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Protectionism in times of crisis makes us all poorer

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The war in Iran has caused strains in the availability of energy, food and fertiliser, raising the question of whether the world's response will repeat the early missteps of the Covid-19 pandemic. Then, governments turned inward, imposing export bans and restrictions to secure vaccines domestically, even where capacity exceeded needs. Although such measures were later eased, the initial response left poorer countries at the back of the queue, with severe consequences.

A similar pattern followed the outbreak of war in Ukraine, which disrupted fertiliser and food markets. In the first two months of the conflict, WTO secretariat monitoring showed that members implemented 53 trade measures, nearly three-quarters of them restrictive. Export bans and curbs on key commodities — mainly food, fertilisers and fuels — tightened global supply and drove up prices; a smaller number of measures, including reductions in import duties, helped ease pressures at the margin. When countries act to insulate domestic markets, the result is often higher prices and greater volatility globally.

The response to the current Strait of Hormuz disruption appears less restrictive. That is a notable shift. WTO members have again implemented a substantial number of measures to address constraints in energy and related products, as well as fertiliser and food. Of roughly 78 measures introduced so far, just over 70 per cent facilitate trade. These include efforts to boost global supply, particularly of oil, gas and refined products, alongside the removal of certain export restrictions and the streamlining of customs procedures.

This more balanced approach suggests that lessons from earlier shocks are being absorbed. In many cases, governments have paired trade measures with policies such as fuel subsidies, tax adjustments and targeted transfers, to cushion households from inflationary pressures. Such policies can mitigate domestic impacts without unduly constraining global supply. Yet the share of restrictive measures, at around 30 per cent, remains significant. Even when well-intentioned, these actions risk adding to price pressures and reinforcing concerns about scarcity. The shift by WTO members towards more constructive measures is encouraging, but it should not lead to complacency. Further restrictive actions risk exacerbating inflation and amplifying uncertainty.

Global supply chains have shown adaptability in the face of repeated shocks and disruptions. During the Covid-19 pandemic, attacks on Red Sea shipping and earlier disruptions in the Black Sea,

value chains adjusted by finding alternative routes and suppliers. Early responses to the situation in the Strait of Hormuz suggest a similar pattern might emerge, as companies reroute shipments and diversify sourcing to maintain flows.

Trade policy should support, rather than hinder, this adjustment. But there is a deeper structural challenge, namely the concentration of critical trade flows through a narrow group of countries and maritime corridors. What once delivered efficiency can, under stress, become a source of vulnerability. Over-dependence on a narrow set of suppliers or routes leaves global markets exposed and reduces flexibility in times of crisis.

The risks extend beyond Hormuz. Other strategic chokepoints, including the Suez Canal, the Panama Canal and the strait of Gibraltar and Malacca, to name a few, underline the exposure of global supply chains to disruption. In such an interconnected system, policy choices in one region can transmit across markets, amplifying volatility far beyond the point of origin. Addressing these risks will require more forward-looking approaches to diversification and resilience in global trade. This makes co-operation among governments, international organisations and the private sector essential. The pandemic showed that collaboration among vaccine producers, logistics companies and institutions such as the WTO, IMF, World Bank and WHO can improve transparency, ease bottlenecks and support the gradual removal of restrictions. These efforts did not eliminate pressures, but they helped stabilise markets and expand access over time.

Future shocks will require the same habits of co-ordination, including timely information-sharing, restraint in the use of trade restrictions and closer engagement with the firms that move, finance and insure global trade.

In an interconnected trading system, resilience cannot be secured through national measures alone. The alternative to co-ordinated adjustment is a cycle of restrictions that leaves all countries worse off.