

A Multilateral Trading System in the Wake of US Reciprocal Tariffs: The Multilateralization Dilemma of Bilateral Preferential Treatment and Policy Responses

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Abstract: This paper examines the impact of the US reciprocal tariff measures under the Trump Administration on the multilateral trading system, and analyzes the dilemma that other economies face when preferential treatment offered bilaterally to the US conflicts with multilateral obligations. Through its opaque bilateral arrangements, the US measures not only violate core WTO disciplines, such as tariff bindings and Most-Favoured-Nation (MFN) treatment, but also amplify uncertainty in international economic relations. Due to unilateral US pressure, most economies have adopted defensive, unilateral responses rather than coordinated collective actions, leaving the WTO's collective coordination mechanisms largely ineffective. The multilateralization problem arising from bilateral preferential treatment to the US highlights a crucial question: whether Members will reaffirm the universal application of MFN treatment, enhance information sharing and policy transparency, and thus preserve the operational integrity of the multilateral system. Members still have three strategic options for responding to US reciprocal tariffs: maintaining unilateral self-help measures, jointly defending multilateral rules, or seeking advantages through bilateral agreements. Ultimately, this paper concludes that the future authority and effectiveness of the multilateral trading system depend on the willingness of its Members to move beyond short-term self-protection to proactive collective actions.

Keywords: Reciprocal Tariffs, WTO, Most-Favoured-Nation Treatment, Bilateral Preferences

I. INTRODUCTION

With the return of the Trump Administration to power in early 2025, the US has comprehensively strengthened an external trade policy that places a high priority on unilateralism and protectionism. Among its initiatives, the most

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emblematic is the so-called reciprocal tariff policy, which is framed as an effort to promote fair competition.¹

A few countries have responded to US pressure by retaliating in a limited manner, while others have used negotiation or regional coordination to secure preferential treatment or mitigate losses. As a result of these divergent responses, the collective application of trade rules has been fragmented and the asymmetry of obligations within the multilateral system has been exacerbated. In view of the fact that bilateral preferential arrangements granted to the US remain limited to bilateral or regional settings, their non-extension to other Members illustrates the growing difficulty of multilateralizing them. This fragmentation not only undermines the principle of non-discrimination, but also exposes the institutional limitations of the WTO's ability to ensure equitable treatment among its Members.

In light of this premise, this paper examines the impact of the US reciprocal tariff measures on the multilateral trading system. An analysis of individual economies' responses to the unilateral tariff measures of the US follows. Specifically, the paper examines the bilateral trade concessions or market access commitments (bilateral preferential treatments) made by these economies to the US. The following section examines whether these bilateral preferential treatments can be multilateralized. This is accompanied by a discussion of the challenges that may arise as a result. In the fifth section, the paper outlines three potential strategies for WTO Members: maintaining the current pattern of unilateral reactions, jointly safeguarding multilateral rules, or seeking limited benefits through bilateral measures. It is argued in this paper that the future of the multilateral trading system depends on whether

1 White House, Fact Sheet: President Donald J. Trump Announces "Fair and Reciprocal Plan" on Trade, <https://www.whitehouse.gov/fact-sheets/2025/02/fact-sheet-president-donald-j-trump-announces-fair-and-reciprocal-plan-on-trade> (Last Visited on January 19, 2026); Centre for Economic Policy Research (CEPR) VoxEU, US Reciprocal Tariffs Upending Global Trade Policy Landscape, <https://cepr.org/voxeu/columns/us-reciprocal-tariffs-upending-global-trade-policy-landscape> (Last Visited on January 19, 2026); Robert Z. Lawrence, "Reciprocal" Tariffs, What Are They Really for? <https://www.piie.com/sites/default/files/2025-08/pb25-6.pdf> (Last Visited on January 19, 2026); As of October 2025, the US government has claimed to have concluded a series of bilateral trade deals with multiple countries, setting differentiated tariff rates for various economies under the so-called principle of reciprocity, see Holland & Knight, Reciprocal Tariff Update: State of Bilateral Negotiations, <https://www.hklaw.com/en/insights/publications/2025/07/reciprocal-tariff-update-state-of-bilateral-negotiations> (Last Visited on January 19, 2026).

its Members can move beyond short-term defensive strategies and embrace proactive collective actions; otherwise, its institutional authority and functional effectiveness will continue to erode.

II. THE IMPACTS OF US MEASURES ON THE MULTILATERAL TRADING SYSTEM

The US has developed two distinct types of external arrangements for implementing reciprocal tariff policy: one consists of framework-based or politically driven understandings with advanced economies such as the European Union, the United Kingdom, and Japan; the other involves formal reciprocal trade agreements with developing economies such as Cambodia, Thailand, and Malaysia.

In the first type of arrangement, the US has primarily advanced the agenda of “tariff reciprocity” through political dialogue and declaration mechanisms. For instance, the US and the European Union established an ongoing negotiation mechanism regarding steel, aluminum, and automobile tariffs under the Framework on an Agreement on Reciprocal, Fair and Balanced Trade.² Similarly, the US and Japan have conducted phased consultations on digital trade and agricultural market access. These arrangements are not formal treaties, but rather political frameworks for the coordination of policies and the exchange of interests. They lack transparency and binding force, and their provisions can be adjusted in responses to political cycles or shifting economic priorities, thereby exhibiting a high degree of institutional uncertainty.³ As Pauwelyn observes, such politically malleable agreements blur the line between rules and power, further reducing institutional transparency and predictability.⁴

² US Department of Commerce, Joint Statement on a United States-European Union Framework on an Agreement on Reciprocal, Fair, and Balanced Trade, <https://www.commerce.gov/news/press-releases/2025/08/joint-statement-united-states-european-union-framework-agreement> (Last Visited on January 19, 2026); Squire Patton Boggs, EU and US Publish Joint Statement on Framework for Trade Negotiations, <https://www.squirepattonboggs.com/insights/publications/eu-and-us-publish-joint-statement-on-framework-for-trade-negotiations/> (Last Visited on January 19, 2026).

³ Inga Fechner, Trade Update: Reciprocal Tariffs, Fragile Deals and Legal Uncertainty, <https://think.ing.com/articles/trade-update-reciprocal-tariffs-fragile-deals-and-legal-uncertainty> (Last Visited on January 19, 2026).

⁴ Joost Pauwelyn, How the US Reciprocal Tariff Plan May Save the Global Trading System, *World Trade Review*, Vol. 24, No. 4, 2025, pp. 509–514.

The second type of arrangement is the Reciprocal Trade Agreements that the US recently signed with Cambodia, Thailand, and Malaysia.⁵ There is a complete legal framework and enforcement mechanism for these agreements, covering a wide range of topics, including tariff reductions, non-tariff barriers, intellectual property, digital trade, environmental and labor standards, investment, and national security. As an example, the US-Cambodia Reciprocal Trade Agreement explicitly requires Cambodia to liberalize trade with the US in such areas as tariffs, import licensing, technical standards, digital taxation, and export controls.⁶ In addition, several public statements indicate that the agreement contains provisions for cooperation in preventing third-country tariff evasion, investment screening, and export control coordination, which may have implications for economies such as China.⁷ In the context of these bilateral relationships, this model enshrines the *de facto* primacy of US regulatory standards.

It is important to note that although these two types of arrangements differ in their legal form, they nevertheless work in the same direction. The first erodes transparency through flexibility, whereas the second institutionalizes differential treatment, together revealing the decline of multilateralism.

A. Direct Violations of Core WTO Obligations

The US government's reciprocal tariff policy constitutes a clear, serious, and

⁵ White House, Memorandum of Understanding between the Government of the United States of America and the Government of Malaysia concerning Cooperation to Diversify Global Critical Minerals Supply Chains and Promote Investments, <https://www.whitehouse.gov/briefings-statements/2025/10/memorandum-of-understanding-between-the-government-of-the-united-states-of-america-and-the-government-of-malaysia-concerning-cooperation-to-diversify-global-critical-minerals-supply-chains-and-promote/> (Last Visited on January 19, 2026); White House, Agreement between the United States of America and the Kingdom of Cambodia on Reciprocal Trade, <https://www.whitehouse.gov/briefings-statements/2025/10/agreement-between-the-united-states-of-america-and-the-kingdom-of-cambodia-on-reciprocal-trade/> (Last Visited on January 19, 2026); White House, Memorandum of Understanding between the Government of the United States of America and the Government of the Kingdom of Thailand concerning Cooperation to Diversify Global Critical Minerals Supply Chains, <https://www.whitehouse.gov/briefings-statements/2025/10/memorandum-of-understanding-between-the-government-of-the-united-states-of-america-and-the-government-of-the-kingdom-of-thailand-concerning-cooperation-to-diversify-global-critical-minerals-supply-chain/> (Last Visited on January 19, 2026).

⁶ *Ibid.*

⁷ Politico, Trump Finalizes Trade Deals with 2 Southeast Asian Countries that Contain Provisions Aimed against China, <https://www.politico.com/news/2025/10/26/trump-trade-deals-malaysia-cambodia-00623129> (Last Visited On January 19, 2026).

unprecedented violation of existing WTO rules. Under the General Agreement on Tariffs and Trade (GATT) and related agreements, Member states are required to strictly observe their bound tariff commitments and to treat all Members equally under the Most-Favoured-Nation (MFN) treatment. As a result of this institutional design, the multilateral trading system is non-discriminatory and transparent.⁸ By unilaterally imposing reciprocal tariffs on the pretext of aligning them with the tariff levels of its trading partners, the US has blatantly violated these core obligations, thereby undermining the predictability and mutual trust intended by the tariff-binding mechanism. As such departures from bound commitments become normalized, it risks transforming a rules-based system into one governed by power and reciprocity, eroding the very logic of multilateralism.⁹

B. Erosion of Multilateral Rule-based Governance

Clearly, the implications of this US policy for the international trading system extend far beyond a simple violation of rules. This has reconfigured the logic of global economic relations: a framework once sustained by multilateral negotiation and rules-based discipline is increasingly giving way to political bargaining and bilateral arrangements. Using bilateral pressure, the US has influenced certain economies to grant preferential access, procurement commitments, and tariff reductions tailored to US interests, thus accelerating the transition from multilateral regulation to bilateral trade. Global trade relations may become fragmented, provisional, and unpredictable as this form of transactional diplomacy spreads, diminishing the WTO's authority as the central mechanism for coordination at the multilateral level.¹⁰ In a more fundamental sense, these unilateral measures have altered the institutional logic of international trade and placed other economies in a strategic bind.

⁸ World Trade Organization, Principles of the Trading System, https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm (Last Visited on January 19, 2026).

⁹ Richard Baldwin and Giorgio Barba Navaretti, US Misuse of Tariff Reciprocity and What the World Should Do about It, CEPR VoxEU, London, 2025, <https://cepr.org/voxeu/columns/us-misuse-tariff-reciprocity-and-what-world-should-do-about-it> (Last Visited on January 19, 2026).

¹⁰ Mark Linscott, Trump's Reciprocal Tariffs Trace Back to the WTO, Hinrich Foundation Research Article, 2025, <https://www.hinrichfoundation.com/research/article/trade-distortion-and-protectionism/trump-reciprocal-tariffs-took-root-in-the-wto-failings/> (Last Visited on January 19, 2026).

C. Decline in the Collective Legitimacy of the Multilateral System

It has become increasingly complex as the US has publicly claimed that several economies have pledged to further open their markets to US products, lower tariff barriers, and, in certain sectors, even introduce zero-tariff treatment. This development raises a consequential institutional question: should such newly created preferences be made available to all Members under the MFN treatment? There is a broader and more systemic breach of the MFN treatment if these concessions are granted exclusively to the US without corresponding multilateral application.

Despite US unilateralism serving as the catalyst, the endurance of the multilateral trading system depends on how other Members respond. In addition to economic non-discrimination, the MFN treatment also acknowledges sovereign equality,¹¹ forming the underlying normative foundation for multilateral cooperation. By accepting or even actively cooperating with US-driven bilateral concessions, certain Members effectively legitimize the propriety of differential privileges. It is no longer possible to reaffirm the legitimacy of the system through the practice of equal participation when Members collectively respond with silence, hesitation, or fragmented bilateral adjustments. In the absence of equality in such interaction, the authority of rules loses both its social anchoring and its normative significance.

In addition, the erosion of institutional trust compounds this legitimacy deficit at the procedural level. There are a number of preferential arrangements toward the US that have not been notified to the WTO or incorporated into Member countries' schedules of concessions, impairing the ability of the organization to monitor and evaluate them.¹² Openness and accountability are essential to the legitimacy of international institutions.¹³ As transparency is replaced by political bargaining, predictability and mutual trust among Members deteriorate, creating a self-reinforcing cycle of institutional decline.

11 International Law Commission, Most-Favoured-Nation Clause: Final Report of the Study Group on the Most-Favoured-Nation Clause, 2015, https://legal.un.org/ilc/texts/instruments/english/reports/1_3_2015.pdf (Last Visited on January 19, 2026), p. 8, para. 37.

12 Third World Network, Trade: WTO Members Assert Bilateral Trade Deals with US Are Non-binding, <https://www.twn.my/title2/wto.info/2025/ti251005.htm> (Last Visited on January 19, 2026).

13 Ian Hurd, Legitimacy and Authority in International Politics, *International Organization*, Vol. 53, No. 2, 1999, p. 383.

In the longer run, the loss of legitimacy affects not only the WTO's normative authority but also the logic underpinning global economic governance. The principles of non-discrimination and universality are becoming increasingly fragmented and exceptional, leading to a shift from rule-based cooperation to power-based negotiation. The authority of international institutions is determined by the shared belief that their rules should be followed.¹⁴ Once that belief erodes, institutional constraint gives way to political expediency, which risks bringing about a power-driven, quasi-anarchic state in the global trading system.

In general, the US reciprocal tariff policy is driving the global trading system away from a rule-based order toward one that is increasingly influenced by power and strategic leverage. Therefore, the manner in which major economies respond to US unilateral pressure has become a critical factor determining the future trajectory of multilateral trade.

III. FRAGMENTED ADAPTATION TO US RECIPROCAL TARIFFS

There is a clear pattern of fragmented adaptation to the US reciprocal tariff measures. In responses to Washington's unilateral escalation of duties, most economies have acted independently, seeking to contain domestic shocks and safeguard short-term interests rather than pursuing coordinated collective action.¹⁵ In spite of the diversity of national conditions, these responses can be broadly categorized as three types: retaliatory reactions, strategic reorientation, and institutional alignment through negotiations.

A. Retaliation: From Symbolic Resistance to Tactical Accommodation

Retaliation is the most direct, but it is also the most limited option available. Economically, increasing counter-duties tend to reproduce the same logic of self-inflicted harm that underlies the US tariff. Politically, it is unlikely that a

¹⁴ C. Brölmann, Transparency as a Contested Fundamental in the Law of International Organizations, *International Organizations Law Review*, Vol. 20, No. 1, 2023, pp. 10–27.

¹⁵ ODI, US Implements Sweeping Reciprocal Tariffs, Igniting Global Economic Challenges, <https://odi.org/en/insights/us-implements-sweeping-reciprocal-tariffs-igniting-global-economic-challenges/> (Last Visited on January 19, 2026).

meaningful reversal will occur, as the US Administration has a strong belief in tariff reciprocity.

An example of this can be found in the European Union. When faced with high US tariffs on steel, aluminum, and automotive components, the EU initially announced retaliatory duties and filed a complaint with the WTO. Nevertheless, by mid-2025, this confrontational posture had given way to negotiation. The European Commission concluded a temporary framework with Washington in July, capping average tariffs on key exports of the EU at 15 percent in return for a suspension of further US actions.¹⁶ Following Brussels' suspension of its €93 billion retaliation package, talks were initiated in August on a new Transatlantic Trade Balance Framework.¹⁷ Through this evolution, retaliation has evolved into tactical accommodation: the attempt to mitigate losses through bilateral compromise rather than institutional defense.

B. Reorientation and Diversification: Soft Hedging Strategies

Redirecting exports and diversifying market exposure have emerged as pragmatic alternatives for smaller or trade-dependent economies. The process of shifting demand, however, requires time and considerable adjustment costs, since companies must identify and cultivate new buyers in unfamiliar markets in order to achieve this.

The Canadian government's policy trajectory exemplifies this approach. As a result of renewed threats from the US to raise tariffs on steel and automobiles, Ottawa has refrained from collective retaliation and instead pursued limited exemptions while increasing efforts to diversify exports to Asian markets. According to media reports in late October 2025, Canada announced plans to strengthen its export focus in Asia as part of a strategy to mitigate US trade pressure while maintaining an open dialogue with the US.¹⁸ In this manner,

¹⁶ European Commission, EU-US Trade Framework Agreement: Key Elements and Implementation Notes, https://policy.trade.ec.europa.eu/news/joint-statement-united-states-european-union-framework-agreement-reciprocal-fair-and-balanced-trade-2025-08-21_en (Last Visited on January 19, 2026).

¹⁷ RFI, EU Suspends Retaliatory Tariffs as It Finalises US Trade Deal, <https://www.rfi.fr/en/international/20250805-eu-suspends-retaliatory-tariffs-as-it-finalises-us-trade-deal> (Last Visited on January 19, 2026).

¹⁸ Financial Times, Canada's PM Mark Carney Courts Asia to Cut Economic Dependence on US, <https://www.ft.com/content/6b18c86b-fb1d-49fd-a674-b9fbdee0c8be> (Last Visited on January 19, 2026); The Malaysian Reserve, Canada Rebuilds Asia Trade Ties to Counter Trump Tariff Pain, <https://themalaysianreserve.com/2025/10/29/canada-rebuilds-asia-trade-ties-to-counter-trump-tariff-pain/> (Last Visited on January 19, 2026).

soft hedging avoids direct confrontation, maintains flexibility, and manages exposure through incremental diversification rather than institutional resistance.

C. Negotiation and Institutional Alignment: Dependent Reciprocity

A third option involves direct negotiations with the US, aligning domestic trade policies with Washington's expectations to avoid punitive tariffs or secure preferential treatment. By implementing this strategy, structural asymmetry is effectively transformed into policy dependence.

Malaysia is a good example of this approach. As a medium-sized open economy exposed to supply-chain realignments, it signed a Reciprocal Trade Agreement in October 2025 in order to safeguard its US market access.¹⁹ Although the agreement was framed as a mutual cooperation agreement, it in fact firmly entrenched Malaysia's reliance on US preferences and rules. As a result of this approach, institutional alignment is achieved through asymmetric reciprocity, which amounts to a calculated surrender of regulatory autonomy.

This fragmentation ultimately serves the strategic calculus of the US. By leveraging its market power and political influence, Washington is able to divide trading partners and negotiate with them individually, thereby transforming asymmetry into an advantage. With this strategy, the US not only maximizes its economic and political gains, but also promotes quiet competition among its partners over the extent of concessions that is offered.

Although the number of bilateral reciprocal agreements remains limited, the current trajectory suggests that this framework will continue to expand institutionally. Consequently, this dispersed, defensive, and uncoordinated response pattern is likely to persist in the foreseeable future. It is theoretically possible for major economies, particularly China and the EU, to coordinate initiatives in order to partially rebalance the structure of global trade governance. In practice, however, such a collective alignment has not taken place. As a result, most economies remain trapped in reactive, self-preserving strategies, which reinforce the fragmentation that undermines the multilateral system.

¹⁹ *Supra* n. 5, White House, Memorandum of Understanding between the Government of the United States of America and the Government of Malaysia concerning Cooperation to Diversify Global Critical Minerals Supply Chains and Promote.

IV. THE MULTILATERALIZATION DILEMMA OF BILATERAL PREFERENTIAL TREATMENT

Given the generally passive responses to US tariff measures, trade concessions made by some economies to the US have emerged as an unavoidable yet pragmatic policy option. This compromise can be seen not only in the acceptance of tariffs and quotas imposed by the US, but also in the increase in investment and import commitments toward the American markets, as well as in the proactive reduction of tariffs on US products and the relaxation of non-tariff barriers. Nevertheless, these bilateral preferences have raised a fundamental multilateral question: whether they should be simultaneously extended to other WTO Members under the MFN principle.

In practice, however, the issue is far more complex than simply whether the MFN treatment is being observed.

First, many of the recently concluded bilateral agreements with the US, including the US-Cambodia Reciprocal Trade Agreement and the US-Malaysia Reciprocal Trade Agreement, do not explicitly include provisions extending tariff concessions multilaterally. Rather, they invoke “rules of origin” and “national security exceptions” to restrict preferential treatment to products that originate in the US.²⁰ For instance, in Article 4.1 of the US-Cambodia Reciprocal Trade Agreement, it is explicitly stated that “the benefits of this Agreement to accrue substantially to [the Parties] and their nationals”. In order to provide the intended tariff treatment to US goods under this Agreement, Cambodia may promulgate measures to implement and administer rules of origin.²¹ Taken together, “rules of origin” and “national security exceptions” function as key legal instruments through which recent US bilateral agreements effectively circumscribe the operation of the MFN treatment, thereby legitimizing discriminatory liberalization through institutional and technical means.²²

Second, although some economies publicly affirm that they adhere to

²⁰ *Ibid.*

²¹ *Ibid.*, US-Cambodia Reciprocal Trade Agreement, Article 4.1.

²² International Economic Law and Policy Blog, The US Argument for Limiting MFN, <https://worldtradelaw.typepad.com/ielpblog/2025/12/the-us-argument-for-limiting-mfn.html> (Last Visited on January 19, 2026).

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multilateral obligations, their actual practices often reveal implicit forms of differential treatment. The European Commission, for instance, announced in August 2025 that import duties on selected US products, such as agricultural machinery and pharmaceutical preparations, would be reduced from 8% to 4%. However, this tariff concession was not implemented through a formal amendment to the EU Common Customs Tariff or notification to the WTO Committee on Market Access, but rather through a temporary administrative measure.²³ Although such unnotified tariff reductions do not violate WTO obligations in a formal sense, they undermine institutional transparency and reduce opportunities for other Members to obtain equivalent treatment.

The problem of limited multilateralization is even more acute in East Asia. In November 2025, South Korea and US concluded a memorandum of understanding outlining a framework for strategic investments and trade-related cooperation, following an October summit between the two countries' leaders.²⁴ The non-binding arrangement included commitments affecting tariffs and regulatory treatment in sensitive sectors such as automobiles and semiconductors, without extending comparable preferential treatment to other major exporters. The Korean Ministry of Trade, Industry and Energy characterized these measures as part of broader strategic and security cooperation, thereby placing them outside the ordinary operation of the MFN treatment.²⁵ The governments of Thailand and Malaysia have taken similar approaches in their Reciprocal Trade Agreements with the US, reducing tariffs unilaterally on specific high-tech products for US exports while excluding application to third countries.²⁶

Such measures, if they remain exclusive in nature, amount to a substantial

²³ European Commission, Joint Statement on a United States–European Union Framework on an Agreement on Reciprocal, Fair and Balanced Trade, https://policy.trade.ec.europa.eu/news/joint-statement-united-states-european-union-framework-agreement-reciprocal-fair-and-balanced-trade-2025-08-21_en (Last Visited on January 19, 2026).

²⁴ Ministry of Trade, Industry and Energy, Republic of Korea, Memorandum of Understanding between the Government of the Republic of Korea and the Government of the United States of America with Respect to Strategic Investments, <https://www.motir.go.kr/attach/down/095a2dda9c864e1d90d751f7668a1117/f6603c-070021c7f86001fd38b1fd7a6/778bdbf5db9ced7c8fd52756c00bf0cd> (Last Visited on January 19, 2026).

²⁵ Investment Monitor (GlobalData), US and South Korea Release Trade Agreement Details, <https://www.investmentmonitor.ai/news/us-south-korea/> (Last Visited on January 19, 2026).

²⁶ *Supra* n. 5.

erosion of the MFN treatment and may even trigger a chain reaction in which other countries, driven by considerations of reciprocity, adopt similar differentiated preferences for selected trading partners. As a result of this dynamic, the multilateral trading system would be further undermined in terms of coherence and binding force. In addition to its economic function, the MFN treatment has the characteristic of being a public good of institutional commitment. When Members collectively accept the normalization of exceptions, the collective legitimacy of non-discrimination begins to erode.

In addition, the growing passivity of WTO Members in the face of norm violations is a more subtle yet equally consequential development. Since unilateral or preferential practices have multiplied, most Members have refrained from collective condemnation or legal challenges, choosing instead to maintain a strategic silence. Although such inaction is often motivated by pragmatic considerations, it gradually lowers the political and reputational costs of non-compliance. The absence of active contestation leads to deviations from rules becoming tolerated practices over time, eroding the normative discipline that sustains the multilateral system. Scholars have observed that Members' acquiescence can function as an implicit consent within international institutions, normalizing exceptional behavior and weakening the shared commitment to rule-based cooperation.²⁷

Therefore, the US reciprocal tariff policy has not only undermined the existing tariff-binding mechanism through unilateral actions, but also undermined the foundation of non-discrimination within the multilateral trading system by causing other countries to implement preferential arrangements favoring the US. The WTO's core principles will struggle to retain their practical force if this form of selective MFN treatment continues to expand. As a result, the organization's institutional authority will also be weakened. Whether or not Members can proactively restore the universal application of the MFN treatment and improve the notification and transparency mechanisms will determine the stability and credibility of the multilateral trading system.

27 Gabrielle Zoe Marceau, Rebecca Walker and Niki Koumadoraki, Silence in WTO, *Journal of World Trade*, Vol. 56, No. 2, 2022, pp. 187–214; David J. Townsend and Steve Charnovitz, Preventing Opportunistic Uncompliance by WTO Members, *Journal of International Economic Law*, Vol. 14, No. 2, 2011, pp. 437–468.

V. PROSPECTIVE STRATEGIES FOR WTO MEMBERS TO RESPOND TO THE US RECIPROCAL TARIFFS

A. Individual Member Responses and the Fragile Equilibrium of the Multilateral *Status Quo*

In the near term, it is most likely that countries will respond individually to reciprocal tariffs and related coercive trade measures implemented by the Trump Administration, engaging in separate bilateral negotiations with the US. As a result of the absence of an effective coordination platform within the multilateral framework, most economies are in a structurally weaker position to negotiate with Washington. However, many Members have shown patience or understanding towards the emergence of non-MFN practices by others, avoiding triggering further international frictions at this point for pragmatic reasons. This fragmented and accommodationist pattern, reflecting the current operating logic of global trade relations, is likely to persist in the short term as the *de facto* equilibrium of global trade relations.

Despite the fact that this individualized approach appears to be feasible in the short term, it carries significant risks. The fragile balance of tacit understanding and tolerance among countries is based on a perception that the current distribution of trade benefits remains widely acceptable. In the event that certain economies gain disproportionate advantages from their special arrangements with the US, resulting in market losses for others or tangible trade damage, this implicit tolerance may quickly unravel, triggering retaliatory measures and accelerating the fragmentation of the multilateral trading system. In July 2025, the European Union entered into a framework agreement with the US that capped tariffs on EU exports of non-steel and aluminum goods at 15%, while maintaining a 50% duty on steel products. Subsequently, the EU steel industry expressed strong dissatisfaction and concern regarding the outcome of the negotiations.²⁸

Consequently, while maintaining the *status quo* may be temporarily viable,

²⁸ Eurofer, EU-US Trade Deal in Its Balancing Act: Commission Prevented Further Damage to the EU but for Steel Impact Remains High as Long as 50% Tariffs Remain in Place, <https://www.eurofer.eu/press-releases/eu-u-s-trade-deal-in-its-balancing-act-commission-prevented-further-damage-to-the-eu-but-for-steel-impact-remains-high-as-long-as-50-tariffs-remain-in-place-says-eurofer> (Last Visited on January 19, 2026).

its stability remains extremely fragile.

B. Maintaining Multilateralism through Coordinated Restraint

With the US continuing to impose unilateral tariffs on other economies, most WTO Members have adopted a short-term strategy aimed at maintaining the *status quo* and stabilizing the system. By strengthening coordination and policy coherence among themselves, they have sought to preserve the core rules and fundamental principles of the WTO framework rather than engage further in trade confrontation with Washington. A central objective of this approach is to maintain the WTO's minimal operational capacity through symbolic and institutional forms of multilateral cooperation, in order to prevent the multilateral mechanism from further marginalization.

In this regard, a representative proposal envisions that other Members could implement their market access commitments to the US within the scope of WTO rules on an MFN basis. By extending such concessions to all Members, bilateral trade benefits may be transformed into universally applicable ones. Formally, this approach aligns with the logic of non-discrimination, and substantively, it offers a potential means of slowing systemic fragmentation.²⁹ It rests on the assumption that, where multilateral rules are temporarily unable to constrain US unilateral actions, other Members can preserve regulatory coherence through voluntary self-restraint, thereby maintaining the continuity of the institutional framework and ensuring that global market expectations remain stable.

However, this approach remains highly uncertain in terms of its feasibility. First of all, it is exceedingly difficult to predict the policy orientation of the US. Since 2018, US tariff measures have consistently exceeded the traditional boundaries of the security exception, revealing a trade policy logic increasingly driven by domestic political considerations.³⁰ In such circumstances, it

29 Bernard Hoekman and Petros Mavroidis, WTO "À la Carte" or "Menu du Jour"? Assessing the Case for More Plurilateral Agreements, EJIL: Talk! <https://www.ejiltalk.org/wto-a-la-carte-or-menu-du-jour-assessing-the-case-for-more-plurilateral-agreements/> (Last Visited on January 19, 2026).

30 Chad P. Bown, The 2018 US-China Trade Conflict after 40 Years of Special Protection, *China Economic Journal*, Vol. 12, No. 2, 2019, pp. 109–136; Chad P. Bown, The US-China Trade War and Phase One Agreement, Peterson Institute for International Economics Working Paper No. 21–2, Washington, DC, 2021, <https://ssrn.com/abstract=3810026> (Last Visited on January 19, 2026).

remains highly uncertain whether the US would accept, or even tolerate, the multilateralization of commitments originally made to it on an MFN basis. Washington may interpret such an approach as dilution of its bilateral gains, and may respond by exerting political or economic pressure on the other Members involved, making any attempt at multilateralization politically hazardous.

Secondly, domestic political and social factors within Member economies present another layer of constraint. Although trade liberalization can improve overall economic efficiency, it is often accompanied by industrial restructuring and redistributive effects on income and employment.³¹ This dynamic is particularly evident in the area of goods trade, where rising imports can place pressure on sensitive industries, resulting in job losses, income disparities, and regional development challenges. It is possible that such effects may undermine domestic support for trade liberalization policies. Some Members find these internal constraints to be even more influential politically than external pressures.³²

Thirdly, there are procedural challenges associated with efforts to achieve either explicit or implicit multilateralization within the WTO framework. The bilateral commitments made to the US are often shaped by distinct political contexts and negotiation conditions, and there is no clear legal pathway to determine whether these commitments have multilateral implications or how they could be incorporated into the WTO.³³ There may also be a fear among some Members that proactively disclosing or multilateralizing these commitments may weaken their bargaining power in future bilateral negotiations or lead to a free-rider effect.³⁴ Therefore, in order to avoid being compelled into making excessive or politically costly commitments, most Members maintain ambiguity and strategic silence.

31 International Monetary Fund, *Impact of Trade Liberalization on Poverty and Distributional Outcomes*, in *Analyzing the Impact of Trade Liberalization and Devaluation* (IMF e-Library), <https://www.elibrary.imf.org/downloadpdf/book/9781589066625/9781589066625.pdf> (Last Visited on January 19, 2026).

32 Timothy Meyer, *Second-generation Flanking Policies: Addressing Extraterritorial and Non-economic Costs of Trade Liberalization*, *World Trade Review*, Vol. 23, Special Issue 5, 2024, pp. 601–620.

33 Centre for International Trade Policy, *Reciprocating to the Reciprocal Tariffs under the WTO*, <https://citp.ac.uk/publications/reciprocating-to-the-reciprocal-tariffs-under-the-wto> (Last Visited on January 19, 2026).

34 Centre for Economic Policy Research, *Rebooting Multilateral Trade Cooperation: Perspectives from China and Europe*, https://cepr.org/system/files/publication-files/60016-rebooting_multilateral_trade_cooperation_perspectives_from_china_and_europe.pdf (Last Visited on January 19, 2026).

Additionally, if collective consultation proves difficult, major economies such as China and the European Union may resort to submitting formal inquiries through WTO mechanisms. An inquiry of this nature is not intended to be accusations directed against specific countries, but rather to enhance transparency and ensure consistency in the interpretation and application of trade rules.³⁵ In such inquiries, issues may include the specific scope and duration of commitments made to the US, their consistency with existing multilateral obligations, and whether these commitments result in *de facto* discrimination against third parties. In addition to extending the WTO's principle of transparency, these procedures are also essential for maintaining Member trust.

It is possible that new procedural frictions will arise if some Members decide not to multilateralize their commitments to the US. Other Members may, for example, raise questions under the Trade Policy Review Mechanism (TPRM) or express concerns through the Specific Trade Concern (STC) process, seeking clarification on policy consistency with multilateral rules. While these actions are consistent with established WTO procedures, their repeated use may exacerbate tensions and undermine Member trust.

Overall, a delicate balance has emerged between maintaining the *status quo* in relations with the US and preserving solidarity among Members in support of the multilateral trading system. Through voluntary multilateralization and institutional transparency, Members have sought to maintain the normative foundations of the WTO. Nevertheless, the persistence and spillover effects of US unilateral measures have steadily undermined the stability of these efforts.³⁶ As a result, multilateral trade today is characterized by passive coordination, with internal norms losing their binding force and enforceability. In addition to reflecting political realities, this condition is also a reflection of the institutional dilemma that the multilateral trading system faces amid shifting power dynamics and normative imbalances.

³⁵ See, e.g., WTO, Trade Policy Review Mechanism, https://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm (Last Visited on January 19, 2025); WTO, Specific Trade Concerns, https://www.wto.org/english/tratop_e/tbt_e/tbt_info_e.htm (Last Visited on January 19, 2026).

³⁶ Guang Ma and Hong Wu, The Proliferation of Unilateral Trade Measures and the Crisis of the Multilateral Trading System, *Journal of International Dispute Settlement*, Vol. 16, No. 3, 2025, pp. 1–22.

C. Unilateral Safeguards and the Rise of Competitive Bilateralism

Since the US continues to implement unilateral tariff measures and the multilateral system is unable to reassert effective discipline, some Members have chosen to maintain the *status quo* in their relations with Washington. As a result, they may increasingly resort to unilateral or quasi-unilateral actions in order to protect their interests when dealings with other partners. The core logic of this behaviour is differentiated responses: if other WTO Members do not multilateralize the preferential treatment afforded to the US, it will attempt to counteract the relative disadvantage caused by US preferences through bilateral negotiations, administrative measures, or retaliatory actions against these WTO Members.

In practice, this approach often starts by observing and assessing the market access commitments made by other economies to the US. When a Member perceives that such commitments place its domestic industries at a competitive disadvantage relative to US firms in global markets, it may abandon reliance on the multilateral dispute settlement mechanism in favor of exerting direct bilateral pressure on the concerned Member. It is intended to either obtain treatment equivalent to that granted to the US or to receive compensatory benefits in other trade areas. This process is typically conducted through bilateral consultations, administrative negotiations, or conditional market access arrangements.³⁷ A major advantage of this method is its flexibility, efficiency, and transactional expediency, which makes it possible to reach compromises within a short period of time.

However, replacing multilateral discipline with bilateral compensation may have significant institutional repercussions. First, it undermines the central role of the WTO's dispute settlement mechanism, transforming disputes that should be resolved through rule-based and collective procedures into interstate power struggles.³⁸ With this shift, institutional trust within the multilateral trading system is replaced by negotiated reciprocity, fundamentally altering how Members interact with one another. Second, major economies are more likely to employ unilateral or bilateral pressure tactics, which disproportionately

³⁷ See, e.g., Centre for International Trade Policy, UK Trade Policy: An Independent Review, <https://citp.ac.uk/asset/UK-Trade-Policy-An-Independent-Review.pdf> (Last Visited on January 19, 2026).

³⁸ *Supra* n. 33.

burden smaller and more trade-dependent countries. These economies, due to their limited market size and deep but asymmetric integration into global value chains, often lack the bargaining power to respond on equal terms, and are therefore forced to sacrifice long-term institutional stability for short-term economic relief.³⁹

As far as economics is concerned, such bilateral pressure can lead to a chain reaction. If a targeted Member agrees to grant additional concessions to a specific country, other Members may demand equivalent treatment, resulting in a chain demand effect that further complicates global trade relations.⁴⁰ When these demands cannot be met, some major economies may retaliate by increasing tariffs, imposing technical barriers, or delaying import approvals.⁴¹ As a result of the spread of unilateral retaliatory measures, not only global trade uncertainty is increased, but regional trade patterns may also be reshaped and fragmented, which will further weaken the authority of the multilateral system.

There is a greater risk associated with what may be described as normative slippage at the institutional level. It is becoming increasingly common for Members to resolve disputes through bilateral negotiations rather than multilateral procedures, and the WTO's normative discipline is being gradually replaced by case-by-case negotiations. This shift makes the application of trade rules increasingly politicized and context-dependent, which undermines their universality and predictability. In the long run, such developments may result in the transformation of the international trading system from a rule-based to a power-based order, increasing the fragmentation and instability in global economic relations.⁴²

Finally, from the perspective of international political economy, while this approach may appear viable in the short run, it entails significant systemic

39 Gary Ador Dionisio and Jovito Jose Katigbak, Navigating Tariffs through Trade Diplomacy: Strategies and Lessons from Select Countries, *Theoretical and Practical Research in Economic Fields*, Vol. 16, No. 4, 2025, pp. 846-854.

40 Information Technology and Innovation Foundation, How America's Trading Partners Are Reacting to US Tariffs, <https://www2.itif.org/2025-trade-partners-tariffs.pdf> (Last Visited on January 19, 2026).

41 European Economic and Social Committee, What Ways and Means for a Real Strategic Autonomy of the EU in the Economic Field? https://www.eesc.europa.eu/sites/default/files/files/qe-02-23-358-en-n_0.pdf (Last Visited on January 19, 2026).

42 Mehdi Sanaei, The Transition of International Order: Current Debates and Future Directions, *China Quarterly of International Strategic Studies*, Vol. 10, No. 2, 2024, pp. 133-153.

costs in the form of eroding institutional trust. As major economies leverage their market size and negotiating power, they may be able to obtain concessions by applying bilateral pressure. However, such actions create anti-multilateral incentives, which leads Members to rely more heavily on unilateral instruments of power in anticipation of the ineffectiveness of multilateral mechanisms.⁴³ The spread of this tendency could result in a vicious cycle of escalating retaliation that would further deepen the crisis of trust and undermine the legitimacy of global trade governance.⁴⁴

VI. CONCLUSION

Due to the reciprocal tariff policy of the Trump Administration and its continuing effects, the current global trade landscape has become increasingly complex and fragmented.⁴⁵ The United States has unilaterally imposed tariffs based on national security, industrial competitiveness, and appeals for “fair trade”, which have undermined the long-standing balance of non-discrimination, reciprocity, and the rule-based governance that has been the basis of multilateral trade.⁴⁶

There are three types of potential responses by other Members in this context: collective actions aimed at preserving the multilateral system while maintaining stability in relations with the US; institutional responses involving bilateral or multilateral mechanisms that aim to promote rule diffusion and enhance transparency; as well as strategic defensive measures involving unilateral actions to safeguard national interests. Divergent paths chosen by Members reflect a fundamental trade-off between institutional trust and immediate economic interests. In the former approach, cooperation and coordination are emphasized as means of preserving the legitimacy and continuity of the multilateral trading system, while in the latter approach, short-term recovery and competitive balancing are prioritized.⁴⁷ In spite of the path chosen, each has inevitable implications for the authority and functionality of the multilateral framework. Despite the fact that WTO rules continue to

⁴³ *Ibid.*

⁴⁴ *Ibid.*

⁴⁵ *Supra* n. 30, Chad P. Bown (2021).

⁴⁶ *Supra* n. 42.

⁴⁷ *Supra* n. 39.

provide a baseline for conduct and institutional constraint, their enforceability, dispute resolution capacity, and the mutual trust between Members are steadily deteriorating.⁴⁸ This trend of institutional softening has led to an increase in regionalization, bilateralization, and instrumentalization of global trade governance, thus intensifying the tension between rules and power.

Therefore, it must be recognized that maintaining the multilateral trading system is not an external obligation, but rather an act of collective rationality and institutional self-preservation.⁴⁹ A multilateral system's sustainability depends on the Members' internalized commitment to its norms and their willingness to exercise self-restraint in practice. As long as the majority of Members accept passively, tolerate the *status quo*, or take unilateral actions, the multilateral framework will lose its legitimacy and its ability to maintain an international economic order based on non-discrimination and predictability.

In the long run, the survival of the multilateral trading system affects not only the fairness of global economic distribution, but also the stability of the international legal order and the fundamental trust that underpins global cooperation.⁵⁰ An international trading system can remain resilient and continuous only if its Members accept the principle of "collective maintenance is self-maintenance" and translate that awareness into proactive institutional engagement.

48 *Supra* n. 33.

49 Chios Carmody, WTO Obligations as Collective, *European Journal of International Law*, Vol. 17, No. 2, 2006, pp. 419–443.

50 Sunghoon Park, A Disrupted Global Trading System and the Future of Multilateralism, *Asia and the Global Economy*, Vol. 5, No. 2, 2025, pp. 1–3.