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The Death of Multilateralism in Trade; the Extinction of the WTO

By: D. Ravi Kanth

With its arbitrary imposition of tariffs, the US has dealt a body blow to the multilateral trading system and its guardian, the WTO. Yet, the US shows no sign of quitting the body it has weakened and some nations think the WTO can stay alive by appeasing the US. Can the WTO be saved from extinction?

Two disturbing, though unrelated, global developments have caused widespread anguish across the world in recent months. On one side, the unrelenting devastation in Gaza, Palestine, has reached a point that appears to surpass even post-Holocaust thresholds of ethnic cleansing and mass destruction. On the other, the Donald Trump administration's near-daily imposition of tariffs on the US's trading partners has undermined the multilateral trading system and left its guardian, the World Trade Organization (WTO), in disarray and at the risk of permanent irrelevance.

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Though these events are neither connected nor coordinated, they present unsettling parallels in how unilateralism—whether in domestic governance or international diplomacy—can reshape global institutions and norms.

Just as Gaza and other occupied Palestinian territories continue to suffer unprecedented levels of destruction, the global multilateral trading system too is experiencing a steady erosion of its rules-based framework. This decay is largely driven by the US's unilateral actions imposing “reciprocal trade tariffs” (often changing from day to day), demanding favourable bilateral trade deals outside the WTO, and even threatening to impose punitive tariffs based on political motives.

The US has been systematically hollowing out the multilateral trade system, including the institution of governance that it once championed. The 166-member WTO seems paralysed in the face of a continued daily assault on the multilateral trading system. The WTO (and its predecessor the GATT) was always an organisation where equality among members was more formal than substantial, yet it was a forum for multilateral negotiations where all countries – including the Global South -- had a measure of influence and protection against unilateralism. This has now more or less disappeared, perhaps irrevocably.

Long Decline of the WTO

The US exercise of muscle power in Geneva is not new. Despite playing a crucial role in the creation of GATT (General Agreement on Tariffs and Trade signed by 23 countries on 30 October 1947, and became international law on January 1, 1948), and later the World Trade Organization -- established after the Uruguay Round of Trade Negotiations during 1986-1993 during which it forced countries to accept new agreements on Intellectual Property Rights, Services, and a binding adjudicating mechanism for ensuring compliance with WTO agreements -- successive US administrations have been chipping away at the institution since the turn of the century.

To better understand the history of the weakening of the WTO and the implications of the current actions of the US, I spoke with Professor Petros C. Mavroidis, a leading authority on global trade law now at Columbia University.¹

Mavroidis agrees that the WTO's weakening began before Trump. “[Presidents Barack] Obama and [Joe] Biden didn't violate WTO rules blatantly, but they did nothing to save it either. Trump has actively worked to dismantle the WTO rules.”

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Take Section 301 of the US Trade Act of 1974, for instance, which successive presidents have used to pressure countries into compliance on intellectual property and services, well before multilateral rules covered them. Mavroidis concurs that Section 301 marked a major breach of GATT provisions. He recounts how at the time Professor Jagdish Bhagwati had raised early alarms, calling it a “comprehensive expression of US unilateralism.”

While President George H. W. Bush in the late 1980s framed such actions under Section 301 as necessary due to ineffective dispute enforcement, his successors used similar tactics to different ends. Even President Bill Clinton continued Bush's policies in the 1990s.

"No American president," Mavroidis stresses, "has ever truly stood up to protect the multilateral system."

A WTO dispute panel had once ruled Section 301 inconsistent with WTO rules, but the case was never escalated to the now-defunct Appellate Body of the WTO which is supposed to be the final arbiter of disputes. That's the crux: since December 2019, any appeal against U.S. non-compliance goes into a void because the WTO Appellate Body has been made dysfunctional thanks to Washington's consistent blocking of new appointments, despite overwhelming support from over 130 member nations. With no appellate function, the WTO's enforcement mechanism has been gutted.

In the dispute settlement reform discussions that have been going on the past four years, the US has vehemently opposed the restoration of the Appellate Body as the final point of adjudication. Instead, Washington wants countries to resolve their bilateral trade disputes through negotiation, resembling the older GATT dispute settlement system where rulings were blocked by the affected parties.

Now once again, on 15 July, President Trump's trade envoy launched a Section 301 investigation into Brazil's alleged unfair trade practices. This is over and above President Trump's threat to impose 50% tariff on all Brazilian goods from 1 August, due the Lula government's alleged "witch hunt" against the former Brazilian President Jair Bolsonaro, who reportedly carried a coup to remain in power.

The US inside or outside the WTO?

There is a growing fear that just as Israel envisions transforming Gaza into a Riviera after levelling it, the U.S. may similarly repurpose the WTO into a symbolic relic—a "trade museum" devoid of enforcement power.

This concern is not unfounded. President Trump's nominee to represent the US at the WTO, Joseph Barloon, recently declared in the US Senate that "the sovereignty of the United States must remain paramount," even over binding trade rules crafted by Washington itself through GATT in 1948, and later institutionalized in the WTO in 1995.

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Barloon's invocation of sovereignty is likely strategic: he may recognize that many of the Trump administration's actions lack legal basis. Several cases are pending in US courts challenging the administration's misuse of the International Emergency Economic Powers Act of 1977 (IEEPA) to impose sweeping trade restrictions. The arbitrary and politically motivated tariff decisions question America's continued participation in a rules-based system like the WTO.

With the US bent on negotiating bilateral trade deals outside the ambit of the WTO, the implications for multilateralism are self-evident. Mavroidis asks: "Imagine 60 countries doing bilateral deals with the US, none under MFN [most-favoured nation] terms." How can such a WTO function when as a system it is built on non-discriminatory trade—stated clearly in Article I of GATT (1948) which requires a country to offer the same favourable treatment to all other WTO members as it would to its most favoured trading partner.

The Columbia University academic concedes that Trump's actions align with promises made to his MAGA voter base, but emphasizes they are "clearly incompatible with the US's international obligations." Yet, other nations are reluctant to challenge these violations, eager instead to secure trade deals.

On 15 July, President Trump screamed that he has "finalized an important Deal with the Republic of Indonesia," touting that this "landmark Deal opens up Indonesia's ENTIRE MARKET to the United States for the first time in History."

India is soon to follow the suit and President Trump will not miss the opportunity to brag about how New Delhi surrendered and gave away substantial market access to American farm and dairy products. The Narendra Modi government appears to have mortgaged its tariff sovereignty and policy space to remain on the right side of a global trade fascist.

Reform of the WTO?

On August 6, a US Congressional delegation is scheduled to visit the WTO, perhaps to assess whether it is aligning with Washington's radical reform agenda. In preparation, Ambassador Petter Ølberg of Norway, the facilitator for talks on reform of the WTO initiated

within the organisation, is reportedly pushing members to revisit the principle of consensus (enshrined in Article IX of the Marrakesh Agreement) under which any member, whether big or small, can block a decision on what it would consider reasonable grounds. Another major item on the reform agenda is to sharply curtail the use of special and differential treatment for developing countries based on a self-designated framework. These are meant to appease the US.

The facilitator has framed the reform discussions issues in a way so as to convince the US that the organization is putting its best foot forward on reforms. On 15 July, the WTO's Director-General, Ms Ngozi Okonjo-Iweala, a dual citizen of Nigeria and the US, told the members during a trade negotiations committee meeting that they “must listen to the US and its criticisms (on reforms) because a lot of those are right.” This came after a meeting the director-general had with the US Trade Representative Ambassador Jamieson Greer in Washington a fortnight earlier. However, she did not utter a word about the damage being caused by Washington's reciprocal tariffs to the WTO in particular, and the multilateral trading system in general.

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So, the world is witnessing the destruction of the WTO by two forces: On the one side, the naked unilateral actions of the Trump administration have made the WTO ineffectual; on the other, from within the organisation, the WTO's Director-General, and the designated facilitator for reforms along with a small ginger group called the Friends of the System, are together dismantling the WTO.

Additionally, while these efforts seek to keep Washington engaged in the WTO, they may actually entrench harmful precedents. Once the US has tasted the power of predatory reciprocal tariffs, there's little assurance it will stop at reform; it may demand ever more politically driven concessions.

In a nod to the late Yale economist T. N. Srinivasan, Mavroidis says, “We cannot predict the future. But if the U.S. stays while undermining MFN rules, there's no reason for the WTO to exist—particularly with no functioning enforcement.”

Even before the WTO is declared dead clinically, the European Union has already begun exploring alternatives. German policymakers have proposed a new EU-led initiative for structured trade cooperation with Asian partners—such as Japan, Korea, Taipei, and Southeast Asian nations—though notably excluding China.

This framework, while framed as a potential successor to the WTO, seems like a move designed to keep China out while leaving the door open for a future US return.

China, though retaliating against Trump's reciprocal tariffs within a measure for measure framework, appears ready for radical reforms, calling ambiguously for “adhering to the principle of consensus, more flexible, efficient, and responsible decision-making approaches”,

A trade body without the US?

Should the US part ways with the WTO to allow other members—especially developing and least-developed countries—to rebuild the institution on a fairer foundation?

The US has already exited several international organizations—the World Health Organization, the Paris Climate Accord, and the UN Human Rights Council—yet it clings to the WTO. Why? Possibly because remaining inside allows it to shut the door on developing countries who once found some voice in the WTO's consensus-based decision-making process.

Recently, the leaders of the BRICS (Brazil, Russia, India, China, and South Africa along with some of the new members, including Indonesia) vowed to strengthen the WTO and other multilateral areas, including in global finance and climate change negotiations.

The Rio de Janeiro declaration issued by the BRICS leaders at the end of their two-day meeting on 6-7 December 2024 reiterated their call “for the rules based, open, transparent, fair, inclusive, equitable, non-discriminatory, consensus-based multilateral trading system with the World Trade Organization (WTO) at its core, with special and differential treatment (S&DT) for its developing members.”

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In a recent paper written by Henrik Horn and Petros Mavroidis for the Centre for Economic Policy Research provocatively titled [Why the US and the WTO should part ways](#). Mavroidis says “The central challenge is how the WTO can survive in the face of Trump’s coercive reciprocal tariffs and the proliferation of bilateral, non-MFN agreements.”

He advocates for a new alliance. “We take US and China out of the room, but we have in the room Brazil and India and South Africa, and we assign the right to propose to one of the founders of the GATT, Europe, Canada or Australia, and we change the WTO to a G20 minus China and the US.”

Petros Mavroidis adds, “You will have an agreement which represents all views, almost, because you have on end of the spectrum Australia, New Zealand, and Europe, and at the end you have Brazil, India, and South Africa, and the Latins and some African countries.”

“And then we go and we tell the US and China, this is what we want to do,” he argues, making it clear that “we want to have dispute settlement, we want to change the subsidies a little bit, etc.”

“In this scheme, it is time to tell the two big players in the global trading system that now, either you’re with us or you’re against us, you decide.” The Columbia University academic reposes confidence in India and Brazil to lead this initiative, “that’s why I want the two big guys there, India and Brazil, because they’re part of it.”

New Delhi’s transactional behaviour has however, let the country down, instead of speaking up, Mavroidis bemoans. India “should be demanding rules, not stopping rules,” with New Delhi having seemingly failed to put up its case on several core concerns of India in agriculture and other areas. India has also failed miserably in building a coalition of developing countries to push back against the reform agenda.

Conclusions

As the WTO gears up for its 14th Ministerial Conference in March next year in Yaoundé, Cameroon, the organization finds itself at a critical juncture, mired in dysfunction and fighting for its survival. The damage inflicted by the Trump administration has shattered the backbone of the 80-year-old GATT/WTO system, leaving the multilateral trade framework in tatters. With no clear path to reform or revival, the prospects for the WTO’s future appear bleak—if not altogether extinguished.

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Footnotes:

1 Mavroidis’ books on GATT/WTO are essential reading, and he also previously worked at the WTO before entering academia.