellectual property rights. Protecting these rights allows companies to develop and commercialize their ideas without fear of infringement (World Intellectual Property Organization, 2018, p. 22).

6. Principle of Supportive Interaction with Developing Countries

The free, competitive system is based on the capabilities and capacities of commercial entities, including private companies, state-owned enterprises, and multinational corporations. However, firms from developing or less-developed countries often lack the same competitive strength as those from developed industrial nations. Recognizing this disparity and addressing human needs, the principle of supporting developing countries has been established. In certain cases, positive discrimination or preferential treatment is applied to developing nations. Additionally, developed countries and international organizations are expected to assist these nations through technology transfer, capacity building, infrastructure improvement, and other forms of support (World Bank, 2020, p. 10). Assistance may include training programs, facilitation of trade, and investment opportunities.

7. Principle of Environmental Protection

The protection of the environment has become an established principle within the global free trade system. Trade agreements widely incorporate environmental standards. Activities such as over-extraction of natural resources, environmentally harmful investments, substandard products, and polluting economic activities are now subject to legal obligations. Governments and international organizations are mandated to adopt policies and regulatory measures for sustainable environmental practices, aligned with international commitments (International Trade Centre, 2021, p. 25). Supporting environmental protection not only prevents environmental degradation but also fosters sustainable economic conditions.

E. The Achievements of the Free Trade System

The Free Trade System (FTS) was established to facilitate international trade and reduce trade barriers. Over the past approximately eighty years, this system has brought significant and noteworthy achievements to the international community, particularly to developed countries. A summary of some of the major accomplishments of this system is presented below.

1. Increased Trade Volume and Economic Growth

The fundamental and practical measures of the free trade system have remarkably increased the global trade volume. The direct factor behind this unprecedented quantitative growth is the agreements on free trade that aim to reduce trade barriers and the binding commitments of governments to adhere to these agreements. According to data from the World Trade Organization (WTO), between 2000 and 2019, global trade as a percentage of the GDP of various countries increased on average by about 20% to 25%. The growth rate in countries that joined free trade agreements, especially in the industrial goods sector, was notably higher than in non-member countries (Baldwin, 2016, p. 39).

2. Access to Consumer Markets

One of the main goals of the free trade system is to open the doors of global consumer markets to all manufacturing industries and service providers. By opening these markets to global exporters, extensive trading opportunities have been created. For example, agreements like NAFTA and later USMCA significantly increased exports among the United States, Canada, and Mexico. According to American sources, exports to Canada increased from \$232 billion in 1993 to \$454 billion in 2018 (U.S. Census Bureau, 2019, p. 45).

3. Attraction of Foreign Investment

The General Agreement on Tariffs and Trade (GATT) and WTO agreements paved the way for attracting Foreign Direct Investment (FDI) in a genuine sense. Reports indicate that FDI increased from \$400 billion in 2000 to \$1.5 trillion by 2019 (UNCTAD, 2020, p. 123). Another indicator of the growth of foreign investment is that member countries of these agreements, on average, attracted two to three times more foreign investment than non-member countries. This is especially true for Asian countries such as Vietnam, Malaysia, China, and India, as well as the United States, Germany, Australia, and others.

4. Cost Reduction

As a result of increased competition, lower tariffs, and non-tariff barriers, costs have decreased. Data provided by international trade organizations show that this goal has been effectively achieved; according to OECD data, reducing tariffs to around 5% has led to a cost decrease of up to 10% in tourism expenses in developing countries (OECD, 2018, p. 67).

5. Strengthening Political and Economic Relations

The free trade system has expanded investments and consumer markets; many countries that previously lacked or had minimal and sporadic relations have established economic ties. The expansion of economic relations has led to political ties as well. This process demonstrates that trade agreements can enhance political-economic relationships (Irwin, D. A. 2002, pp. 231-242). Empirical evidence shows that the expansion of trade relations and shared economic interests lead governments to even control conflicts and tensions that may arise for various reasons. Research indicates that countries with close and extensive trade agreements have lower levels of systemic conflict (Oneal & Russett, 1999, p. 22).

6. Improved Productivity and Innovation

With the expansion of consumer markets, trading companies have been compelled to improve their processes, enhance product quality, and innovate repeatedly to attract customers. Improving productivity and innovation in trade and manufacturing sectors are natural necessities of global competitive trade. According to the OECD, companies operating in competitive environments have, on average, about 25% higher productivity (OECD, 2019, p. 85). It is generally accepted that fair competition in the free trade system increases productivity and innovation across industries.

7. Development of Trade Policies and Conformity

Engagement in trade agreements and mutual dependence through joint investments naturally increases shared interests, benefits, and risks among countries. These commonalities foster a spirit of conformity and cooperation and promote further integration. In such conditions, trading partners tend to amend their laws and regulations to align with international standards. This process enhances transparency and reduces corruption. For instance, according to IMF research, countries participating in free trade agreements show approximately a 30% reduction in economic corruption and misuse of laws governing commercial activities (IMF, 2021, p. 56).

Part Two: Challenges of the Free Trade System

A. Challenges Arising from Wars and Sanctions

Small-scale wars and 21st-century economic sanctions have been significant challenges to the free trade system over the past three decades. For example, the wars in Ukraine and Syria have had undeniable impacts on the global free trade regime. Armed conflicts disrupt legal order and operational stability within the affected regions, but the legal framework of free trade cannot be exempt from these disruptions; instability and other obstacles caused by wartime conditions increase transfer costs, whether customs or non-customs related, and complicate the assurance of the safety of goods transfer. Access to markets becomes more difficult compared to non-war conditions. According to the World Bank report in 2023, wars have caused a 50% reduction in trade in war-affected regions compared to before (World Bank, 2023, p. 12).

Sanctions are also serious obstacles to exports and imports of goods and services, exerting negative effects intermittently and selectively. Examples include UN sanctions and U.S. sanctions against the Islamic Republic of Iran; sanctions significantly impacted Iran's oil and gas exports, resulting in a sharp decline in national income and increased prices within the country (Council on Foreign Relations, 2020, p. 7).

B. Challenges from New Trade Patterns such as E-commerce

Emerging trade models like electronic commerce and online transactions increasingly influence the free trade system. A major challenge here is the inequality in access to global markets. While in terms of market access in e-commerce there is no significant difference between small businesses and large corporations, large companies and multinationals dominate the market share. Notably, Amazon and Alibaba hold a large portion of the global market, drastically reducing opportunities for small businesses (Cohen, 2020, p. 134).

Furthermore, e-commerce complicates the regulation of applicable laws, including tax laws; many countries still face difficulties in controlling taxes on online sales and e-commerce activities, leading to income imbalances and significant fiscal challenges (Thompson, 2019, p. 45). Therefore, new trade models like e-commerce and online sales create serious challenges such as inequalities in access, profit margins, and evasion of legal and regulatory frameworks within the free trade system.

C. Challenges from Global Supply Chains

Global supply chains refer to interconnected factors, activities, and processes involved in producing, distributing, and delivering goods and services worldwide. The free trade system consists of national systems that have become interdependent. A division of labor exists, where specific countries, often with comparative advantages, undertake particular production and distribution processes. This division sometimes exposes the global supply chain to serious risks. For instance, the shortage of medical equipment and medicines during the COVID-19 pandemic exemplifies this risk; production was concentrated in a few countries, and factory closures and rising demand disrupted the supply of medical supplies (Smith, 2021, p. 45).

Another example is the energy crisis, particularly the gas crisis during the Ukraine war. Reduced gas imports from Russia to Europe led to severe shortages, unprecedented price increases, and economic crises across Europe—highlighting the vulnerabilities of global supply chains and threatening security (Johnson, 2022, p. 102).

Hence, ensuring fully reliable global supply chains within the free trade system is difficult because the system relies on competition, non-interventionist policies, and reduced trade barriers, which oppose nationalist and protectionist policies. Therefore, guaranteeing complete and 100% reliable global supply chains is fundamentally impossible in the free trade framework.

D. Challenges from the Diminished Effectiveness of Dispute Resolution Mechanisms

The global free trade system has primarily developed through GATT and WTO frameworks. The dispute settlement mechanism (DSM) is based on WTO agreements, aiming to prevent unilateral and retaliatory measures among member states. Instead, disputes should be resolved peacefully via negotiation, mediation, and arbitration by specialized panels and appellate bodies, whose decisions are binding.

Despite its effectiveness in resolving past international trade disputes, the current mechanism faces significant criticisms:

1. **The Inoperative Appellate Body (DSM):** Since December 2019, due to the U.S. refusal to appoint new judges, the appellate body has been effectively inactive. This suspension renders the dispute resolution process ineffective when appeals are lodged (Jackson, 2020, p. 152).
2. **Limited Enforcement of Rulings:** Previously, enforcement of DSM rulings was relatively effective, with states generally complying. However, under the Trump administration, enforcement weakened, diminishing the mechanism's credibility (Bown, 2016, p. 120).

3. Insufficient Capacity for Contemporary Issues: The DSM struggles to address new issues such as digital trade, environmental concerns, and extensive government support for industries. Its capacity to handle such disputes is limited (Horn, Mavroidis, & Sapir, 2010, p. 88).

E. Challenges from Inconsistency between National Laws and Global Principles

Despite over eighty years of continuous efforts, member countries have not fully harmonized their trade laws with global principles. Although significant progress has been made, many national laws remain incompatible with the core principles of the free trade system. Factors include countries' inability to adapt laws rapidly to global changes, weak domestic institutions, and internal pressures from industries, corruption, and protectionist policies aimed at supporting domestic sectors (WTO Report, 2023; EUCCC, 2022; WB, 2023; UNCTD, 2022).

F. Challenges from China's Distrust of the Free Trade System

China joined the WTO in 2001 after extensive scrutiny by major WTO members, who demanded numerous assurances that China would fully embrace free trade principles. Despite this, many believe that China does not genuinely adhere to these principles; instead, it uses WTO membership as a means to access global markets and accelerate its economic growth. Evidence includes:

- **Widespread subsidies:** China extensively subsidizes strategic industries like steel, aluminum, renewable energy, and advanced technology through loans, tax exemptions, free land, and direct financial support for R&D, enabling it to dump goods at below-cost prices and outcompete foreign rivals (Lardy, 2019, pp. 95-105; Global Trade Alert, 2018).
- **Market access restrictions:** China imposes quotas, high tariffs, opaque licensing processes, bureaucratic hurdles, and restrictions on foreign banking and finance (OECD, 2020, p. 50).
- **Intellectual property theft:** China is accused of systematically stealing intellectual property, copying innovations, and violating industrial and intellectual property rights, harming innovation and foreign companies (USTR, 2020).

G. Challenges from Excessive Nationalism under Donald Trump

While Trump did not outright oppose the free trade system, he fundamentally challenged its core principles, viewing it as unfair and a tool for others' exploitation. His "America First" policy rejected multilateral cooperation, promoted unilateral tariffs, and accused WTO and regional agreements like NAFTA of unfairness, seeking to reduce U.S. trade deficits (Alden, 2019, p. 115). Trump imposed unprecedented tariffs, even on allies, and blocked the appointment of appellate judges, effectively paralyzing WTO dispute resolution. He also threatened to withdraw from the WTO altogether, posing the greatest threat to the system (Bown & Keynes, 2020, p. 55).

H. Challenges from Far-Right Nationalism of Donald Trump

Trump's extreme nationalist policies, including tariffs on China and other countries, reflect a desire to undermine the entire free trade order. China has rapidly become a global industrial power, following initiatives like "Made in China 2025," heavily subsidized and focused on future industries. China's technological advancements, such as in AI, shipbuilding, and renewable energy, surpass expectations and challenge U.S. dominance. Trump's trade policies and rhetoric have shifted the U.S. from a cooperative partner to an adversary, rejecting the principles of free competition, market fairness, and open access, thereby threatening the existing international trade order (Current data on China's growth and U.S. policies).

Summary and Conclusion

The free trade system faces numerous challenges: the new trade patterns, global supply chain vulnerabilities, limited institutional capacity, and legal inconsistencies among nations, China's distrust, and especially the extreme nationalism of Donald Trump. Trump has effectively nullified many WTO achievements, discarded core principles, reintroduced tariffs reminiscent of the 1930s, and adopted protectionist policies that challenge the very foundations of the system.

These actions violate international commitments and entail international responsibility. However, simply raising legal disputes or seeking redress does not address the root problems. The crisis exceeds legal violations and has become a political struggle. A period of power contestation has emerged, and only after a rebalancing and mutual understanding can a new, revised legal order emerge—likely tilted in favor of the U.S.

The primary reason a member country can significantly challenge and seek to reform the global free trade system is that trade, unlike other areas of international law, primarily resides within the domain of private law, shaped by the necessity of globalization, technological change, impacts of global conflicts, population growth, and state decision-making. The frameworks are based on consensus rather than binding authority (a). No WTO agreement explicitly prohibits members from exiting; individual state sovereignty remains paramount, and exit is legally permissible (b). Enforcement relies on retaliation—states can respond with countermeasures like increased tariffs (c). Moreover, the U.S., as a dominant economic power, possesses the capacity to weaken or modify the system effectively, leveraging its influence and economic strength (d).

Complete destruction of the free trade system would not benefit the U.S. economy. Trump has not explicitly called for abandoning the system; instead, he seeks to modify and reduce commitments, aiming to serve national interests (e). Whether these efforts will succeed remains uncertain, especially with China's rapid economic rise. The future will reveal whether the current challenges lead to systemic reform or a reconfigured, possibly diminished, system.

Recommendations

Given these challenges, it is imperative for member states and international institutions to undertake structural and institutional reforms. Strengthening the WTO dispute settlement mechanism and activating its appellate body are urgent needs. National policies must align more closely with global principles, particularly regarding intellectual property, environmental sustainability, and sustainable development. Domestic laws should be reformed to enhance transparency and prevent discrimination. The legal credibility of agreements must be restored and serve as the basis for state actions. Without fostering solidarity and re-establishing effective economic cooperation while moving away from extreme nationalism, the sustainability and effectiveness of the free trade system will be at risk of disintegration.

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