
Securing Trade: *Facing Up To The Trade-Security Nexus*

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IMD / Real learning
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The WTO is in Big Trouble

It is not that one function doesn't work, none of them do

Stalled Negotiation
Function

Doha Round Failure
("the bureaucrats
round")

Veto on Small
Group Deals

Binding Dispute
Settlement is Over

Deliberation
Function Never
Took Off

Monitoring Function
Compromised

Geneva Solution:

Institutional
Repairs?

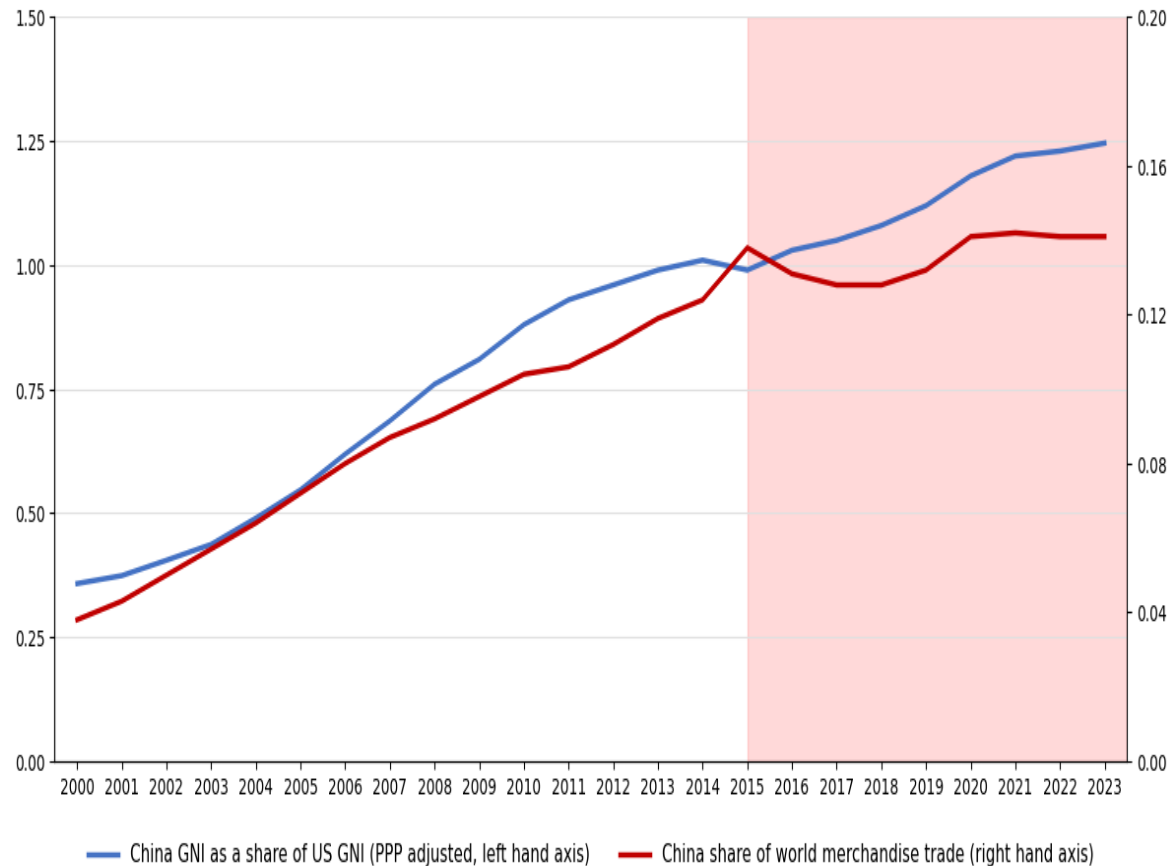
MC 14? Seriously?

What is the Credible
Theory of Change?

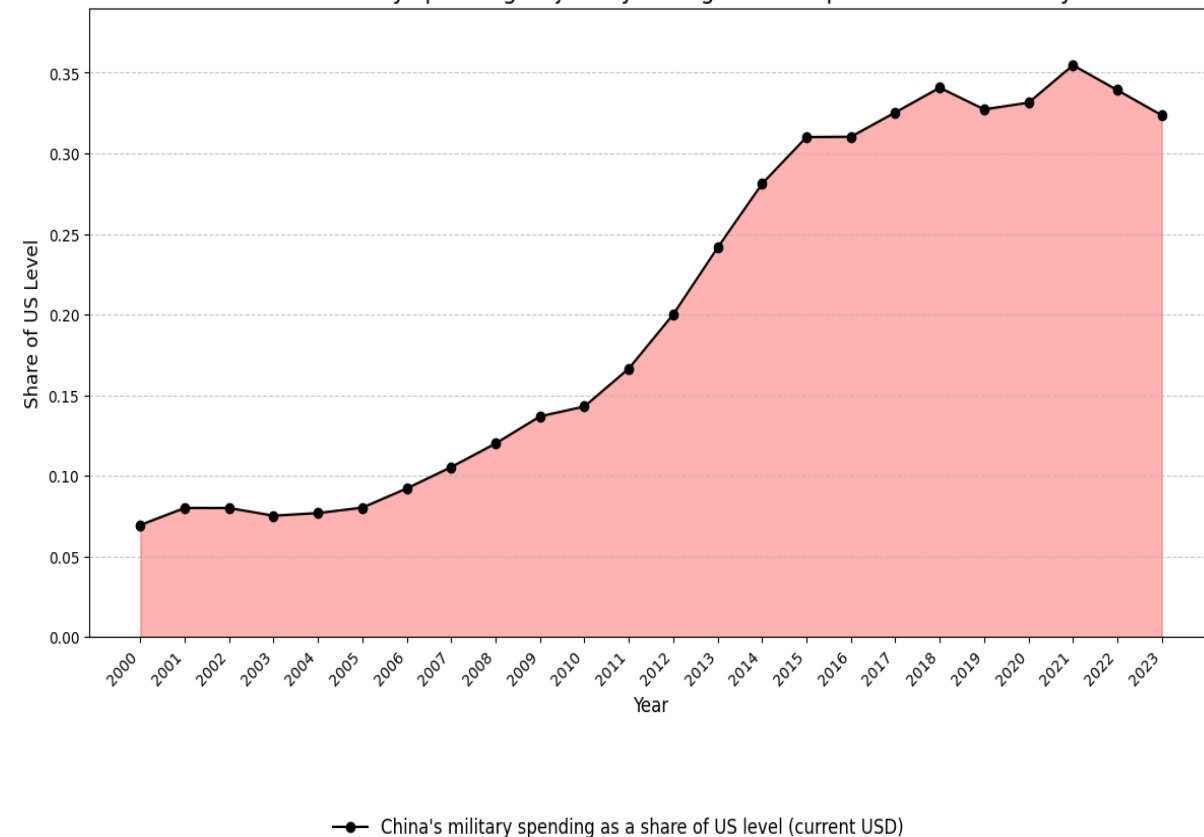
The WTO no longer serves U.S. purposes

Because it facilitated China's threat to U.S. economic, tech and military primacy

China's national income reached US levels in 2016 (buying power adjusted)



China's military spending trajectory during the first quarter of this century



Our Blindspot: The Wealth-Power Link

Was Ignored for 25 years After the Fall of the Berlin Wall



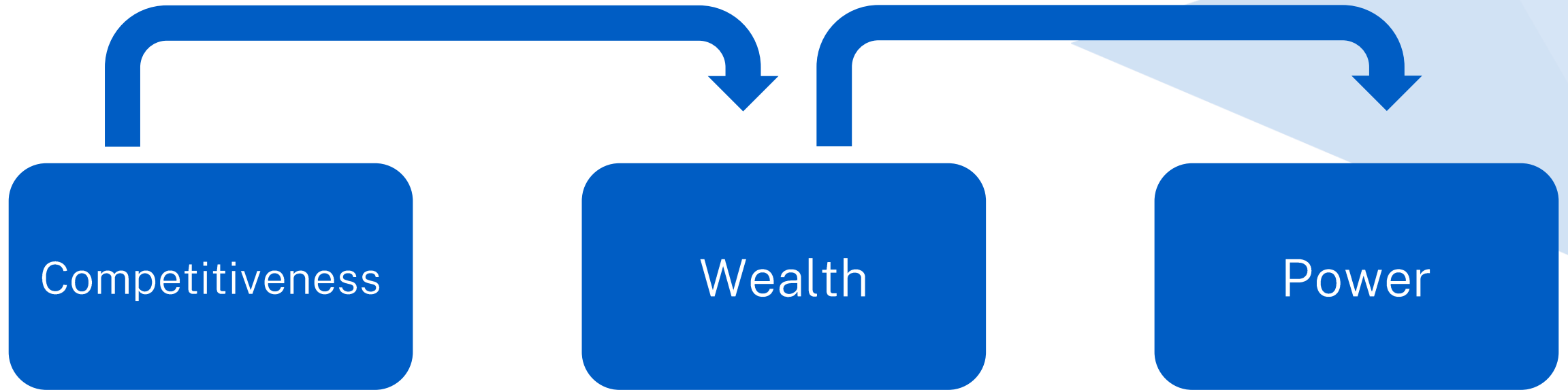
The Wealth-Power Link

Eventually growing Chinese wealth translated into greater Chinese power



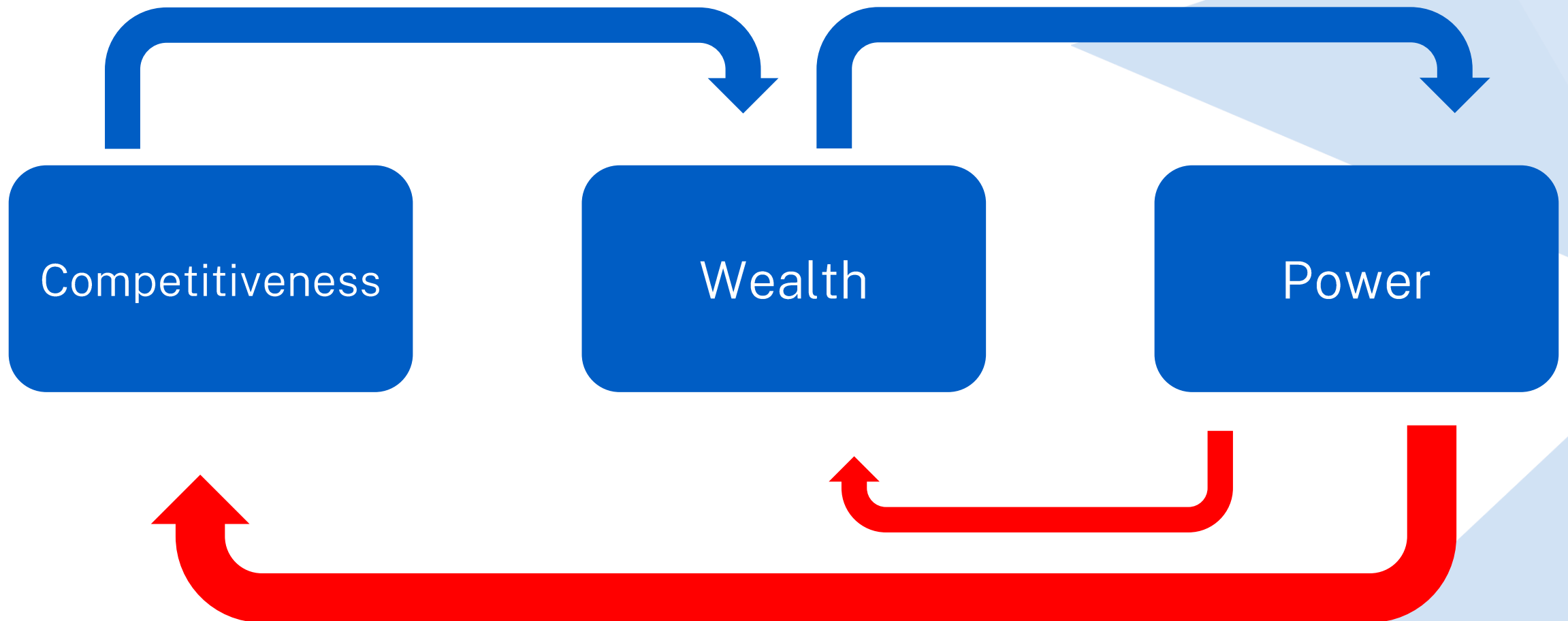
The Wealth-Power Link

Must Bring Competitiveness In—Thanks to Shang Yang over 2,300 years ago



The Wealth-Power Feedback Loop

Weaponisation of Trade and Territorial Conquest Complete the Picture



Geopolitics Results in Fragmentation

Cross-border commercial ties may be disrupted but Globalisation isn't over

Cross-border ties that firms benefit from	The forms that fragmentation can take
Imports and exports of goods (raw materials, parts, components, finished products)	Tariffs (import taxes), import and export quotas, protectionism in general
Investments in foreign economies	Investment restrictions; reviews and bans on cross-border mergers and acquisitions
Purchases and sales of technology, including AI	Export restrictions, including bans
Hiring talent and deploying talent abroad	Visa and employment restrictions
Joint innovation ventures	Restrictions on collaboration
Cross-border transfers and use of data	Localisation requirements, privacy rules

So What Future For Trade Governance?

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There Are 3 Types of WTO Members

Characteristic	Fortress nations	Ambivalent nations	Dependent nations
Share of world imports <u>of</u> <u>goods</u> and services	0.582	0.226	0.193
Share of world exports of goods and services	0.575	0.226	0.198
Share of world absorption	0.667	0.233	0.100
Share of world population	0.485	0.174	0.341
Total value of imports of goods and services. \$bn	16794	6515	5570
Total value of exports of goods and services. \$bn	16987	6679	5857
Total value of absorption. \$bn	68103	23774	10210

Four Scenarios Through to 2035

Likelihood of different scenarios for trade governance from 2025 to 2035.

Lower numbers imply more likely outcomes (1 indicates most likely).

Scenario	Ranking of likelihood of each scenario at the end of year shown		
	2027	2030	2035
Spheres of Influence with Permeability	1	1=	3
Complete Decoupling	2	3	4
Extractive Regional Hegemons	4	1=	1
Stabilisation	3	2	2

Robustness Across The 4 Scenarios

Which norms, practices, and functions find least disfavour?

1. Recognition of Value of Constraints on Government Action.
2. Discrimination only in the form of Import Tariffs.
3. Ban on Import Quantitative Restrictions.
4. Bound Import Tariff Rates and Predictability.
5. Most Favoured Nation Principle.
6. National Treatment Principle.
7. Negotiation of Binding Commitments.
8. Compliance with Binding Dispute Settlement.
9. Effective Trade Policy Reviews.
10. Effective Monitoring.

About me

<https://www.linkedin.com/in/simonevenett/>

Simon J. Evenett is Professor of Geopolitics and Strategy at IMD. For almost 30 years, he has guided board members, senior executives, EMBA's, and MBAs through the significant shifts in the global business environment and their implications for firm operations, performance, and strategy.

In 2023, he was appointed Co-Chair of the World Economic Forum's Global Future Council on Trade and Investment.

Simon founded the St. Gallen Endowment for Prosperity Through Trade, a non-profit vehicle that collects and assesses policy intelligence relevant to corporate executives and their firms and business associations. He relishes engagement with companies, shareholders, analysts, and other experts.



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