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ARTIFICIAL INTELLIGENCE AND TRADE

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Artificial intelligence (AI) is rapidly becoming a general-purpose technology that reshapes how trade takes place, where value is created and who captures it. It affects goods through AI embedded in products and production processes, services through automation and digitally delivered tasks, and data flows as the essential input for training, deploying and continuously improving AI systems. In practical terms, AI is already changing logistics, risk management and fraud detection, translation and customer support, product design, predictive maintenance, and e-commerce operations. Much of this occurs through cloud-based services and model-driven software that sits behind cross-border transactions and is increasingly indispensable to modern competitiveness.

This transformation is occurring in a period of sharper geoeconomic competition and regulatory divergence. Export controls and investment screening affecting advanced semiconductors and dual-use technologies have expanded. Industrial strategies aimed at securing chip supply, cloud capacity and critical minerals have intensified. Data localization measures and broader digital sovereignty agendas have proliferated. These trends can fragment the AI economy into competing regulatory and technology spheres, raising costs, reducing predictability for traders and investors, and widening the gap between economies with and those without privileged access to compute, data, capital and skills.

For parliamentarians, the central question is political and technical at the same time. The task is to harness AI's productivity and inclusion potential, particularly for small and medium-sized enterprises (SMEs) and developing economies, while preserving an open, fair and rules-based multilateral trading system that safeguards security, fundamental rights, consumer trust and democratic accountability. The WTO is not an AI regulator. However, it is the forum where Members can address the impact of AI on trade through existing disciplines and negotiating tracks, including transparency and predictability in supply chains, non-tariff barriers and standards, services and digital trade rules and development focused capacity-building. This paper sets out the main issues and choices in structuring a parliamentary discussion at MC14.

1. The AI value chain, concentration, dependencies and supply chain resilience

AI depends on a dense global value chain that includes critical raw materials, advanced semiconductors and manufacturing equipment, data centres and cloud infrastructure, and increasingly frontier models and platforms that can be embedded in goods and services worldwide. Concentration at key chokepoints shapes who can participate in AI enabled trade and on what terms. In trade policy terms, this is not a distant industrial issue. It affects market access in practice, the reliability of supply and the distribution of gains from openness.

Across the AI stack, market power and capacity are clustered in a limited number of firms and jurisdictions, particularly in advanced chip production, certain critical minerals processing, hyperscale cloud services and frontier model development. In geoeconomic terms, chokepoints can be leveraged. Access constraints translate into competitiveness constraints. In WTO terms, chokepoints can undermine a foundational promise of the system, which is predictable conditions of competition, even without formal changes in tariffs or bindings. A licensing decision, a sudden restriction, or a geopolitical shock can function like a de facto barrier to trade by disrupting supply of essential inputs. For many developing economies, the risk is a two-speed AI economy in which they import models and platforms with limited capacity to adapt them to local languages, sectors, and public needs, while also having limited influence over the technical standards and compliance pathways that shape market access.

Recent years have seen a proliferation of export controls and restrictions affecting advanced chips, chipmaking equipment and AI-relevant dual-use items, alongside countermeasures and resource-related controls in critical minerals. Under WTO law, Members may invoke security exceptions, including GATT Article XXI, to introduce such restrictions. This, however, is not a question of legal interpretation but is a systemic issue relating to incentive structures and their broader effect on predictability and trust. If security driven restrictions become broad, frequent and open-ended, other Members will respond in kind. The result can be a gradual erosion of confidence in bindings and most-favoured-nation (MFN) predictability, with supply chains fragmenting into competing blocs. Smaller economies can face higher costs, constrained access to technology and compute, and reduced policy space, without meaningful participation in the measures that reshape the playing field.

A comprehensive multilateral discipline on export controls is unlikely in the near term. Nonetheless, WTO relevant action is still possible through process-oriented approaches that improve transparency, predictability and accountability without forcing consensus on sensitive security rationales. Members can make better use of the Trade Policy Review Mechanism to examine AI-relevant measures and their spillovers, including the extent to which restrictions are targeted, proportionate and time-bounded. Members can also pursue structured thematic discussions to identify emerging chokepoints and their trade effects before crises occur. Parliamentarians can add value by pressing governments to articulate clearer rationales and safeguards, and by scrutinizing whether security measures are narrowly tailored or risk becoming blanket justifications for protectionism.

Industrial policy also matters here. Subsidies and state support are increasingly deployed to secure domestic capacity in chips, cloud, and AI ecosystems. While industrial strategies can be legitimate tools of resilience, they can also entrench concentration and distort competition. The WTO's existing transparency tools and committee work can help surface the trade effects of such policies, even where formal dispute pathways are not politically realistic. At MC14, a practical conversation about resilience should therefore focus on improving transparency and peer dialogue, monitoring chokepoints and understanding subsidy spillovers, while keeping the objective of an open and rules based system in view.

2. AI governance, non-tariff barriers and regulatory interoperability

AI regulation is proliferating worldwide through horizontal frameworks, sector specific rules and approaches to generative AI. These reflect legitimate objectives, including safety, rights protection, cybersecurity, market integrity and consumer protection. At the same time, divergence can create a new generation of non-tariff barriers, particularly where compliance depends on complex documentation, audits and evaluation methods that differ across jurisdictions. The challenge for trade policy is to manage regulatory friction without challenging the legitimacy of regulation itself.

AI compliance requirements often operate through the processes of software development and deployment. They may involve training data governance, risk management, testing protocols, incident reporting, human oversight and post-market monitoring. For companies operating across borders, especially SMEs, duplicative audits and inconsistent documentation can be decisive barriers to entry. For developing economies, limited regulatory capacity can turn compliance into an exclusion mechanism, making markets accessible primarily to those with the resources to navigate multiple high-cost regimes. This can reduce contestability and reinforce concentration, which in turn affects the distribution of gains from trade.

From a WTO perspective, it is important to use the right legal and institutional tools. Where AI requirements operate as technical regulations, standards, or conformity assessment procedures, including for AI-enabled goods or for software treated as part of product compliance, the Technical Barriers to Trade (TBT) Agreement is relevant. Its disciplines on non-discrimination, the pursuit of legitimate objectives, the requirement that measures are not more trade restrictive than necessary, and the encouragement to use international standards where appropriate can support early dialogue and problem solving. The TBT Committee's practice of addressing specific trade concerns provides a practical channel to raise issues before disputes arise.

Where measures affect services and digitally delivered trade, the relevant lens often shifts toward the General Agreement on Trade Services (GATS) disciplines and the broader set of discussions on domestic regulation and market access. Many AI-enabled trade flows, from cloud based analytics to digitally supplied business services, sit primarily in the services domain. That makes it important that Members avoid treating AI related frictions as a goods only issue. It also highlights the need for transparency and comparability across policy approaches rather than attempts to impose substantive global AI governance through the WTO.

Interoperability is therefore the realistic objective. It does not mean harmonization, and it should not be used to lower public interest protections. It means reducing duplication while preserving democratic choices, through shared technical vocabularies, compatible documentation, comparable audit methodologies and pathways to recognize equivalent outcomes. International standardization can help, particularly where standards cover risk management, management systems, documentation, cybersecurity and evaluation practices. However, standard setting must not become a club that excludes developing economies. Capacity support and meaningful participation are essential if standards are not to become a new market access barrier.

In WTO terms, the most achievable progress lies in process disciplines that support predictability and early consultation. Members could explore enhanced notification and consultation practices for major AI-related measures with cross-border effects, across the appropriate bodies depending on the measures' nature. Parliamentarians can help by pushing governments to treat transparency as a core element of legitimate regulation, by insisting that regulators consider international standards where appropriate, and by ensuring that interoperability efforts strengthen trust rather than weaken rights and safety protections.

3. Digital trade, data flows and the Joint Statement Initiative on E-commerce agenda

Data flows are the infrastructure of AI-enabled trade. Restrictions on cross-border data movement can directly affect the services trade, cloud-based business models, and AI development and deployment. Yet data measures also have legitimate objectives, including privacy and personal data protection, cybersecurity, law enforcement needs and national security. The WTO challenge is to enable trade while preserving trust and regulatory autonomy.

A growing number of Members have adopted data localization requirements or restrictions on transfers, often linked to broader industrial and security strategies. For firms operating globally, overlapping transfer rules and security requirements can raise costs, reduce predictability and drive fragmentation of digital operations. SMEs are disproportionately affected because they have fewer resources to build complex compliance architectures. In an AI-driven economy, such frictions can harden into competitiveness gaps. The political objective should therefore be data flows with trust, meaning that cross-border data movement is facilitated alongside enforceable protections and legitimate safeguards. The WTO is not a privacy regulator, but trade disciplines can influence whether digital openness is politically sustainable.

The Joint Statement Initiative (JSI) on E-commerce remains the WTO's most advanced rulemaking effort on digital trade. MC14 in Yaoundé will test whether Members can translate years of technical work into credible political outcomes and whether those outcomes can be anchored in the WTO architecture over time. The issues at stake are not merely technical drafting choices. They include the baseline approach to cross-border data flows and the conditions under which localization requirements are permissible, the robustness of privacy and data protection safeguards that are needed for legitimacy, and the treatment of source code, algorithms and regulatory access. On this

last point, the core tension is between protecting innovation and security on the one hand and enabling legitimate oversight, auditability and enforcement on the other, especially where AI systems affect consumers, competition and market integrity.

Development remains central to the legitimacy of any outcome. If obligations are not implementable for lower-capacity Members, they risk becoming de facto barriers rather than facilitators. The legal architecture question is also critical. Parliamentarians will need to consider how plurilateral outcomes relate to the multilateral system and how to avoid deeper fragmentation inside the WTO itself. Finally, the moratorium on customs duties on electronic transmissions remains a recurring ministerial flashpoint where development, revenue concerns and digital industrial strategies intersect. Whether and how the moratorium is addressed will influence trust in the WTO's ability to manage digital trade-offs fairly.

AI also amplifies commercial risks. Scalable fraud, deepfake enabled deception, manipulative personalization and opaque automated decision-making can undermine consumer confidence. If consumers lose trust, digital trade openness loses legitimacy. WTO digital rules therefore need to remain compatible with effective domestic consumer protection and cybersecurity measures. The debate is not trade versus protection; it is how to design disciplines that facilitate trade while preserving the regulatory space needed to maintain trust.

4. Inclusive AI-enabled trade, development, labour and the Global South

AI can lower certain barriers to trade through translation, marketing and compliance support, but without deliberate choices it may widen global divides. Ensuring inclusive outcomes is therefore central to the WTO's legitimacy and to the political sustainability of open trade in the AI era. Global access to AI is deeply unequal. Digital infrastructure, computing capacity, qualified workers and regulatory readiness remain concentrated in a small number of economies.

The distributional question is central to the WTO's mandate. The *World Trade Report 2025: Making trade and AI work together to the benefit of all* projects that AI could raise global trade by 34% to 37% and global GDP by 12% to 13% by 2040. Yet the same report is unambiguous that these gains are not automatic and depend critically on how the underlying digital divide is addressed. Whether AI-enabled trade becomes a force for convergence or reinforces existing structural inequalities between and within economies is, in the WTO's own framing, a question of policy choice, not technological inevitability. This makes it a directly relevant question for parliamentarians gathered at MC14.

The WTO is not the only institution with a role in addressing the AI divide, but it is uniquely placed to act on the trade policy dimensions that matter most. Several existing WTO agreements already underpin the global AI ecosystem in ways that benefit developing countries: the Information Technology Agreement (ITA) lowers hardware costs; the TBT Agreement promotes regulatory transparency and the use of international standards; GATS disciplines support AI-related services trade; and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) governs IP protection and technology diffusion. The question for MC14 is whether these instruments are being used to their full potential, and whether additional commitments are needed.

The WTO's Aid for Trade initiative and the joint WTO-World Bank Digital Trade for Africa project provide concrete models for translating multilateral commitments into on-the-ground capability. Recent Aid for Trade projects in transport, agriculture and logistics already incorporate AI applications. The joint WTO-International Trade Centre (ITC) Women Exporters in the Digital Economy Fund extends digital tools to underrepresented exporters. These projects point toward what a more systematically AI-focused capacity-building agenda within the WTO could look like, one that addresses infrastructure, skills, regulatory capacity and market access simultaneously.

Labour market effects also matter to legitimacy. AI changes the tradability of tasks and can disrupt certain services export pathways, while creating opportunities for upgrading where skills and innovation ecosystems exist. Parliamentary oversight is essential to ensure that trade related AI discussions integrate the social dimension, such as adjustment support, reskilling and safeguards for workers' rights, including in digitally mediated work. Cooperation with other international organizations can complement WTO work, but the key is to avoid treating social impacts as secondary to market access outcomes.

Conclusion and debate questions

AI is reshaping trade in ways that test the WTO's ability to provide predictability, fairness and inclusion. The WTO does not need to become an AI regulator, but it does need to adapt its deliberation and disciplines to remain fit for purpose, particularly on supply chain transparency, regulatory frictions and interoperability, digital trade rules that enable data flows with trust, and development-oriented capacity-building grounded in practical deliverables.

Parliamentarians have a distinct role in this debate. They can ensure coherence between AI policy, trade policy and social commitments. They can demand transparency where security and industrial strategies affect market access. They can also help build public legitimacy for an open digital trading system grounded in trust, rights and fairness.

The panel discussion may be guided by three questions. First, where should Members draw the line between legitimate AI regulation and AI-driven fragmentation that functions as a structural trade barrier, and what minimum transparency, notification and consultation practices should the WTO promote across the TBT, services and e-commerce tracks. Second, how can Members improve predictability and reduce spillovers from AI relevant export controls and restrictions through transparency, proportionality and dialogue, without forcing consensus on sensitive security rationales. Third, what practical MC14 deliverables on Aid for Trade, standards participation, SME support and data flows with trust could help ensure that AI-enabled trade narrows rather than widens global asymmetries, particularly for the Global South.