

Opinion | Rethinking Multilateral Trade: From WTO Norms To Protectionist Bilateralism

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The recent trade war between the United States and China has compelled a critical reassessment of rule-based multilateralism and the global issue of trade imbalances.

President Donald Trump introduced a system of 'reciprocal tariffs', a measure targeting countries that maintain a trade surplus with the United States. (Photo Credit: X)



In a significant policy move, President Donald Trump introduced a system of 'reciprocal tariffs', a measure targeting countries that maintain a trade surplus with the United States. Although

framed as reciprocal and fair, such tariffs fall outside the purview of World Trade Organization (WTO) norms and represent a fundamental challenge to the existing multilateral trade order.

MULTILATERALISM TO BILATERAL BARGAINING

Prior to the establishment of the WTO in 1995, global trade lacked a coherent and enforceable regulatory architecture. The WTO emerged as a permanent institution to govern world trade through a system of multilateral agreements designed to reduce trade barriers and ensure fairness, predictability, and stability in trade relations. Central to the WTO regime was the principle of non-discrimination embodied in the Most-Favoured Nation (MFN) and National Treatment clauses and the discouragement of protectionism.

However, the WTO's ability to effectively mediate disputes and enforce compliance has waned in recent years. Developed and developing countries alike have expressed concerns that the existing framework is either outdated or skewed in favour of a few dominant economies. The paralysis of the WTO Appellate Body since 2019, following the

United States' blocking of judge appointments, has further eroded trust in the multilateral mechanism. As a result, countries increasingly resort to unilateral tariffs and bilateral negotiations, undermining the spirit and structure of multilateralism.

THE TRADE DEFICIT DILEMMA

Trade imbalances have become a politically sensitive and economically significant issue over the last decade. Countries with large deficits like the United States argue that the existing trade rules permit unfair advantages to surplus countries, enabling asymmetrical gains. Despite efforts to reinvigorate trade relationships, no clear legal mechanism within the WTO framework allows deficit countries to unilaterally address such concerns without violating core principles.

In practice, this has led to a proliferation of bilateral trade deals that are not based on liberalisation, but revolve around strategic goals. The rules governing these deals vary widely and are suited to specific state interests, further complicating efforts to establish a coherent global trade regime. Consequently, the foundational WTO principles—free trade, non-discrimination, and uniform dispute settlement are increasingly giving way to fragmented, ad hoc arrangements.

INDIA'S EVOLVING TRADE STRATEGY

India's engagement with the international trading system reflects a dual concern: safeguarding domestic economic interests while ensuring a level playing field in global trade. As a vocal proponent of the Global South, India has consistently argued for reforms within the WTO to reflect the developmental concerns of emerging economies. It has also emphasised the need for special and differential treatment (SDT) provisions to remain central in trade negotiations, particularly in areas such as agriculture, subsidies, and intellectual property.

In response to shifting global dynamics, India has taken a more calibrated approach. Furthermore, New Delhi has intensified bilateral trade negotiations with key partners, such as Australia, the United Arab Emirates, and the United Kingdom, while pushing for equitable terms and market access.

STRATEGIC IMPLICATIONS

This transition also raises important normative questions. What will be the basis of legitimacy for future trade rules? Can a fragmented system ensure predictability and fairness? Will developing countries have meaningful participation in shaping the next generation of trade law? These questions demand sustained scholarly and policy engagement. On the other, it also opens avenues for middle powers like India to assert greater agency, redefine regional trade norms, and influence emerging legal orders.

CONCLUSION: TOWARD A NEW TRADE PARADIGM?

The global trade landscape is in turmoil. The vision of a harmonised multilateral trade order has given way to a more fragmented, interest-driven environment. India's case demonstrates both the challenges and opportunities that lie ahead. While the shift away from multilateralism poses risks of legal uncertainty and economic fragmentation, it also allows for more tailored, context-sensitive trade frameworks.

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As the global community reimagines the future of trade, the emphasis must be on inclusivity, sustainability, and equity, principles that India, with its dual identity as a developing economy and an emerging power, is well-positioned to advocate.

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