Can Middle Powers Rescue the World Trading System?

Revitalizing Multilateralism 2.0 amid the Fragmentation of the WTO System

A paper prepared by

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The multilateral trading system is being challenged as never before. The United States in 2025 has posed the newest and most formidable challenge. This is not the only test for the trading system, and the World Trade Organization (WTO) which administers it, but it is currently perhaps the most prominent challenge and was, for the most part, unforeseen prior to 2025.

Canada's Prime Minister Mark Carney, speaking at Davos at the World Economic Forum in January 2026 (World Economic Forum 2026), famously stated that the middle powers have agency. He said that countries like Canada have "the capacity to build a new order that encompasses our values" — citing values like human rights, sustainable development, and sovereignty as foundations. This paper seeks to analyze where global trade policies stand, to identify the most pressing needs of the world trading system, and suggest the role that middle powers, including Korea, can play.[1]

[1] It is interesting to recall at this point the history of the creation of the World Trade Organization. It stemmed from a proposal from a consultant to the Government of Canada, John Jackson, then a professor at Georgetown University. The idea was picked up and supported by the Commission of the European Communities (later the European Union). The United States Trade Representative accepted the idea and gave the new organization its name, the "World Trade Organization", which all participants in the Uruguay Round of Multilateral Trade

Introduction -- the trading world of 2025-2050

There has been a seismic shift in US trade policy during 2025, and adjustments to it are continuing. The duration of the shift in US trade policy is unknown, but it extends most likely into 2029 when a new President is slated to take office. The American disenchantment with the current multilateral trading system had been building for some time. The seeds of it were seen during the Obama Administration when the US shifted its focus and trade negotiating efforts to the Trans Pacific Partnership. (TPP). The US distancing from the global rules-based system became evident in its increasing disengagement from the World Trade Organization (WTO) during the Trump I (2017-21) and Biden (2021-2024) administrations, before becoming fully present during the second Trump administration (Trump II) (2025-present).

How well trading nations adjust to and eventually learn to live with the new reality is yet unknown. A full return to the prior normal is growing to be more unlikely, although there is no movement for the other members of the WTO away from applying the current system outside of their relations with the United States. Many are implying if not saying that the prior system is unrecoverable. This was part of the message of Canadian Prime Minister Mark Carney at Davos in January 2026, talking of a rupture in international relations. His saying that national policies cannot be based on nostalgia is accurate enough, but most of world trading nations are still living within the WTO rules. It would be a mistake to scrap what is of value in the current trading system, which is extensive. Not even the United States has taken steps to do so, while not living with three of the system's primary obligations.

At one level, in broad terms, US policy is most accurately described as egocentric; it is self-centered in the extreme. The ego in question is both national and individual. The country's trade policy rests upon the approach dictated by one person, Donald Trump, expressed through the nation-state he controls at present. In Washington, the shaping of the US role in the international trading system is shared by a series of deputies, such as Scott Bessent, Howard Lutnick, Peter Navarro, and Jameison Greer. Their frame of reference is far outside the American and indeed, the global norm, but cannot be reliably described as belonging to an

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Negotiations agreed to. This institution succeeded the General Agreement on Tariffs and Trade (GATT), the post-World War II trade contract that had become, informally, an organization.

identifiable trade policy theory or plan. So much is due to one individual, their leader, the US President, that their views reflect rather than shape policy. The US policy process can best be described as closer to autocratic than anything to be found outside of other great powers – China in the person of Xi Jinping, for Russia, Vladimir Putin in Russia. Another of great influence over his nation's trade policy, unusual in a functioning democracy, is Narendra Modi in India.

There is a difference, however, as between the impact of these countries' policies on the global trading system (as opposed to the trade it regulates). In the US case, the challenge to the world trading order is direct. The rest of the world is no longer able to depend on America's prior trade obligations. The primary obligations of the existing world trading system have been rendered inapplicable to the US. The key building blocks of the prior liberal international trading order -- nondiscrimination (known as most-favored-nation or MFN) and committing to binding tariffs, and enforceability of WTO obligations, are no longer applied by the United States. The new American approach is nothing short of revolutionary.

What went before is not being replaced by a new order, but by disorder. Commitments for the United States are now situational, determined by the President or at his instruction without predictability. This is demonstrated in numerous instances. For Korea, it was the April 2nd announced US tariff at 25%, followed by 15% pursuant to a deal[2], and followed as of this writing this week in early February 2026, by a threat of a 25% tariff. The arrangements largely depend on power politics. The nearest target and victim of the new US policy has been Canada, although, for the time being, it still benefits from preferential access under the United States-Mexico-Canada Free Trade Agreement (USMCA). Even the USMCA is unsure as it is subject to a review beginning this July. Another target might also have been the European countries that support Denmark retaining Greenland, as the President recently threatened tariffs against their trade, although the threat was withdrawn on the promise of negotiations. As set out in the US National Security Strategy, Europe is deemed a competitor, not an ally. An accidental additional target had been, oddly, Switzerland which attracted a 39% US import duty (temporarily) largely due to happenstance – the smelting of gold during a surge in US demand for the metal increasing

[2] The deal, limiting the US to a new 15% flat tariff on Korean goods, included from Korea: investments at around $350 billion including shipbuilding cooperation, energy purchases of $100 billion, promises of market opening including reducing non-tariff barriers, and a continuing process to address claimed non-tariff barriers.

the Swiss bilateral trade surplus with the United States. A bilateral trade surplus is taken by the Trump Administration as evidence of an unfairly imbalanced trading relationship.

While the newness of the American assault on the prior trading system makes it the most noteworthy, had the US continued to adhere to the world trading system as it existed in 2024, there still would have been a degree of disquiet. China has proved to be a challenging trading partner. Numerous countries have discovered that it too can be unreliable when they have become the objects of its trade coercion – Korea over the deployment THAAD missiles, Lithuania over a Taiwanese office, Australia over a suggested inquiry into the source of COVID-19, and Japan more recently over that comment made by the new Japanese Prime Minister's addressing Japan's interest in Taiwan's survival. Each of these questions that might have provoked in other countries a diplomatic protest, have been dealt with by China through informal trade sanctions. China makes its presence felt in the main, however, in world trade by concentrating its economy on export dominance in emerging sectors of importance – e.g., electric vehicles (EVs), batteries, and solar and wind energy. Its economic presence is now growing more subtle through the export of industrial intermediates, through adding value in third country markets to manufactured goods destined for end-consumers elsewhere, and through direct investment in plants abroad.

Only two other trading entities approach the US and China in size and disruptive potential -- the European Union (EU) and India. The EU, particularly in its trade with developing countries, shapes trade flows through its regulations, seeking to press its policy priorities onto others. The measures may be laudable as global policies, but they are determined in Brussels and not necessarily achieved as joint goals through the force of argument. These include carbon border adjustment measures (CBAM), the EU deforestation initiative, and Digital Services Act requirements.

India makes its presence known largely by blocking international cooperation among other members at the WTO, abusing the privilege of a consensus rule that has become a requirement of unanimity. The code has not been fully deciphered to understand fully India's motivations and objections, as to what would cause India to engage in international trade cooperation. It has been forthcoming in reaching a free trade agreement with the EU after a long and arduous effort, but this cooperative spirit has not leant itself to multilateral endeavors.

When the US began its disorienting trade behavior, in the Trump and Biden administrations, the world trading system had no useful response. As of the beginning of 2026, the WTO's members still had not found their footing, as they had not yet adapted either to the US withdrawal from leadership of the world trading system nor to its demands for unilateral concessions, which require a scrapping of all prior arrangements (the potential exception of so far, the USMCA (successor to NAFTA). The United States appears intent on a subordination of the Mexican economy and persists in an attempt to damage the Canadian economy.

What guides US trade policy?

The degree to which US trade relations are linked to geopolitical interests remains to be seen. The trade and geopolitical considerations were closely tied during the first Trump administration as well as during the Biden administration. By this is meant the dominant role the China-US geopolitical rivalry played in shaping the bilateral trading relationship. But geopolitical considerations are no longer fully reliable as a predictor of trade relations. How countries relate in trade is now situational. The relationship depends to a degree on relations between sovereigns: Modi-Trump over his claims of solving on an interim basis a long-lived historic dispute with Pakistan; Lula-Trump based upon Brazil's judicial action trying Bolsonaro. The geopolitical divisions between nations are not necessarily the same as between Trump and Xi and Trump and Putin. The tenor of bilateral relations between the US and these adversaries or rivals, may be shaped by what personal relations turn out to be with either autocrat in six months or a year. Of these relationships, of course the most important is that of the United States and China. Various elements appear to be determined on an *ad hoc* basis -- the sale to China of Nvidia chips, the continued access of Tik Tok to America's young, the trade-off with access to rare earths for the US processed in China, and American soybeans for China. Where do these individual decisions lead: greater interdependence, a short-term truce, or is there a longer-term trend in the bilateral relationship yet to be ascertained?

Relations between nation-states are dependent in a more pronounced way than at any previous time and are determined by one person who is unchallenged. Students of history will say, correctly, that there are also broader economic forces at work. The principal example at present is the political and industrial rise of China. This phenomenon has lasted beyond a single Chinese leader. The characteristics and policies of China's top leaders have differed, perhaps depending on the opportunities and challenges that arose during their rules, and the policies that they regard as imperative, but it remains unclear how Chinese trade policy will evolve. Will this leader and the next see utility in clinging to the precepts of the WTO, while employing its intensive and widely practiced industrial policy? The latter, industrial policy, is likely more predictably a feature of the Chinese economy, than the former, China's trade policy. The evolution of China's trade policy is difficult to predict. The WTO rules have supported the country's rise.

Into this mix of interests, must be added three other broad groupings of economies, the European Union (EU), the middle powers (the "international progressives," (Wolff 2025)), and the rest of the world, predominantly consisting of developing countries. None of these groupings is homogeneous. The EU is a work in progress. It is a single market that is still far from being perfected. The *Financial Times* cites various figures (Hancock and Moens 2026) for the tariff equivalent of moving a good (65%) or a service (100%) from one Member State to another, or on another occasion a 44% tariff equivalent was cited by the FT's editors as the applicable estimated charge. The middle powers range from the progressives -- Singapore, Canada (also working against remaining problems preventing it from functioning as a fully single market), Australia, New Zealand belong to this group, along with some the less active players. Korea is active but can be more so. Lastly there are the developing countries, an increasingly rather more diverse group than previously. These categories do not include a sizeable number of relatively inactive WTO members.

It is difficult to discern the future trajectory of the trading system from our vantagepoint in a present that is very clear and a future that is opaque. Is US egocentrism (its dismissiveness of rules) an aberration, or settling into a new normal, imposing on the rest of the world a foundation of a 10 or 15% base tariff, with spikes by product and not infrequently a larger total tariff by country? Is Chinese singlemindedness in dominating manufacturing and moving into related services an industrial policy strategy, on a state capitalist model here to stay or does China see merit in also supporting the multilateral trading system created by the US? Can the middle countries carry the bulk of the burden? Is the EU capable of stepping into the leadership void left by the United States, with a range of middle powers as trading system allies? The EU's WTO reform paper (EEAS 2026) is promising with respect to some elements of substance, but does the EU have the will and the power to lead, to push through the reforms it sees as essential.

Overlaying policy turmoil is the development of new technologies that may revolutionize trade, due to progress in AI and other digital technologies, biotech, health, energy, and food.

There have been repeated examples throughout history of technology changing trade routes and the content of what is traded. From the bronze age into the iron age, from whale oil to kerosene and petroleum, from guano to chemical fertilizers, from natural rubber to synthetics, from food importing countries becoming food exporting countries through the green revolution and from call centers to chatbots. We have not yet begun to fully comprehend what AI will do to changing trade patterns and the need for different trade rules.

Lastly, there are environmental factors that can channel trade, supervening forces: climate change and food insecurity, as well as pandemics. These are natural forces that can overwhelm other considerations. The members of the WTO have no shared plan to meet these contingencies; however inevitable they may be.

Policy choices can overlay or coexist with more sweeping natural forces to shape world trade. Two of these are protectionism and the descent into "self-reliance" (autarky), de-risking taken to an extreme. So far there has been no widespread emulation of US increased restrictiveness. To keep perspective, it is important to remember that the US only accounts for 13 percent of world trade. A massive 87% of world trade is outside the direct control of the United States and it is growing absolutely and relatively. While there are some straws in the wind of protectionism, such as Mexico's raising its tariffs (to non-FTA partners), it is a special case. It is highly dependent on the US market and less dependent on the China trade as compared with many others. It is seen in Washington as the back door to the US market and knows it. It has made use of the large amount of water in its tariff schedule (applied rates lower than bound rates) and raised tariffs within its WTO obligations.

Lack of trust, not just between China and US, but between the EU and the US heightened after the Greenland acquisition related threats, India blocking progress at the WTO, the cumbersomeness of any attempt at meaningful deliberations or negotiation – all these are factors accelerating an increasing interest by the rules-compliant WTO members to seek sub-multilateral venues for adding disciplines to the global trading system.

In a time of dissention, the warring states period in international trade relations, the key ingredient toward making progress is crafting policy solutions based upon "the art of the possible" , borrowing from Otto von Bismarck's definition: that "politics is the art of the possible". The EU is moving in its trade policy pronouncements toward a conclusion that it is best not to attempt that which is not currently attainable. But it makes exceptions: This includes the chimera of regulating industrial policy. The United States is not spending trillions of dollars on AI and its infrastructure, particularly in data centers, and at the same time looking for international regulation to rein in this expenditure.

There is too little focused deliberation, much less negotiation, at the WTO. It is said that it is in crisis. This is not an uncommon condition for it.

How well will Korea and other middle level countries be prepared to help shape the future of the multilateral system?

Critical challenges facing the multilateral trading system today

The most immediate critical problem is the abandonment by the United States of the postwar liberal international order that it was instrumental in creating. That order, as it applied to trade, takes the form of the WTO and adherence to its set of rules. There are other critical challenges: China's drive to dominate particular industries and technologies which has led in the past to overcapacity, others' over-dependency. Other problems which are cited as important: geopolitical fragmentation to a degree, as well as more generally international industrial competition supported by national governments and climate change.

There has not been a broad resurgence of protectionism from other countries in reaction to the US tariffs. There is a tightening of regulations of trade, such as the EU's planned Buy European for government expenditures and Canada's efforts to Buy Canadian. Of concern is what comes next. In the US, the protection manifested itself in the use of the International Emergency Economic Powers Act (IEEPA) "reciprocal" tariffs (struck down by the US Supreme Court on February 20, 2026), invocation of section 122 balance of payments authority, and a potential proliferation of retaliation cases under section 301, both under the Trade Act of 1974, and national security cases under section 232 of the Trade Expansion Act of 1962. One can expect further use by the US president of tariffs. Tariffs and unpredictability result in increased costs for trade.

The current US average tariff of about 13 % is protectionist because it does not, like a value added tax (VAT) or other indirect tax, apply equally to domestic production and imports alike. It is a consumption tax on US consumers, industrial and individual, but only on imports.

Were it a VAT, it would still be a consumption tax but not skewed to favor domestic production. At 15%, it would be more moderate than each of the European VATs and would be legitimate under the rules of the world trading system, under the General Agreement on Tariffs and Trade (GATT) and therefor today's WTO.

The major problem with US trade policy from a systemic point of view is not so much the incidence of the tariffs viewed as a consumption tax, but the fact that it is discriminatory, and that the US is completely unreliable when it comes to maintaining any particular tariff level. Economists can calculate the impact, the costs, of uncertainty on trade, and they are high. There is lower growth, there is market volatility, and business planning is paralyzed, investments are delayed.

Before the advent of the second Trump Administration, the greatest problem for the WTO was the absence of leadership once the US began to pull back earlier in this century, around the time of the financial crisis. The multilateral trading system had functioned initially with a partnership of the EU and the US during the GATT era, through 1994, joined in with a few like-minded Contracting Parties, as participants were called then. It was highly successful at trade liberalization and rulemaking and reached its zenith in the Uruguay Round (1986-94). There was enough dominance of the countries which were leading this process (China had not yet emerged), and either through concurrence or forced adherence to the results of that negotiation -- GATT 1947 was canceled, replaced with what was called the "single undertaking". Most joined because they believed in the benefits of participating in the liberal order. With enthusiasm and hope for a functioning world order for trade, 128 members joined together to create the WTO and its major agreements, the General Agreement on Trade in Services (GATS), the Agreement on Agriculture, Trade Related Aspects of Intellectual Property Rights (TRIPS) and the Dispute Settlement Understanding (DSU).

Perhaps the membership was too large and diverse, the institutions too weak. Perhaps there was an absence of common purpose, or the waning of belief in the benefits of globalization as compared with the costs; perhaps it was the shock of the Financial Crisis in 2008. Perhaps it was that several US presidents were not as deeply committed to the postwar global liberal economic order as their predecessors. Some combination of these factors caused the US to begin stepping back from global leadership. This surfaced fully in the first Trump administration which diagnosed the problems of the WTO but did not expend the necessary effort to fix them.

The Biden Administration then circumvented the WTO rules on subsidies without explaining why this was necessary for reasons of climate change and national security. It was followed by the second Trump Administration which made no pretense of obeying the global trading system's rules.

A third challenge consists of the institutional weaknesses of the WTO. The creation of the Organization was not an original purpose of the Uruguay Round; it was an afterthought. Only one part of the new organization was the subject of concerted attention, the dispute settlement system under a Dispute Settlement Understanding (DSU). This was needed, the US thought, to constrain the EU's Common Agricultural Policy (CAP), and thought by the other major trading countries, particularly the EU, Japan and Canada, as a means to constrain the US using unilateral trade measures, primarily through the use of section 301 of the Trade Act of 1974. Little thought was given to the Executive function of the WTO, the role of the Director-General and the Secretariat; they more or less kept on as they had under the GATT. Little thought was given to the negotiating function. Were plurilateral agreements possible in which not all participated, and what of the interplay of such agreements with the MFN requirement? These questions were left unanswered.

The principle institutional defects of the WTO -- the inability to reach and adopt new rules for the trading system, to organize its activities in a manner that would make them effective, and to have at present a working dispute settlement system subscribed to by all -- stems from the failure to have a complete constitutional negotiation that created a system of governance. It should have been comprised of the three major elements identified for this purpose by the French philosopher Montesquieu and elaborated by James Madison in founding the US government – the legislative, the executive and the judicial functions.

New priority rulemaking areas for the WTO

If one were to prioritize the new rulemaking areas that the WTO must incorporate in the coming decade, the top three priorities I would choose would be Artificial Intelligence (AI), the limits of interdependence (also known as supply chain resilience), and climate change (including food security). Not included as a priority topic is industrial subsidies generally, because the subject is intertwined with national security and will in the coming decade likely not be susceptible to international regulation.

Artificial Intelligence (AI). Understanding the impact of AI on world trade and the world trading system is in its very early stages. The annual World Trade Report 2025: "Making Trade and AI Work Together to the Benefit of All" (WTO 2025) is an early and recent foray into the subject by the WTO Secretariat. One conclusion is that the total value of traded goods and services will greatly expand, and global GDP will benefit. AI will reduce trade costs, improve supply chains, customs processes, and regulatory compliance, and promote new digital services. The WTO members, were they of a mind to do so, could reduce barriers to trade in goods and services that support AI, as they did with the Information Technology Agreement (ITA), in 1996 and its expansion in 2015.

Ultimately there will be regulation of AI at the national level much of which will inhibit various uses of AI, or at least attempt to do so, with little guidance at this stage from the WTO as to the appropriate trade rules dealing with AI. There has not been a dedicated series of Trade Policy Review Mechanisms (TPRM) sessions devoted to AI and digital trade issues, although the rules governing Technical Barriers to Trade (TBT, referring to standards) do address some of these areas. The JSI on E-commerce is another location for some engaging in exploratory work in this area.

It would also be of value to examine what has taken place in other fora, to look through a trade rules lens at: the OECD AI Principles , adopted by over 46 countries, including the U.S., EU members, Japan, and Canada; the UNESCO Recommendation on AI Ethics (2021), adopted by nearly 200 countries; and the Council of Europe – AI Convention (2024) and the EU's AI Act. The purpose of the inquiry would not necessarily be for the incorporation of these documents' provisions in trade rules but for understanding what the outer limits of international cooperation over AI have been to date. The EU's AI Act indicates how values other than trade efficiency will potentially affect international trade, with at present no guidance from WTO members collectively as to how AI can be fostered and where it should be constrained. The likelihood that a balkanization of trade regulation of AI will occur is very high. The trading world's experience with the EU's General Data Protection Regulation (GDPR) points out where in one of the dimensions of the AI/digital sphere, there have been efforts both to regulate and to find ways to cooperate.

Supply chain resilience/moderating interdependence. The most prominent early example in modern times of the harm that can be caused by depending on international trade occurred with the OPEC oil embargoes of the 1970s. The embargoes were not made the subject of a GATT case. Eventually, the United States deployed fracking and that particular threat was removed by expanding domestic supply. The second major occurrence of a supply shock of that magnitude occurred with the COVID-19 pandemic. The global health emergency pointed out dramatically where shortages of domestic supplies of essential goods and lack of sufficient access to foreign supplies were a cause for concern.

In current times, dependence on foreign sources of supply for high end semiconductors, legacy semiconductors for automotive uses and more recently memory semiconductors have raised awareness of relying on trade versus domestic supply. Similarly, on an active watch list in the US and abroad, are rare earths, other critical minerals, ingredients for pharmaceuticals, energy and equipment for supplying energy, military equipment (drones, ammunition, etc.), fertilizer, food, feed, shipbuilding capacity, AI relevant goods, quantum materials, and biotech inputs. The WTO/GATT rules have a general, relatively weak and not much used provision about sharing supply in the face of scarcity. But one is dependent on the kindness, commercial interests of suppliers or leverage over them.

Supply chain resilience flies in the face of a world trading system created to maximize efficiency. The subject will be a challenging one for reaching agreement.

Climate change (including especially food security). In the top rank among the issues in global trade that deserve attention is food security. For food importing nations, access through trade to food, fertilizer and feed can be among their top priorities. The relevant WTO disciplines are seriously inadequate. This can be seen most prominently in the Agreement on Agriculture, written about by one of the world's leading agricultural policy experts Joseph Glauber, who joined me to write an essay entitled *International cooperation for food security: Finding a way forward* (Wolff 2024). Our paper recommended that the treatment of food and feed, in terms of WTO rules, be at least as good as that which applies to industrial goods, namely that when trade restrictive measures are applied: "any such measures shall be consistent with the principle that all contracting parties are entitled to an equitable share of the international supply of such products" and they should be of limited duration. A more detailed exploration of the subject is contained in our Peterson Institute Policy Brief 23-15 *Food insecurity: What can the world trading system do about it?* (Wolff and Glauber 2023).

Of equal importance to the world's welfare is *combatting climate change* induced by the industrial and agricultural activities of humans. In the field of international trade, this has been addressed using CBAMs (Carbon Border Adjustment Mechanisms) designed to reduce the carbon footprint of trade, reducing the incentive for companies to shift production to countries with weaker climate rules. Fairness would dictate that similar costs for carbon, reducing emissions, adopting cleaner technologies, be applied to domestic production. Supply chains would be pressed to become cleaner.

The WTO has provided a forum for discussion of CBAMs, in the Trade and Environment Committee among other venues, but has not formulated rules for the use of such measures. The Secretariat has provided briefing notes. The WTO has hosted workshops on the subject. But still coming to grips with how the unimpeded flow of global trade and the reduction of carbon associated with trade has not occurred. Trade and Environmental Sustainability Structured Discussions (TESSD) and related initiatives seek common approaches to carbon accounting, standards and technical rules. In short, TESSD has done a significant amount of spadework to enable members to consider what they can do collectively to combat climate change through trade cooperation. It has urged members to notify trade-related climate measures and to adopt clear, objective methodologies, encouraging transparency.

A global problem, climate change cries out for global solutions. Ultimately what is needed is a common approach, striving for WTO compatibility with transparent, non-discriminatory rules and alignment with climate objectives. The effort at the WTO would include trade-related climate measures, transparency, carbon accounting and methodologies, subsidy design, circular economy (product lifecycle, reuse, recycling), reviving an environmental goods and services agreement (of particular interest with respect to batteries and materials for them, fossil fuel subsidy reform (first broached at MC11 led by New Zealand), disciplines on subsidies to related goods, (EVs, batteries, etc.), standards, conformity assessment and Aid for Trade capacity building.

What realistic pathways can open-economy countries that are middle powers, like Korea, pursue to advance "Multilateralism 2.0"?

Parallel tracks are available and should be utilized. Whatever can be achieved multilaterally in the committees of the WTO, special working groups, with secretariat and member-arranged briefing sessions should be held to reinforce each stage of deliberations on any of the primary areas that can be the subject of broad negotiation. Middle powers should strive to proceed in groupings to gain traction and leverage.

Each negotiation in a sub-multilateral setting should keep in mind that the work being done is in essence a module for eventual adoption multilaterally. A Joint Statement approach can be taken if there is enough initial support to do so. Realistically, however, more progress can be made regionally or in an organization such as CPTPP. Tim Groser, a former Trade and Environment Minister of New Zealand, has correctly pointed out that small countries should join with middle powers to advance rulemaking where a common interest is identified.[3] Korean engagement with CPTPP is still somewhat preliminary. The process should be accelerated. A closer coordinating relationship with Japan should be and is currently being sought.

It should be recognized that the world of trading arrangements has changed dramatically, and readjustments should move ahead more quickly. It is not enough to contemplate possibilities but to act on them. This need for immediate action bilaterally to foster increased trade brought Prime Ministers Carney and Keir Starmer to Beijing earlier this year. Bilaterals are a stop-gap measure. Where there is a need for rules, middle powers should take a lead, as they did in the e-commerce JSI at the WTO, and in DEPA. DEPA is a middle power and small economy project, with the founding members being Chile, New Zealand and Singapore later joined by Korea, and soon to finalize the accession of Peru. Canada, China, Costa Rica and Peru have asked to accede.

Korea has been one of the more active and credible middle powers on digital trade and data governance, not just rhetorically but through rules, agreements, and practice. Although not

[3] *Comment:* Borderlex editors, Verheul, Steve, Clarke; John, and Groser, Tim; *Operationalising Ursula von der Leyen's CPTPP ambitions,* https://borderlex.net/2025/07/01/comment-operationalising-ursula-von-der-leyens-cptpp-ambitions/

one of the co-convenors, Korea is an active participant in the e-commerce JSI. It has binding e-commerce and digital trade chapters in several of its FTAs. It seeks free cross-border data flows (with public policy exceptions), no data localization requirements, banning customs duties on electronic transmissions and protection of source code and algorithms (with regulatory carve-outs). It would appear to be well-positioned to influence plurilateral and ultimately multilateral agreements for digital trade. .

In any group of middle powers, Korea should be able to provide useful insights into data privacy. Its experience in rulemaking for digital commerce should inform international efforts to address trade issues arising from the creation and deployment of AI. This is just one example of a middle power driving the process of international trade cooperation forward. What can be accomplished in the WTO, in its committees, in future JSIs should be attempted on a multilateral basis. If a middle power senses that progress is unlikely in formulating rules on a fully multilateral scale, it should identify those who are like-minded and work for agreement with fewer parties, but always with an eye on the possibility that the initial agreement reached can be scaled up for application on a global basis.

Conclusion

It was Canada, a middle power, that brought the idea into the Uruguay Round negotiations of creating a multilateral trade organization that became the World Trade Organization. It was the Cairns Group (led by Australia, Canada, New Zealand and other middle powers) that made sure that agriculture was a central part of the GATT agenda. Key drivers of the Trade Facilitation Agreement (2013) were Singapore (the principal sponsor), the European Union, Japan, Korea, Switzerland and a series of middle powers and smaller countries. Middle powers – Korea, Singapore, Taiwan and Malaysia, played key roles in leading the Information Technology Agreement expansion in 2015.

The bottom line: Middle power and small country members of the WTO have succeeded not through market power but through coalition-building, technical leadership, and agenda-setting— in delivering key agreements on agriculture, trade facilitation, services, fisheries, and digital trade.

Middle powers and smaller countries have proved their worth to the cause of international cooperation, intent on improving the rules-based global trading system. New Zealand continues to pursue the subject of regulating fossil fuel subsidies in the environmental discussions (TESSD). Guatemala led the effort to reform the WTO dispute settlement system and arrived at useful conclusions. Norway has collected the ideas of other members on reform priorities. Saudi Arabia created the Riyadh Initiate which addressed a central question: to identify where there is widespread or common member agreement on the principles that are to be embraced within the WTO framework. Middle powers are likely to be at the core of new initiatives and agreements at the WTO if the organization is to continue to exercise a positive influence over world trade.

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