

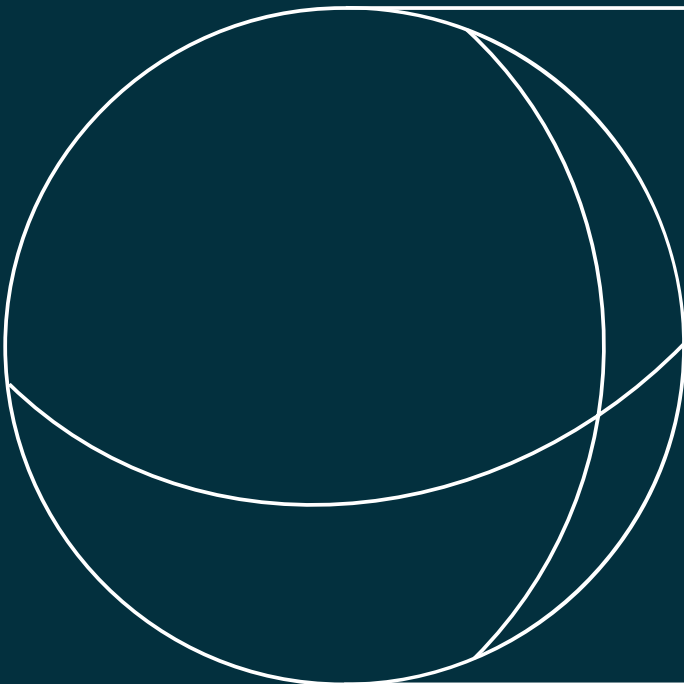
research report

Revitalising and Reforming the World Trade Organization in an Age of Geopolitics

Lead authors: Michal Parizek (Charles University) and Clara Weinhardt (Maastricht University)

Contributing author: Jayati Srivastava (Jawaharlal Nehru University)

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Abstract

The WTO is one of the most embattled institutions of global governance. While recent unilateral and disruptive trade measures – such as those initiated by US President Donald Trump – have attracted significant media attention, the WTO has long faced challenges in both rule-making and dispute settlement. Over the last several years, WTO members have undertaken a series of reform attempts – particularly to address the WTO’s effectiveness, and partly to improve its robustness as well. This report maps these attempts as well as key actors’ positions on reform. We identify the reasons why these reforms have largely failed to deliver improved effectiveness and robustness. In doing so, we also identify the limited potential for reform, which is primarily visible in the areas of enhanced deliberations and informal processes. This report draws on nearly 40 interviews conducted in Geneva in late 2024 and early 2025, as well as an analysis of key members’ position documents.

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Introduction

The World Trade Organization (WTO), created in 1995 as a successor to the General Agreement on Tariffs and Trade, stands at the centre of the global trade regime. As an institution, the WTO now faces two major, intertwined challenges. The *first challenge*, which has also captured the most attention, began with the second Trump administration in early 2025. With the imposition of (new) tariffs across the membership, and particularly against China, the US administration has directly challenged one of the WTO's core norms – the Most-Favoured-Nation principle (GATT, Article 1) – and has taken steps to free itself from the constraints of the multilateral trade system. The effects of this shift remain to be seen as the volatility of US trade policy at the time of writing makes predicting the long-term impacts on the WTO impossible. Yet it is clear that these measures undermine the robustness and viability of the WTO.

The *second challenge* – which is the focus of this report – is a longer-term challenge linked to a geopolitical clash between certain WTO members: between the US and China in particular, and more broadly, between the largely Western, developed-country members and the developing-country members. This tension underpins problems with low effectiveness, which the WTO has been facing since the mid-2000s, and which have become more prominent in negotiations since 2015 (WT/MIN(15)/W/33/Rev.3, III.30) and in dispute settlement since 2019. This geopolitical tension and the geopoliticisation of global trade (World Trade Organization 2024b; Babić et al. 2024; Hopewell 2024) – along with the rise of economic nationalism and an inward turn in a number of key member states, including the US

(Walter 2021) and China (Tran 2022) – provide crucial context for any meaningful debate on transforming or defending the WTO (Susskind and Vines 2024).

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WTO reform has been on the organisation's agenda since at least the 2015 and 2017 Ministerial Conferences (MCs), but a recognition of the need to update the organisation pre-dates these meetings (Steger 2010).

The most recent reform discussions pertain to two areas that align with ENSURED's thematic focus — the robustness and effectiveness of the organisation. In ENSURED's conceptual framework (Choi et al. 2024), robustness refers to “the capacity of international institutions to withstand existential challenges and persist over time,” and is associated with the stability of an institution and its core rules, as well as its governance autonomy. Effectiveness is understood as the institutions' “ability to achieve the goals for which they were established and to address policy challenges successfully.” It boils down to institutional output, the behavioural outcomes the institution produces, and the ultimate impacts it has on its governance area (Choi et al. 2024, 10 and 15, respectively). In this report, we cover the WTO's overall efforts towards reform and seek to outline the space available for institutional transformation and defence of the organisation at large. Our analysis is based on nearly 40 semi-structured interviews carried out in late 2024 and early 2025 with representatives of WTO members – both smaller states and major powers – across the globe, as well as WTO Secretariat staff.

As the WTO celebrates its 30th anniversary in 2025, we find that reform attempts targeting the formal, legalised dimensions of the WTO's work – that is, negotiations on new rules and dispute settlement – have so far largely failed, and very limited space is available for enhancing effectiveness in these areas. Modest achievements in effectiveness only seem possible within activities that are predominantly informal, deliberative, and focus on information exchange. The main reason for this is that key WTO members radically disagree on what an effective WTO should be achieving. In the face of the direct challenges presented by the second Trump administration as mentioned above, a focus on the WTO's robustness – and its actual survival – may come to the fore. The third central concept in our ENSURED project – democracy – is largely associated with the participation of state and non-state actors, and with accountability mechanisms in global governance (Choi et al. 2024). Considerations involving (increased) democratic governance at the WTO have not been a central focus for WTO members in recent years, and thus we only touch on the issue briefly in this report.

The WTO in Need of Reform

The WTO has long been perceived as one of the most troubled multilateral institutions at the centre of global economic governance (Narlikar 2019). Yet the successful transition from the General Agreement on Tariffs and Trade (GATT) to the WTO in the mid-1990s gave the newly created body

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a sizable mandate and equipped it with a powerful institutional structure. A significant majority of world trade – around 80 percent, according to WTO staff estimates (Gonciarz and Verbeet 2025) – is still conducted under Most-Favoured-Nation (MFN) terms, the foundational norm of the regime (GATT, Article 1). This provides critical stability to members' trade relations (Interview 6), and the WTO also performs a range of functions that its members value, as discussed below. Nevertheless, the WTO urgently needs reform in three major areas: negotiations on rules for global trade, dispute settlement procedures, and addressing new policy agendas.

The Backlog in Negotiations on Rules for Global Trade

The first area in which the WTO requires reform concerns the ongoing negotiations on rules for global trade. The current WTO playbook dates back to the end of the Uruguay Round in 1994, when the WTO was founded through the Marrakesh Agreement. The first crisis in multilateral negotiations came as early as 2003 at the Cancún MC, when members blocked the new Doha Development Agenda (DDA) – the major round of multilateral trade liberalisation talks launched in 2001 (Narlikar and Tussie 2004). The DDA's key design feature was the all-or-nothing 'single undertaking' principle, according to which all members needed to agree on all the elements of a deal in the form of a grand bargain. This approach failed due to both the high sensitivity around some of the agenda items and the extreme complexity of such negotiations (Parizek 2020).

Explicitly recognising that members did not agree on pursuing the DDA at the 2015 MC in Nairobi (WT/MIN(15)/DEC, III.30), a number of WTO members decided to engage in negotiation reform by pursuing the *plurilateral* negotiation path of 'Joint Statement Initiatives' (JSIs), which were launched at the 2017 MC in Buenos Aires (WT/MIN(17)/58-61). This meant departing from the single-undertaking design and instead trying to negotiate in specific, narrower areas with subsets of members, known as 'coalitions of the willing' (Elsig 2010; Interview 14). This transformation of the WTO's negotiation pillar seemed to promise breakthroughs where multilateral negotiations had stalled, and thus to boost the WTO's output effectiveness. At the same time, the legacy of the DDA has not disappeared – this includes negotiations on agriculture, which many developing countries see as a priority, and which have completely stalled (Interviews 2, 11, and 15). With a few exceptions, such as the 2013 Trade Facilitation Agreement, the WTO has found it notoriously difficult to deliver new substantive rules – a state of affairs which fundamentally challenges an important element of the organisation's effectiveness.

The Dispute Settlement Crisis

The second area in which the WTO faces deep challenges concerns its formerly powerful Dispute Settlement Mechanism (DSM). Established via the 1994 Dispute Settlement Understanding (Marrakesh Agreement, Annex 2), the DSM provided for a powerful system, including authoritative decisions taken by expert panels and a permanent review mechanism in the form of the DSM Appellate Body (AB).

The main challenge to the DSM was raised in 2017, when the US began to block the appointments of new AB judges (Dijkstra et al. 2025, 67–70), but major objections concerning the AB – especially those made by the US – have a long history (United States Trade Representative 2025c). By 2019, the tenure of all but one AB judge had expired, thus rendering the AB unable to hear cases. Ever since, any member who is unwilling to accept the panel’s ruling – the first step in the dispute settlement procedure – may simply appeal the case to a body that is not operational. Such ‘appeals into the void’ effectively render dispute settlement within the WTO dysfunctional, at least in cases in which one of the parties is unwilling to forgo their right of appeal. There are several reasons for this challenge, as spelled out by the US (United States Trade Representative 2020), but the most profound take aim at the AB’s alleged judicial overreach, claiming that AB judges have engaged in de facto rule-making beyond the scope to which WTO members had agreed. In addition, the US has claimed that dispute settlement rulings are biased against its interests because it perceives these rulings as unfairly targeting the use of anti-dumping measures and other trade remedies against Chinese exports (Bown 2022). Thus, the United States Trade Representative (USTR) has argued that “the Appellate Body chronically violates the rules imposed by WTO members, undermining the dispute settlement system and the WTO generally” (United States Trade Representative 2020, 25).

The blockage of the dispute settlement function undermines both the WTO’s robustness and its effectiveness.

The blockage of the dispute settlement function undermines both the WTO’s robustness and its effectiveness – the former because one of the WTO’s key bodies has been proclaimed to be in breach of its mandate (Interviews 3 and 7), and the latter because the crippling of the DSM undermines members’ adherence to WTO rules.

Addressing Sensitive New Agendas

The third challenging area is the WTO’s (in)ability to address some of the most pressing issues which are significantly related to trade but which largely extend beyond existing or negotiated WTO rules. One such area in the geopolitical contest between the US and China is that of industrial policy and subsidies (Hoekman, Tu, and Wolfe 2023, 278). The question of state involvement in the economy has been on the table within the WTO for years, particularly with the rising prominence of state capitalism and state-owned enterprises (SOEs) (Weinhardt and Ten Brink 2020; Stephen and Parizek 2019). Indeed, the WTO’s inability to contain China’s use of industrial policy instruments is often presented as the key reason for US

alienation from the regime (Hoekman and Wolfe 2021). China's use of subsidies has increased sharply in the last two decades and constitutes by far the largest share of the country's trade-distorting measures (IMF 2024, 4). The WTO has proven unable to compel China to be transparent in its use of trade-distorting industrial policy instruments (Wolfe 2017; Interview 14). Over the last several years, the question of industrial policy

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has become increasingly urgent within the WTO as the US and the EU have also begun to implement massive industrial policy projects linked to green transformation (Interviews 2 and 5).

Another significant challenging area is the trade-security nexus, as embodied in the use of the provisions for 'security exception' built into the WTO framework (GATT Article 21). A significant disagreement has emerged over whether a member can simply declare that a particular policy issue is a matter of national security and thus beyond the WTO's purview. For example, the US has deployed national security concerns in connection with importing cars from Canada and Mexico (Reuters 2019). The security exception is open to misuse by any member for purely protectionist purposes, and yet of course, the WTO does not have the authority to judge which issues a state may legitimately perceive as related to its security interests and which it may not.

Another major area of concern – and one that exhibits similar features – is 'greening the WTO,' which ENSURED has covered in a separate report (Petri and Karlas 2025).

Key International Actors and WTO Reforms

Our analysis focuses on four key actors who wield significant power in the global trade system and hold distinct positions when it comes to the reform agenda: the US, the EU, China, and India.

The United States

The US was the main architect of both the original GATT and the WTO. Yet over the last decade, it has grown sceptical of the WTO's ability to deliver its desired gains. On the one hand, the US has grown weary of what it sees as the AB's transgressions, as the US has been losing important cases on grounds that it considers illegitimate (United States Trade Representative 2020). The US is deeply concerned about the inequality of its trade balance with China, which it sees as largely enabled by the WTO's inability to pressure China to adhere to market economy principles and fair competition with US producers on a level playing field (Gehrke 2022, 65). One USTR report summarises this issue as follows: "[i]n recent years, a significant evolution has taken place in China's approach to the economy and trade. China has not simply continued to pursue what it termed a 'socialist market economy' when it joined the WTO. China's so-called 'socialist market economy' has evolved and turned decidedly predatory in nature" (United States Trade Representative 2025a, 3). Thus, a deep-seated concern with the WTO's allegedly imbalanced approach has become increasingly enmeshed with the unfolding systemic conflict between the US and China (Rodrik and Walt 2024). Over subsequent recent US administrations, the adherence to open trade and economic efficiency maximisation has given way to deeply political, security-focused concerns (Interviews 2 and 7).

The US is ready to undermine the WTO's robustness by challenging its core principles.

As a result, the US currently prefers a more flexible organisation capable of accommodating its security concerns as well as its unilateral steps to rebalance the global trade system. Hence, the US will not support the revitalisation of a strong body that would effectively hinder the use of its own economic and political clout (Interviews 5, 6, 7, 14, and 16). It is willing to go so far as to challenge the foundational MFN principle, thus freeing itself from multilateral constraints and seeking opportunities to exploit its power to take unilateral and bilateral action (Reuters 2025a). At present, we cannot be certain of the extent to which the US administration will also seek to challenge WTO operations. Some sources have suggested that the US may be planning to stop making budgetary contributions to the organisation (Reuters 2025b). The US may also seek to undermine the Director General of the WTO, who was hastily re-elected before the beginning of Donald Trump's second term, or threaten to exit the organisation, as it did under Trump's first presidency (Reuters 2018). Whatever the case, the US is certainly ready to undermine the WTO's robustness by challenging its

core principles, claiming that the organisation has systematically acted in ways that are deeply unfavourable to US interests (United States Trade Representative 2025b, 3). As the most recent USTR report to Congress puts it: “persistent systemic failures at the WTO and the intransigence of certain WTO Members have prevented the United States from realizing all of the benefits envisioned at the WTO’s creation” (United States Trade Representative 2025b, 1).

The European Union

The EU is generally perceived as a strong supporter of the WTO and its multilateral intent (Hopewell 2021). In this vein, in 2018, the European Council mandated the European Commission to pursue a WTO reform agenda with a view to “(1) making the WTO more relevant and adaptive to a changing world, and (2) strengthening the WTO’s effectiveness” (European Union 2018, 3). Since then, the EU has been active in a number of reform agendas. It was the driving force behind the establishment of the Multi-Party Interim Appeal Arbitration Arrangement (MPIA), a temporary substitute for the blocked AB. It is also a supporting member of the ongoing plurilateral initiatives, and it continues to push the WTO reform agenda at the highest political level (World Trade Organization 2024a).

The EU is generally keen on reinvigorating the WTO as a strong, authoritative institution, though it also sees the need for flexible solutions in light of the challenges facing the organisation (Interviews 7 and 16).

The EU has sought to balance its historically close partnership with the US with its interest in preserving and restoring the WTO.

At the same time, the EU has its own sensitivities – in the past, the EU has been on the defensive when it comes to agricultural negotiations. Perhaps more importantly for the current negotiations, the EU’s

foreign economic policy has shifted notably in the last decade, taking a prominent geoeconomic turn (Herranz-Surrallés, Damro, and Eckert 2024; Gehrke 2022), placing a stronger emphasis on its own industrial policy (Interview 19), and taking a much more assertive position on how the WTO should address the challenges raised by the Chinese development model and its SOEs (European Union 2018, 3–6). In light of the renewed trade conflict with the US, one may expect the EU to be more willing to take bilateral or unilateral steps to defend its interests at the expense of its commitments to multilateralism. The EU has sought to balance its historically close partnership with the US and their shared view of the dangers posed by Chinese exports for European and American producers with its interest in preserving and restoring the WTO – an interest it shares with China in important respects (Hoekman, Tu, and Wolfe 2023).

China

At least since the notable speech President Xi made in Davos in 2017, China has presented itself as the global champion of free trade and multilateralism (CGTN America 2017). It consistently promulgates a distinct narrative in which it seeks win-win solutions in trade cooperation and sees the imposition of protectionist measures – especially by the US –

as a path to a trade war with “no winners” (Le Monde 2025). Given China’s continued reliance on exports for growth – despite taking steps to reduce this dependence (Tran 2022) – its interest in defending multilateral trade is relatively straightforward (Xinhua 2018; MOFCOM 2018). China is active in discussions in Geneva (Interviews 1 and 30) and has consistently signalled its support for WTO reform, unless this would interfere with the country’s political economy model (Hoekman and Wolfe 2021, 4). Indeed, China submitted its own proposal for WTO reform to the General Council in 2019 (WT/GC/W/773).

China sees the US as the main obstacle to WTO reform.

While highly supportive of reforming the AB, China has clearly indicated that it will not compromise on new agendas that the US and the EU seek to address. It has also engaged in a series of economic coercive actions over the last decade, mostly against Western states (Reynolds and Goodman 2023; POLITICO 2024a). Concerned about the dysfunctional dispute settlement system, US abuse of the national security exception (Xinhua 2018), and the rise in unilateral trade measures that do not comply with WTO rules (Hoekman and Wolfe 2021, 5), China sees the US as the main obstacle to WTO reform. Indeed, Chinese representatives have repeatedly raised the security exception issue, and even President Xi has stressed the need to “oppose politicizing, weaponizing and overstressing the concept of national security” in the context of WTO reform (The State Council PRC 2023).

India

India holds a peculiar position in the WTO. Its share of world trade is around 2 percent – less than one-fifth of any of the other three key members discussed here – but within the WTO, India has taken very strong stances on a number of issues (Narlikar and Odell 2006). It consistently highlights the concerns of developing countries and deems the WTO’s special and differential treatment (S&DT) provisions for developing countries essential to meeting its own development agenda. India’s defensive position on S&DT reflects its concern about prematurely restricting its ability to maintain policy space in the future, given the country’s rapid economic transformation. This position also helps Prime Minister Modi to maintain his reputation for strongman leadership.

Verbally, India has been a vocal advocate for the multilateral trade regime, making a series of proposals for WTO operational improvements in the context of its ‘30 For 30’ plan for WTO reform (WT/GC/W/874). Yet in practice, India has strongly opposed certain prominent reform agendas. Most visibly, it is firmly opposed to WTO plurilateral initiatives (WT/GC/W/819), which it sees as undermining the consensus principle (Friends of Multilateralism Group 2025). It is also opposed to informal discussions, claiming that developing countries – and especially the least-developed countries (LDCs) – face major challenges to effective participation (PIB 2024). India has called for the restoration of the AB, calling it “a sine qua non for strengthening the WTO system” (WT/GC/W/778/Rev.5; PIB 2024). Yet India’s position on dispute settlement remains ambiguous. It has already made use of the ‘appeal into the void’ in five cases, indicating its readiness to use the absence of a functioning AB to defend its own protectionist policies (Gupta 2023, 131).

Other Members

Other WTO members also play important roles in the organisation's attempts at reform. After all, multilaterally oriented voices have increasingly called for the rise of 'middle powers' to support the WTO (World Trade Organization 2024b). For example, Brazil has provided consistent support for the WTO overall, even though – as others have pointed out – it has recently been more reserved when it comes to specific plurilateral initiatives (Interview 12). Similarly, Canada, Australia, and Japan have engaged with recent reform processes, and all three have joined the MPIA. South Africa, as the most visible African country within the WTO, has taken a prominent position in the debate on plurilateral initiatives alongside India.

Table 1: Actor Mapping on Effectiveness, Robustness, and Democracy in Global Governance

	Effectiveness	Robustness	Democracy
United States	Believes the WTO is unable to secure Chinese compliance or address legitimate US concerns. Does not want to restore the DSM in its previous form.	Believes profound changes to the WTO are necessary and is ready to challenge MFN as the foundational principle of the WTO.	Not a priority for reform.
European Union	Wants to restore a fully operational DSM. Considers it desirable to advance new agendas (on industrial policy, climate, and investment).	Defends the core WTO norms as well as the organisation itself.	Not a priority for reform, but has concerns over the consensus rule in terms of its impact on effectiveness.
China	Wants to restore a fully operational DSM and to secure stable market access. Considers it desirable to advance certain new agendas (investment) but not others (industrial policy).	Defends the core WTO norms as well as the organisation itself.	Not a priority for reform, but has concerns over the consensus rule in terms of its impact on effectiveness.
India	Believes the WTO needs to deliver on the DDA's development promise. Opposes new agendas. Wants to restore the DSM but is also ready to appeal into the void.	Defends the core WTO norms as well as the organisation itself, with a focus on its development mandate.	Seeks to address the inherited inequalities of representation and participation. Opposes plurilateral and informal processes which undermine consensus.

WTO Reforms: Serious Effort, Limited Success

In response to the challenges identified above, WTO members have engaged in a series of attempts at reform in recent years. Table 2 provides an overview of the milestones in WTO reform attempts to which our analysis refers.

Table 2: Overview of Challenges and Milestones

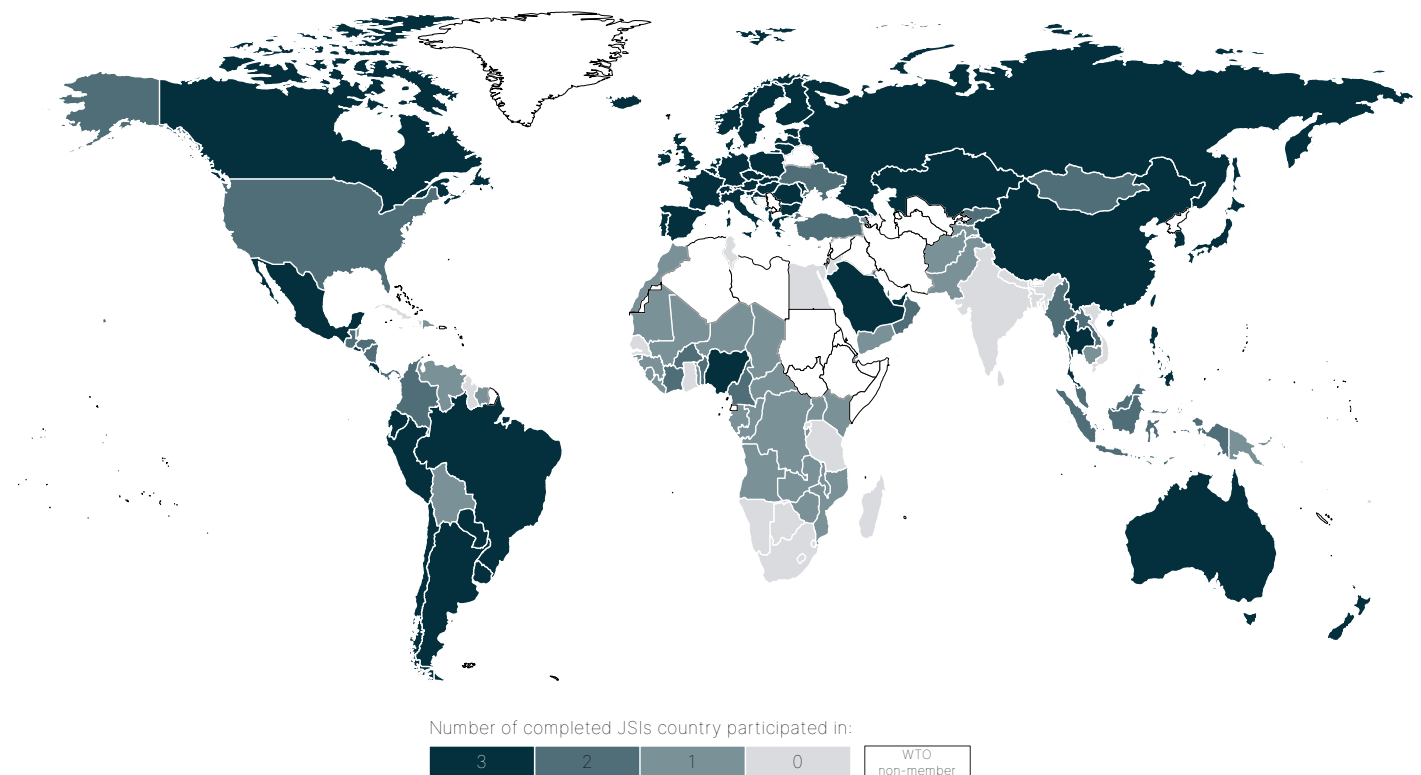
Year(s)	Milestones in WTO Challenges and Reforms
2003	Cancún MC: DDA blocked
2007–2008	Doha negotiations effectively collapsed
2013	Trade Facilitation Agreement concluded
2015	Members acknowledged that the DDA ‘single undertaking’ principle failed
2017	Buenos Aires MC: plurilateral Joint Statement Initiatives (JSIs) by some members emerged
2017–present	US challenged the DSM, culminating in the crippling of the AB in late 2019
2022	Multilateral agreement on fisheries subsidies reached (follow-up ‘Fish II’ negotiations also launched)
2023–present	Informal deliberations on industrial policy and subsidies ongoing
2023–2024	‘Reform-by-doing’ enacted
2023–2024	DSM reform attempts: informal ‘Molina Process,’ followed by formal negotiations on dispute-settlement reform; 2024 deadline passed without agreement
2024–2025	IFD and e-commerce plurilateral (JSI) agreements concluded; attempts to bring these into the WTO legal framework as agreements under Annex IV of the Marrakesh Agreement failed

New Rules for Global Trade

As outlined above, in response to the blockage of the fully multilateral DDA, since 2017, most WTO members have engaged in plurilateral negotiations to pursue the creation of new rules for international trade among subsets of WTO members and via piecemeal talks on individual issues. This approach has taken the form of several JSIs – referring to the joint statements made by groups of states at MC11 in 2017 – announcing the participants’ intention to engage in collaborative work on electronic commerce; investment facilitation for development (IFD); micro-, small-, and medium-size enterprises (WTO 2017); and on services domestic regulation (WT/MIN(17)/61). These initiatives have acquired significant traction over time (see Figure 1). Members are implementing the Services Domestic Regulation Agreement as an individual update to their schedules. E-commerce negotiations ended successfully in 2024 (INF/ECOM/87), and the agreement was submitted to the General Council in February 2025 but was turned down due to a lack of consensus on its inclusion as an agreement under Annex IV. The parties to the IFD negotiations also reached an agreement in 2024 (INF/IFD/W/55) and requested that this be added to WTO law as an agreement under Annex IV (WT/GC/W/927/Rev.2) in October 2024, but India blocked the request.

Thus, at present, the legal status of the e-commerce and IFD JSIs remains uncertain. In order to incorporate concluded plurilateral agreements into Annex IV of the WTO Agreement, all WTO members need to agree. The

Figure 1: Countries' Membership in Joint Statement Initiatives (JSIs)



Source: Authors' figure based on WTO data (https://www.wto.org/english/tratop_e/jsi_e/jsi_e.htm, accessed February 20, 2025)

IFD Agreement, for instance, was concluded by 126 members, of which 90 are developing countries. Yet a small number of countries – chief among them India, South Africa, and Turkey – have formally objected to including this agreement under WTO law as a plurilateral agreement. Proponents of the IFD consider this an unjustifiable, largely ideological position that effectively undermines the interests of developing countries (e.g., Interview 18), particularly because the IFD is a MFN plurilateral, so its benefits automatically extend to all members, but non-participants are not bound by its provisions (Interview 30). One central reason cited by India and a few other members for their objections is their opposition to the plurilateral rule-making inherent in the JSIs, given that this may “erode the integrity of the rule-based multilateral trading system by subverting established rules and foundational principles of the Marrakesh Agreement” (WT/GC/W/819). There is a systemic concern that consenting to the IFD could create a precedent for greater reliance on plurilateral agreements within the WTO where no official negotiation mandate exists – to the detriment of the existing multilateral DDA (Interview 15; Kelsey 2022). The latter includes issues that are of particular importance to developing countries, such as agriculture. In the case of the IFD, some members reject the alleged neoliberal underpinning of the agreement’s approach to investment facilitation (Interview 28). Nevertheless, the agreement has attracted extremely broad support, including among developing countries, which seems to render these justifications questionable. According to a number of trade diplomats among the JSI proponents, “the substance isn’t there to oppose it” (Interview 25; also Interview 26), and “it’s a no-brainer” (Interview 5). Some proponents suspect that India’s opposition to the IFD reflects an attempt to increase its bargaining leverage on other issues that are more significant to the country, such as the public food-stockholding exemption (Interviews 12 and 14).

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(Interview 33)

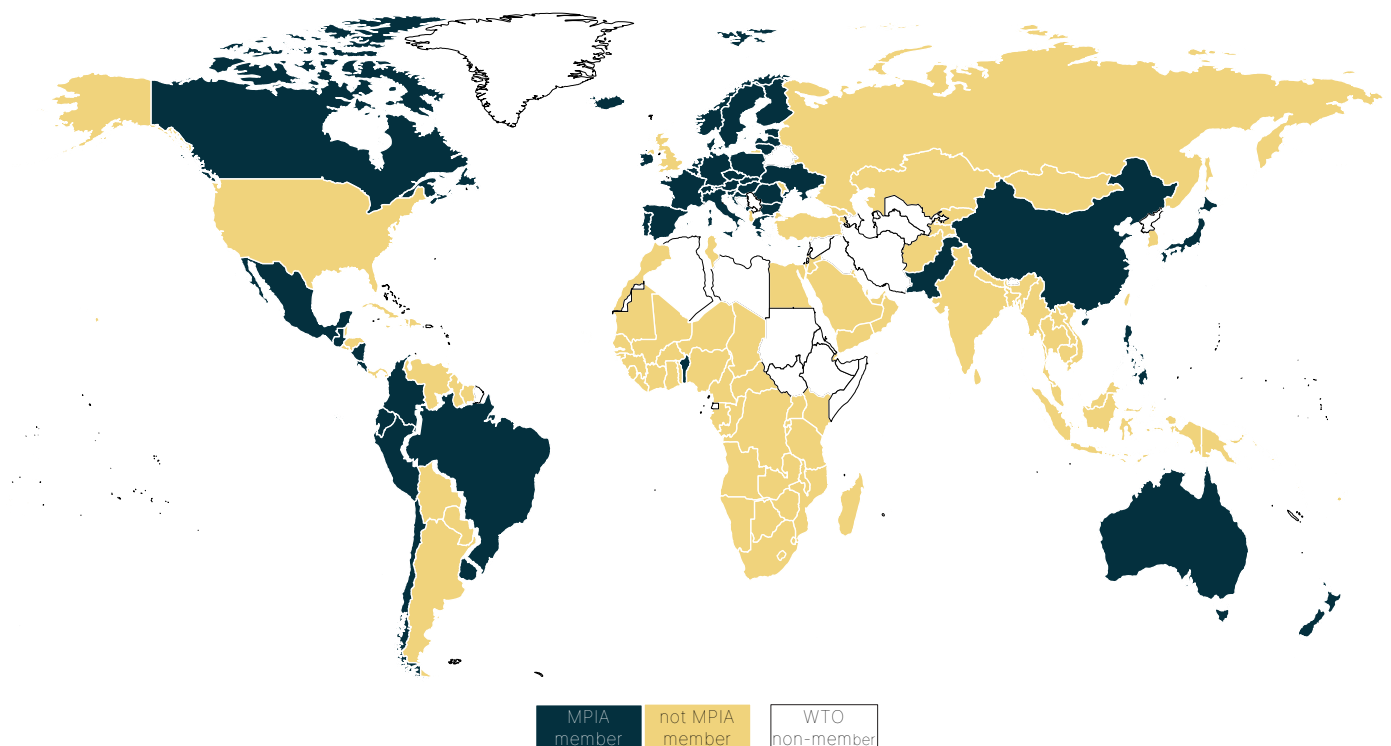
This illustrates a trade-off between democracy and effectiveness within the WTO. The consensus rule means that even members who are not party to an agreement need to agree to include it in the WTO rules. This makes it very difficult to move forward for those members who arguably prioritise output (effectiveness) on the unmandated JSI agendas over consensus. As one national diplomat put it: “If everybody insists on a very rigid definition of multilateralism, meaning 166 [members], then I think the WTO is doomed. It’s finished. Because the world has changed, and the WTO must change” (Interview 33). Some members have voiced concerns about the consensus rule more broadly, emphasising that the ability of one member or a small group of members to block initiatives should be questioned if the WTO is ever to move forward. Singapore has attempted to introduce the notion of ‘responsible consensus’ as a way to change the practice of consensus decision-making. While many WTO members welcomed deliberations at the ambassadorial level on how to use consensus more responsibly, this initiative has not yet brought about a change in negotiation practices (Interviews 3, 14, 25, 26, and 34).

Dispute Settlement Reform

Since the mid-2010s, the DSM has come under intensifying criticism from the US (United States Trade Representative 2020). As already mentioned, the key target of this critique has been the work of the DSM AB, the second tier of the mechanism by which states may appeal cases following a first-tier panel ruling. DSM panels are formed ad hoc for each individual case, drawing experts from an appropriate pool in each instance: the AB was designed as a small, permanent body with the power to review these panel rulings.

The central critique levelled by the US is that this body has been systematically overstepping its mandate and engaging in rule-making by interpreting the existing agreements beyond what the members themselves have agreed, thus disregarding the political will of the membership (United States Trade Representative 2020; Interviews 7 and 9). From the US perspective, the key concern is the way in which the AB's interpretation of its mandate has led to rulings in China's favour. In particular, the US has complained about frequent rulings against US anti-dumping measures and other trade remedies that target China (Bown 2022; Interview 9). Dispute settlement has also been criticised for the excessive length of procedures of the AB and the prolonging of judges' mandates in order to finish the ongoing cases (Creamer 2019, 52). The practical implication of the US position is that the AB has not been operational since 2019, and any member who is dissatisfied with a DSM panel ruling may simply appeal the case for review by the non-operational AB, effectively placing the case in limbo.

Figure 2: Countries' Membership in the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) as of February 2025



Source: Authors' figure based on data from the Geneva Trade Platform (https://wto plurilaterals.info/plural_initiative/the-mpia/, accessed February 28, 2025)

As one response to this situation, in 2020 a diverse group of members – including the EU – developed the MPIA, a mechanism that effectively replicates the original DSM AB by using Article 25 of the DSU, which gives members the right to seek adjudication of their conflicts via an alternative arbitration mechanism (Pelc 2024; Schuette and Dijkstra 2023). Currently, the MPIA has 53 members if each EU member state is counted individually, or 27 if the EU is counted as one member. It includes China, Brazil, Canada, and Mexico as founding members, among others, and Japan has been a member since 2023, as captured in Figure 2.

Dispute Settlement Mechanism reform is routinely identified as the single most important reform agenda for the WTO.

In parallel with the MPIA, negotiations on DSM reform are ongoing – particularly since 2023, with a mechanism for intensive and generally constructive talks on the specific points on which the US has criticised the AB (Interviews 9, 11, and 12). This so-called ‘Molina Process’ has led to the creation of a draft reform proposal, presented to the General Council (JOB/GC/385), which claims to have identified workable compromises on the majority of issues on which members disagreed. While some members perceive this process as a genuine reform-focused endeavour with a realistic chance of yielding reform that would be acceptable to all (Interview 9), others have pointed out that the process did not address the most contentious issue – namely the security exception (Interviews 5 and 12). This “elephant in the room” (Interviews 11 and 15) has emerged as a central point in the US position, which holds that the DSM should not be able to rule on how states use the security exception built into the WTO framework (JOB/DSB/10; Maruyama and Wolff 2023). The US has made it clear that it will not support any DSM reform which would allow the body to determine whether a specific step taken by a member state is legitimately justified according to the security exception.

In contrast to the US, most other members prefer to restore the old system, with certain reforms. Indeed, DSM reform is routinely identified as the single most important reform agenda for the WTO (Interviews 2 and 14). As one national diplomat said: “we of course defend the wish to get back to a system where we have a review, appeal, and review possibility” (Interview 30). In parallel, however, other members – such as India and Indonesia – have begun to make use of the AB blockage in order to uphold protectionist trade measures that the DSM panel ruled discriminatory (Hopewell 2024). Such countries may be increasingly unwilling to go back to the old system. While the deadline for achieving full DSM reform by the end of 2024 was not met (JOB/GC/DSR/5), members did recognise a level of serious engagement in the reform negotiations: “everybody who has a stake in it has participated” (Interview 35; also Interviews 15 and 9). This situation is unlikely to continue under the new Trump administration (Interview 6).

In this light, members have started to consider alternative pathways for the multilateral reform process, such as a dispute settlement system that does not include the US – “maybe the current system as it stands just without the US” (Interview 28; also Interviews 15 and 30) – or reliance on bilateral arrangements to settle disputes. Either way, members recognise

the danger that the culture of ignoring WTO rulings (Interview 33) will undermine multilateralism: “Every time there is an appeal into the void, it pushes us in the direction of ‘rules don’t matter’” (Interview 32).

“Every time there is an appeal into the void, it pushes us in the direction of ‘rules don’t matter.’”

(Interview 32)

DSM reform is key to the WTO’s robustness, as the US challenge has undermined the integrity of one of the WTO’s key organs. Moreover, reform is also important for the organisation’s effectiveness. Without a functioning DSM, the organisation has no means to enforce existing rules, and even blatant violations of members’ obligations may pass without a formal condemnation, let alone punishment (Dijkstra et al. 2025, 79). This also discourages negotiations on new rules, which further undermines the organisation’s effectiveness.

Deliberations on New Agendas: Industrial Policy and Security

The third major area in need of reform, as introduced above, pertains to the broad and diverse field of industrial policy and subsidies, to the relationship between trade and security, and to trade and the environment. The latter area is discussed extensively in a separate ENSURED report (Petri and Karlas 2025).

Subsidies, and industrial policy more broadly, have emerged over the last decade as one of the most contentious areas within the WTO. This emergence is prominently linked to China and its political economy model, in which growth and exports rely heavily on the state’s identification of priority areas (e.g., the Made in China 2025 strategy; Interviews 5 and 19) and on heavy, often opaque support for the industries thus identified (Wolfe 2017). As a wide swathe of WTO members see it, “challenges posed by China are very fundamental” (Interview 6), and the large role the state plays in the operation of the Chinese economy, with massive subsidies that undermine the notion of a ‘level playing field,’ has become extremely politically sensitive (e.g., Interviews 6, 7, 12, 16, and 19; see also Tan and Davis 2023). At the same time, Western members have also been engaging in far-reaching industrial policy projects in recent years, such as the Inflation Reduction Act in the US or European Green Deal in the EU (Interview 2).

Another area in which the WTO is facing a similar challenge is the extent to which the above-mentioned security exception is used: according to the GATT, a member state is entitled to take “any action which it considers necessary for the protection of its essential security interests” in several circumstances, including – broadly – “in time of war or other emergency in international relations” (GATT, Article 21). While it seems clear that the WTO cannot decide on security measures for its member states, it has also become apparent that, when misused, the security exception can profoundly impact members’ rights. Therefore, some guardrails for its use will be necessary in the future (Interviews 5 and 11).

Both of these areas reflect the fact that non-trade concerns are impacting the logic of commercially oriented negotiations and states' relations in the organisation (Beattie 2024). As industrial policy and security concerns are becoming important factors in state trade-policy formulations, the global trade regime needs to develop a response to their trade-distorting effects. Yet the WTO lacks the instruments with which to do so, as its members are simply unwilling to sacrifice their non-trade concerns for the sake of trade (Maruyama and Wolff 2023; Guzman and Stiglitz 2024; Elsig 2023). Indeed, on topics such as subsidies, some interviewees considered the likelihood of being able to negotiate multilateral rules as "exactly zero" – at least in the short-term (Interview 32; also Interviews 19 and 29).

When misused, the security exception can profoundly impact members' rights. Therefore, some guardrails for its use will be necessary in the future.

In responding to this tension, members have been exploring ways to put such issues on the agenda – at least in informal, exploratory deliberations aimed at information exchange, without currently expecting that these deliberations will be converted into negotiations on new trade rules (Interview 18). Members including the EU (WT/GC/W/864) have highlighted strengthening the WTO's deliberative function as an important area for reform. One prominent example of this is a series of meetings on industrial policy with high-level participation, which have been taking place regularly since 2023 (World Trade Organization 2023a). According to a number of members, these deliberations are fruitful in that they allow politically important matters to remain on the WTO agenda (Interviews 11 and 14). The situation is more difficult when it comes to the security exception, since this is a key point of contention in the DSM-reform negotiations.

These two agendas illustrate how WTO members are seeking to enhance the organisation's effectiveness by means of low-key, information-oriented mechanisms in areas where formal cooperation with legalised elements is impossible due to divergences in member preferences.

Everyday WTO Work

Enhancing transparency among members and engaging them in continuous interaction on emerging conflicts constitutes a broader important function for the WTO. These admittedly softer tools are intended to enable coordination and mutual understanding to effectively avert unnecessary conflicts (Interview 18). In seeking to boost the effective performance of this function, the WTO has engaged in the 'reform by doing' housekeeping process, aimed especially at improving the functionality of the work done by WTO committees, as mandated at MC12 in 2022 (WT/MIN(22)/24, Art. 3). Individual committees have discussed ways to improve their operations and introduced more than 100 specific changes in areas such as timely access to information and organisation of meetings, digitalisation of processes, or assistance to delegates, for example in the form of training on WTO procedures (G/L/1523, WT/MIN(24)/7). Some WTO members do not see much value in this process – "we've achieved very little under that" (Interview 25) – but for the most part, members appreciate that

some procedural improvements have been achieved. Clearly, when progress on politically sensitive agendas is elusive, improvements in the WTO's daily working procedures are welcome (Interviews 18 and 26). In this context, it seems notable that interviewees consistently highlighted certain committees, pointing out their ability to deliver results and provide a forum for effective interaction among members in a less politicised manner – the committees on Technical Barrier to Trade and Sanitary and Phytosanitary Measures were repeatedly mentioned as examples in interviews (Interviews 18 and 19). Yet overall, since MC13 in 2024, the 'reform by doing' agenda has shifted into the background (Interview 31).

Unexploited Potential for Reform

WTO members have engaged in reforms that seek to address profound challenges to the organisation, yet with only limited tangible success. The major challenge to the ongoing attempts at effectiveness-oriented reform is that the key members disagree radically on what the organisation should prioritise, and some appear relatively content with the status quo. At present, the US in particular – and likely also the EU and other members in the near future – takes the view that the WTO is failing to push China into a more open trade model and thus to ensure competition on a level playing field. Hence, it is proving ineffective in securing their key interest. In contrast, China wants to restore effective enforcement of existing market access rules and, along with the EU, supports the restoration of the DSM.

The challenge with reform
is that the key members
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India insists that, prior to addressing any of the 'new' agendas embedded in the plurilateral initiatives, the legacy agendas connected to agriculture in particular need to be addressed, including extensive S&DT provisions for developing countries.

On the issue of robustness, the most prominent challenge to organisational stability thus far is the US critique of the DSM AB. No open, direct challenge has yet been raised concerning the WTO budget, personnel, or leadership – although it is clear that the new US administration is not content with the current Director General's strong focus on development or her last-minute re-election at the end of Joe Biden's presidency (POLITICO 2024b). In late March 2025, sources suggested that the US administration is considering whether to stop making budgetary contributions to the organisation (Reuters 2025b). Furthermore, the WTO budget has secured only minor growth over the last 15 years, and the organisation may be sensitive to possible pressures from large members on this front. However, it is worth noting that the US 'only' contributes around 12 percent of the WTO's regular budget – much less in terms of percentage than it contributes to other international organisations. Nevertheless, the real challenge to robustness is looming on the rule-stability front, with the US openly undermining the MFN principle on the grounds of either national security or fairness.

When it comes to democracy, while minor considerations have been voiced with regard to non-state actors' participation, the main challenge is connected to state participation in WTO reform considerations. Some members see the WTO as too narrowly constrained by consensus decision-

making and are arguing that individual members should have *less* ability to block progress. Other members disagree, strongly insisting that the WTO is and must remain a consensus-based organisation (Interview 28). A shift away from the DDA single-undertaking design towards plurilateral negotiations has seemed to limit individual members' ability to frustrate progress in negotiations. Yet clearly this has not stopped some members – currently most notably India – from preventing the inclusion of plurilateral agreements in the WTO rulebook as Annex IV agreements.

The WTO does not offer space for reform in the hard law-based agendas connected with rule-making and enforcement.

Based on the currently available evidence, the WTO does not offer space for reform in the hard law-based agendas connected with (multilateral) rule-making and enforcement. In the words of one interviewee: “this is not the time for reforms, political challenges are real” (Interview 36). Where reforms are possible, it is in piecemeal steps focused on improved transparency and deliberation-centred activities among members, as well as the organisation's daily operations. In line with this, the most recent Abu Dhabi MC in 2024 was seen as a defence of the status quo rather than a negotiation of new rules: “these were just blocking stones not to fall back. It was not really going forward” (Interview 30). At the same time, from the perspective of a large number of WTO members, defence of the organisation needs to come now (e.g., Interviews 6, 11, and 33). Multilaterally minded members may hope that the political-economy logic of mutually beneficial trade cooperation prevails in the medium-term, and that a window of opportunity for rule making and DSM restoration opens (Interview 33; Furman 2025).

EU Support for WTO Reform

Within the WTO, the EU and its member states are represented by the European Commission, as the Treaty on the Functioning of the European Union grants the EU exclusive competence over trade within the common commercial policy. While the specific trade priorities of individual member states vary and may differ from those of Brussels on concrete issues (Interview 37), this gives the EU a unified voice within the WTO and enables

Many WTO members see the EU as having an active role in pushing effectiveness- and robustness-centred reform attempts.

it to pursue its interests with the power of one of the three WTO giants – in terms of their share of world trade – alongside the US and China. This is a unique feature of the EU and its members' representation, compared to other international organisations.

The EU is largely seen by the rest of the WTO membership as constructive, engaged, and multilaterally oriented – a “true believer in multilateralism” (Interviews 6 and 14, both non-EU WTO representatives). The EU has acted as a leader on important reform initiatives, such as the construction of the MPIA (Pelc 2024; Hopewell 2021). In other areas, it is seen as one of the key participants in and supporters of reform – such as in the plurilateral agreements in which the EU has taken an active role, including JSIs on e-commerce; IFD; services; and micro-, small-, and medium-size enterprises. It was also among the initiators of the informal deliberations on subsidies (WT/GC/W/864). In sum, many WTO members see the EU as having an active role in pushing effectiveness- and robustness-centred reform attempts within the WTO.

This view notwithstanding, the EU has at times been criticised for its rigid approach and its inability – or unwillingness – to address with sufficient assertiveness the fundamental challenges which China in particular poses to the WTO (Interview 6). Some members accuse the EU of hiding behind the US and defending even those elements of the WTO framework that urgently need reform. Developing countries are also sometimes critical of the EU's inability to address key developmental challenges directly and

“How can we trust [you] if you say, we are fully committed to strengthen multilateralism, but you're taking unilateral measures?” (Interview 34)

of its largely unilateral measures on the environmental agenda, which have been adopted with little concern for their effects on developing countries and with insufficient coordination to allow these countries to prepare for the disturbances such measures cause (Interview 32). As one non-EU diplomat stated: “how can we trust [you] if you say, we are fully committed to strengthen multilateralism, but you're taking unilateral measures?” (Interview 34).

Regarding the EU's role, some WTO members expect that the EU will defend the system against threats from the Trump administration (e.g., Interview 37). Several representatives mentioned in interviews that defending the WTO system may be the main agenda for the upcoming four years (e.g., Interviews 32 and 33), with claims such as: “the like-minded countries must pull together and keep the system going” (Interview 33; see also Wolff 2025). This is most pertinent when it comes

to the MPIA. Yet there is widespread scepticism concerning the extent to which the MPIA may grow its membership beyond the current 53 members (Interviews 11, 14, and 19), as most developing countries have been sceptical about joining and fear that its creation will cause fragmentation in WTO law (Afronomicslaw.org 2023; Interview 28). Moreover, the fact that some large members – notably the US and India – are not members of the MPIA severely undermines its perceived usefulness (Interview 33).

In evaluating the EU's actions, a few constraints are notable. First, the EU is far more dependent on trade than the US – the trade-to-GDP ratio is almost twice as high for the EU as it is for the US (and also higher than it is for India and China; see World Trade Organization 2023b). The fact that the EU's counterparts are less dependent on trade gives them more bargaining leverage in WTO reform talks (Interviews 7 and 16). As the former director at DG Trade, Ignacio Bercero, noted: “the EU would be existentially damaged if the WTO system were to collapse” (2025). Second, this trade dependence is complemented by the EU's high dependence on China, as compared to the US (Lovely and Yan 2024), and its reliance on the US for its regional security, as well as the exceedingly difficult geopolitical situation following the Russian invasion of Ukraine and the dramatic shift in the US position on the conflict in early 2025 (Reuters 2025c). This context is important for the EU's position. On the one hand, the EU has more interest in WTO reform, which drives its proactive approach in the WTO. On the other hand, its weaker geopolitical position seems to impose limits on how far the EU may be willing to go – for example, in supporting multilateralism in its unfolding trade conflict with the US (Interview 16). The EU's own overall geoeconomic turn and greater readiness to use geoeconomic tools (Gómez-Hernández 2024) may easily lead to situations in which it will need to choose between multilateral rules and its tangible trade or non-trade interests – and the latter will likely prevail.

Conclusion: The Future of the Global Trade Regime

The reforms attempted within the WTO in recent years were intended to respond to the profound challenges faced by the organisation: namely its inability to update its rulebook and the blockage of the DSM. Our analysis shows that these attempts at reform have been largely unsuccessful thus far. The DSM has not been reformed, and with the advent of the second Trump administration, the short-term prospects for its restoration are meagre. Major plurilateral agreements have been concluded, but to date their full inclusion in the WTO framework has been blocked by several members.

While this lack of effectiveness could be blamed on the WTO's consensus principle, our analysis indicates that the issue of democratic consensus is not the main stumbling block. Notably, in the areas of both DSM reform and plurilateral agreements, the individual countries blocking change are major powers – the US in the former case, India along with several smaller members in the latter. While we have identified a clear trade-off between effectiveness and democracy, the latter associated here with consensus decision-making, the problem that the WTO is facing is not blackmail by

The key to understanding problems with WTO reform is recognising the radically divergent views on what an effective WTO looks like.

individual small states. Instead, the lack of reform reflects deep underlying disagreements among the major powers. The key to understanding the problems with WTO reform is recognising the deeply divergent views among key members about what the WTO should be doing; it is not a matter of individual institutional provisions or specific, well-defined disagreements (Interview 6).

Modest reform achievements have been largely possible within activities that are de-politicised, often informal, deliberative, and focused on information exchange – areas decoupled from formal legalised processes (Roger 2020). This observation feeds into the debates in international relations on the importance of 'low-cost' cooperation formats (Abbott and Faude 2020). Yet such informality has an inherent tendency to produce asymmetries in members' ability to benefit from membership in the organisation (Stone 2011) and is potentially at odds with its democratic qualities.

To date, concerns about democracy and robustness have been much weaker within the WTO, and attempts at reform have primarily addressed the effectiveness gap, as conceptualised in the ENSURED project (Choi et al. 2024). At this stage, reforms aimed at increasing democracy within the WTO are not on the table. Regarding the organisation's robustness, the situation is changing rapidly. In early 2025, the second Trump administration took steps that directly challenged the WTO's core MFN principle, and at present, the US is openly disregarding its obligations under the WTO. This report does not attempt to judge the validity of the reasons the US employs in imposing tariffs on China, for example, or the

logic underpinning the imposition of 'reciprocal' tariffs. However, we have highlighted the fact that such steps will most likely cut to the core of the WTO's norms, and thus threaten its robustness as well. At the time of writing, in April 2025, the US trade policy is so volatile that it is impossible to predict the long-term impacts on the WTO.

As a result of this situation, the global trade regime is open to a range of possible scenarios in the years to come. On one end, we see WTO members – especially the most powerful – increasingly resorting to unilateral measures and gradually (or possibly abruptly) undermining institutionalised cooperation within the regime. A complementary strategy for many members will be the intensified pursuit of regional trade agreements and free-trade agreements, such as the EU's concluded EU–Mercosur and updated EU–Mexico agreements, as well as ongoing negotiations on EU–India and EU–Indonesia agreements. At the other end of the continuum lies the possibility of a WTO revival in the medium-term, building on the fact that for many members – if not all – the WTO continues to provide genuine value that needs to be defended (e.g., Interviews 6, 11, and 18). These multilaterally oriented actors may continue to expect that a more favourable reform environment will eventually re-emerge, especially when the economic effects of the current rise of protectionism start to negatively impact WTO members' economic performance.

List of Interviews

Number	Date	Interviewee	Location
1	09/13/2024	WTO official	Geneva
2	09/17/2024	National/member diplomat	Geneva
3	09/19/2024	National/member diplomat	Geneva
4	09/19/2024	National/member diplomat	Geneva
5	09/19/2024	National/member diplomat(s)	Geneva
6	02/04/2025	National/member diplomat	Geneva
7	02/04/2025	National/member diplomat	Geneva
8	02/04/2025	WTO official	Geneva
9	02/04/2025	National/member diplomat	Geneva
10	02/05/2025	WTO official	Geneva
11	02/05/2025	National/member diplomat	Geneva
12	02/05/2025	National/member diplomat(s)	Geneva
13	02/05/2025	National/member diplomat	Geneva
14	02/06/2025	National/member diplomat(s)	Geneva
15	02/06/2025	National/member diplomat(s)	Geneva
16	02/06/2025	National/member diplomat(s)	Geneva
17	02/06/2025	National/member diplomat(s)	Geneva
18	02/07/2025	National/member diplomat	Geneva
19	02/07/2025	National/member diplomat	Geneva
20	10/17/2024	National/member diplomat	Geneva
21	11/04/2024	National/member diplomat	Geneva
22	11/04/2024	WTO official	Geneva
23	11/04/2024	WTO official(s)	Geneva
24	11/04/2024	National/member diplomat	Geneva
25	11/05/2024	National/member diplomat	Geneva
26	11/05/2024	National/member diplomat(s)	Geneva
27	11/06/2024	National/member diplomat	Geneva
28	11/06/2024	National/member diplomat(s)	Geneva
29	11/06/2024	National/member diplomat	Geneva
30	11/06/2024	National/member diplomat	Geneva
31	11/06/2024	National/member diplomat	Geneva
32	11/07/2024	National/member diplomat	Geneva
33	11/07/2024	National/member diplomat	Geneva
34	11/07/2024	National/member diplomat	Geneva
35	11/07/2024	National/member diplomat(s)	Geneva
36	11/08/2024	National/member diplomat	Geneva
37	11/08/2024	National/member diplomat	Geneva
38	11/08/2024	National/member diplomat	Geneva

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Reinhardtstr. 7
10117 Berlin
Germany
ensured@gppi.net