



By: The Editorial Board

# The end of liberal trade – the world enters the era of blocs and protectionism



When the United States and its allies signed the General Agreement on Tariffs and Trade (GATT) in 1947 and later founded the World Trade Organisation (WTO), the foundations were laid for the post-war order, in which trade was to be a guarantee of peace and development.

Seventy-eight years later, this system is bursting at the seams. The liberal order, which was conceived as a framework in which rules and institutions took precedence over force, is collapsing today in the face of protectionism, geopolitical rivalries, and the misuse of the economy as a weapon.

The recent surge of US **tariffs** on imports from India is significant. Tariffs of up to 50 per cent are not just a trade measure but a political message. Donald Trump is **using** them to penalise India for buying Russian oil, ignoring the fact that India is an important partner in Washington's strategy to contain China.

In doing so, America has made it clear that it no longer treats trade as a neutral zone but as an instrument of pressure. It is the end of the paradigm in which international trade was protected from political blows.

While the US imposes tariffs, China breaks the system in a different way. Its **subsidies** have become a structural constant in the global economy. From steel and aluminium to electric vehicles and batteries, Beijing artificially maintains competitiveness and squeezes competitors with unrealistically low prices.

The European Union, which for decades was the strictest advocate of free trade rules, is now taking its own countermeasures. Brussels is increasingly **initiating** anti-dumping proceedings and introducing protective tariffs, particularly in the automotive industry.

Germany, which has built its economic strength on exports to China, is **faced** with a paradox: to survive, it must introduce barriers against the market in which it has earned money for decades.

## An empty shell: from globalisation to fragmentation

The WTO, once the guardian of global rules, is now an empty shell. The Appellate Body, the only mechanism that could settle disputes, has been blocked since 2019 because Washington **refuses** to appoint judges.

This means that no country, regardless of its size, can count on an impartial court of arbitration anymore. The rules have been suspended, and trade has once again become a sphere of power. For small and medium-sized economies, this means a return to the days when they had to rely on the protection of powerful sponsors or take the blows of the big powers.

What distinguishes today's situation from the protectionist waves of the last century is that the global economy is no longer divided into tariffs and quotas. Technology trade has become a distinct front.

**In such an environment, there is no longer globalisation, but rather fragmentation and technological separation**

The United States **bans** the export of advanced chips to China. China **controls** the supply chain for rare metals. In the European debate, there are "EuroStack"-like **initiatives** to build a domestic digital/AI infrastructure to reduce dependence on American and Chinese companies.

In such an environment, there is no longer globalisation, but rather fragmentation and technological separation.

The world is gradually uniting into trading blocs. America is rallying its allies but is increasingly using their dependence as leverage. China relies on the BRICS+ and the Global South, providing credits, infrastructure, and markets.

States such as Turkey, Saudi Arabia and

Indonesia are balancing between these two sides, trying to make the best of the rivalry. The boundaries are no longer drawn between democracies and authoritarian regimes but between access to markets, technologies and financial flows.

## Adapting to a world without neutrality

The consequences are already visible. In their latest forecasts, the OECD and the IMF warn that global economic growth will be lower than **expected** in 2025 and 2026, precisely because of protectionism and fragmentation.

Inflation is becoming structural, as rising production and transportation costs are passed on to end consumers.

Multinational companies, which for decades planned factories based on costs and market logic, are now guided by a political criterion – where production is protected from tariffs and sanctions. This is a complete change in business philosophy.



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The Global South, which has been the biggest beneficiary of the liberal order in recent decades, is now trying to adapt. The BRICS countries are **working** on alternative payment channels and local currency settlements.

Russia and Iran are offering energy, China is offering capital, and BRICS is imposing itself as

a platform for coordination. This does not mean that the Global South will become a single bloc, but it does mean that its political significance will increase, precisely because there is no longer a global framework that would force it to remain neutral.

In this picture, the European Union acts as the most exposed actor. At the same time, it is dependent on the American security umbrella and the Chinese market. For decades, Brussels has built up its power through the so-called "Brussels effect"—by exporting regulations that global companies had to accept.

But in a world dominated by protectionism and subsidies, regulation is too weak a currency. The European Union faces a choice: either it develops its own technological and industrial base, or it becomes a peripheral regulator in a world ruled by others.

## Globalisation in a different form

Everything indicates that the liberal trade order that was created after the Second World War has come to an end. Its foundations – multilateralism, rules and predictability – no longer exist.

Instead, the world is entering an era in which trade, technology and finance are becoming instruments of political pressure, and blocs and regional coalitions are shaping the future order.

**The consequences this time will not only be economic but also political and security-related**

This does not mean that globalisation will disappear, but that it will take a different form – less universal, more regional, less rule-based and more power-based.

The historical comparison is worrying. The 1930s were characterised by protectionism, which deepened the economic crisis and accelerated the path to war.

This scenario is not necessarily being repeated in today's world, but the message is clear: the collapse of the trading system is never without consequences. And the consequences this time will not only be economic but also political and security-related.

This is a new reality that the world needs to understand – and the sooner it adapts to it, the greater its chances of stability.