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Kofi Annan
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OUTCOME DOCUMENT #5

Democracy, Multilateralism, and Trade

*Rebuilding a democratic
and inclusive global
trading system.*

2025

Introduction

On 2 October 2025, the Kofi Annan Foundation, together with the Albert Hirschman Centre on Democracy and the Centre for Trade and Economic Integration (CTEI) at the Geneva Graduate Institute, convened the fifth roundtable in a series examining the intersections between democracy and multilateralism.

Held during the Athens Democracy Forum, the session brought together policymakers, academics, practitioners, and civil society representatives to explore how the global trading system can be reshaped to regain democratic legitimacy while responding to political, social, environmental, and geopolitical pressures. This document summarises discussions held during this roundtable under the Chatham House Rule. It does not attribute views to individual participants.

Participants reflected on the erosion of support for the rules-based trading system, the distributive grievances that have fuelled political backlash, and three core governance deficits that have emerged over recent decades: fairness, accountability, and sovereignty. Against this backdrop, the discussions assessed possible futures for the trading order and discussed how democratic values can guide its renewal.

The discussions emphasised that today's pressures—geopolitical rivalry, industrial policy competition, and supply chain reshoring—are unfolding atop long-standing structural weaknesses. Recent experience has revealed how the dominant model of trade governance has failed to deliver on its promise of broadly shared prosperity and has instead fuelled political backlash.

Although perspectives varied, participants shared a central common concern: the current global trade system is under acute strain, and without deliberate reform fragmentation could deepen, worsening inequality and weakening multilateral cooperation.

The discussion aimed not to select a single model for the global trading system but to identify elements across scenarios that could restore public trust and provide a viable path forward. These scenarios were then assessed in terms of their capacity to secure public support and to meet the principles of democratic legitimacy.

This Outcome Document is part of the wider project “Understanding the links between multilateralism and democracy to tackle global challenges more effectively” undertaken by the Kofi Annan Foundation and the Albert Hirschman Centre on Democracy.

The Fairness Deficit

Globalization's aggregate gains mask highly uneven impacts. Losses are concentrated in specific regions, sectors, and communities, both in the Global North and South. Trade-related dislocation often compounds existing inequalities while compensation mechanisms underperform or remain underfunded. Meanwhile, large multinational companies capture disproportionate shares of value, reinforcing perceptions that the system serves the powerful at the expense of ordinary people.

Participants noted that, in many contexts, the benefits of trade are real but abstract, while the costs are immediate and visible. Entire regions have been marked by factory closures, wage stagnation, and social dislocation. Where adjustment policies existed, they were frequently too narrow, too slow, or too difficult to access. This widening gap between winners and losers has severely undermined public support for open trade.

The Accountability Deficit

For decades, trade governance has unfolded largely through technocratic, opaque negotiations. Trade rules have been designed by small groups of specialists and negotiators, with limited input from parliaments, local authorities, workers' organizations, or civil society. Excessive secrecy and the heavy influence of corporate lobbying has entrenched distrust and fed political narratives that trade agreements were being negotiated "over the heads" of citizens.

Although some governments and international organizations have taken steps to open up their processes, these measures have rarely been sufficient to counter perceptions of 'quiet politics' in which key decisions are taken far from public scrutiny. The result has been a persistent accountability gap at the heart of the trading system.

The Sovereignty Deficit

Trade and investment agreements have often constrained the policy autonomy of national governments, especially in developing countries. Provisions on intellectual property, investor–state dispute settlement, or regulatory harmonisation sometimes clash with domestic democratic priorities and development goals. In many parts of the Global South, trade and investment rules are perceived as reflecting the preferences of powerful states and corporations rather than local needs.

In advanced economies, sovereignty concerns have also become more salient. Public debates over large trade agreements frequently highlight fears that rules could restrict governments' ability to regulate in the public interest or to respond to future crises. The perception that policy space has been unduly constrained has contributed to the backlash against globalization.

Finally, large multinational companies have captured disproportionate shares of value, reinforcing perceptions that the system serves the powerful at the expense of ordinary people.

Scenarios for the Future of the Global Trade Order

Against this backdrop, the roundtable examined several scenarios for the future of the global trade order. These scenarios, originally developed in the accompanying Issue Brief, were used as a starting point for discussion.

Participants did not attempt to endorse one blueprint but rather to identify elements within each that could help reconcile trade, multilateralism, and democracy.



Scenario 1:

Power-based bilateralism (“The Turnberry system”)

This scenario envisions a world in which trade is governed primarily by ad hoc tariffs, unilateral measures, and bilateral deals driven by national power and security concerns. It reflects the resurgence of zero-sum thinking in trade policy, with large economies using their market size to extract concessions and re-shore production.

Participants saw little promise in an order based primarily on power rather than rules. A system dominated by transactional bargaining would deepen uncertainty for businesses and governments, while smaller and poorer states would be particularly vulnerable to pressure. Politicizing market access risks exacerbating inequality and democratic deficits and could easily spill over to other areas of international cooperation. Most participants concluded that this scenario is both economically and politically unsustainable.

Scenario 2:

Trade blocks

In this scenario, groups of like-minded economies liberalize internally while raising barriers externally. This could take the form of large regional blocks or coalitions built around shared standards and strategic interests. Many participants considered this the most realistic trajectory, and in some respects a description of the world that is already emerging.

The discussion highlighted both opportunities and risks. On the one hand, blocks may allow deeper integration and quicker standard-setting, particularly when multilateral negotiations stall. On the other hand, such arrangements risk hardening geopolitical spheres of influence, excluding smaller or poorer countries, and entrenching structural inequalities. Their legitimacy would depend heavily on how they compensate those who lose from liberalization, whether they engage civil society, and whether they avoid being captured by narrow corporate interests. A key insight was that politics – not economics – will determine the durability and inclusiveness of trade blocs.

Scenario 3:

Phased liberalization

The third scenario, which received significant attention at the roundtable, proposes a flexible, iterative model of multilateral trade governance that places fairness, accountability and national autonomy at its core. Rather than pursuing sweeping one-off liberalisation packages, countries would proceed in stages, with built-in mechanisms to review and adjust agreements over time.

Key features include modular rule-making, sunset and review clauses, and systematic use of social and environmental impact assessments. Market opening would be paired with domestic 'flanking' measures to address distributional effects and support affected workers, regions, and small and medium-sized enterprises. Participants highlighted the World Trade Organization (WTO) Fisheries Subsidies Agreement as a promising, if limited, example of this more experimental and outcome-oriented approach.

Scenario 3+1:

Multipolar multilateralism

During the discussion, participants introduced a further scenario that builds on the phased liberalisation approach while recognising the reality of a multipolar world. In this configuration, several major powers, alongside coalitions of middle powers, co-create trade rules within a looser multilateral framework.

Industrial policy is now a structural feature of the global economy, and states are increasingly active market participants. In such a context, middle powers that resist being subsumed into exclusive blocs can act as stewards of openness, using issue-specific plurilateral initiatives to sustain multilateralism. A multipolar multilateral order would be less centralised than the system of the 1990s, but could still provide common 'rails' on which diverse arrangements operate.

Cross-cutting Insights

Across scenarios, participants identified several themes that will shape any viable future trading order. These insights point to design principles that can help rebuild democratic legitimacy, regardless of the institutional configuration that prevails.

Industrial policy is here to stay.

A simple return to the pre-2016 model of liberalisation is unlikely. New rules must accept the reality of active state intervention while embedding transparency, predictability, and fairness into industrial policy competition.

Middle powers can act as system stewards.

Countries that are not locked into large blocs have particular potential to maintain openness through plurilateral agreements, standard-setting, and coalitions around specific issues such as digital trade or climate-related goods.

Legitimacy is built through process as well as outcomes.

Citizens are more likely to support trade when policymaking is transparent, when harms are acknowledged and mitigated, and when institutions are willing to revise rules in light of new evidence.

Durable cooperation requires more than headlines.

Statements of intent and soft-law commitments are not enough; they must be underpinned by monitoring, legal standing, and credible enforcement mechanisms.

Recommendations: Rebuilding a democratic and inclusive trading order

Reflecting the precedent set by earlier discussions in this series, the roundtable identified a set of concrete recommendations for governments, international organizations, and civil society. These recommendations are not tied to a single scenario. Rather, they outline how trade governance can better align with democratic values of fairness, accountability, and respect for sovereignty.

Recommendation 1:

Make phased, evidence-based liberalization the default.

Begin with achievable agreements, incorporate review and sunset clauses, and adjust course based on real-world impacts on workers, regions, small and medium-sized enterprises, and the environment.

Recommendation 2:

Pair market openness with robust social flanking measures.

Expand worker transition support, regional development funds, and SME integration schemes, ensuring that tangible benefits reach communities historically left behind by globalization.

Recommendation 3:

Restore policy space and reassert the right to regulate.

Clearly embed public-interest exceptions for health, climate, equality, and other legitimate objectives, and allow time-bound, transparent safeguards tied to the provision of global public goods.

Recommendations: Rebuilding a democratic and inclusive trading order

Recommendation 4:

Hard-wire labour, environmental, and human-rights obligations.

Strengthen the enforceability of sustainability provisions, including through access to dispute settlement or expert panels, so that commitments extend beyond rhetoric.

Recommendation 5:

Build accountability into the rule-making cycle.

Institutionalise stakeholder consultations at all stages of negotiations and require regular public impact reports that can trigger recommendations for adjustment where needed.

Recommendation 6:

Keep multilateral rails while allowing plurilateral trains.

Use open plurilateral formats to advance cooperation among willing members while ensuring that others can join later on fair and transparent terms.

Recommendation 7:

Support meaningful developing-country participation.

Match new obligations with predictable finance, technology transfer, and capacity building so that sustainability-linked requirements do not become de facto barriers to trade.

Recommendation 8:

Communicate benefits and trade-offs transparently.

Develop locality-level dashboards and independent evaluations that show how trade agreements affect jobs, wages, and emissions, and how harms are being mitigated over time.

Conclusion & Next Steps

Rebuilding democratic legitimacy in global trade is both a governance challenge and a political imperative. Amid rising contestation, an inclusive, flexible, and accountability-driven trading order could help bridge geopolitical divides while addressing public grievances about inequality and loss of control.

Concrete next steps include piloting a phased, evidence-based approach in specific areas, such as clean technology supply chains, essential medicines, and critical minerals.

The Kofi Annan Foundation and its partners will continue facilitating dialogue among governments, business, labour, and civil society to translate these insights into policy roadmaps and communication strategies.

