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Trump's Tariff War and Conflict with WTO Principles: Current State and Expected Consequences

Sanja Jelisavac Trošić

Centre for International Law and Economics

Institute of International Politics and Economics, Serbia

ORCID: 0000-0003-0949-7052; Researcher ID: ABY-9765-2022

sanja@diplomacy.bg.ac.rs

Aleksandra Tošović-Stevanović

Centre for International Law and Economics

Institute of International Politics and Economics, Serbia

ORCID: 0000-0003-0281-0579; Researcher ID: AGR-2700-2022

aleksandra@diplomacy.bg.ac.rs

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Abstract: The research is about a new wave of tariff increases by the US and the conflict of that move in relation to WTO rules and principles. The purpose of the research is to obtain current and new data and information on the changes that the raising of tariffs produced on the international level, especially within the framework of the WTO. The research was approached primarily through document content analysis, data analysis and discourse analysis. Primary and secondary sources were used. The findings of the study show that the sudden change in US tariffs had an impact on the multilateral trading system and on the organization dealing with the regulation of trade rules - the WTO. The WTO had already begun negotiations on reform and modernization, and this new wave of tariffs brought additional uncertainty to all spheres of WTO work. Current and future negotiations are uncertain, and additional research is needed that will point out in detail every aspect of work and problems in the work of the WTO.

Keywords: WTO; tariffs; Tariff War; Trump; multilateral trade.

JEL Classification: F13; F53.

Introduction

Analyzing the role and importance of tariffs, from their inception until today, the essence was that they were used to generate income, protect domestic industries and secure trade negotiations. It happened before that someone deviated or at least tried to deviate from these basic rules and principles in a certain period, but with the arrival of the Trump administration, there has never been so much interference in world trade flows, nor were so many countries directly and indirectly burdened with extremely high tariffs with the interference of economic, political and social factors. The Trump administration portrays trade deficits as a threat to national security due to America's declining importance as a manufacturing power and uses tariffs as a tool to address trade imbalances and strengthen American manufacturing (Masayuki, 2025). Despite the claims of Trump and his administration that the introduction of tariffs to other countries will strengthen the economic position of America and return it to the position of the leading economic power, the customs policy of the Trump administration has led to an increase in the prices of a large number of internationally traded goods that enter the United States, with which America directly began to pay the price of such a customs decision and policy. Given that this policy of the Trump administration is unpredictable and accompanied by frequent changes, all this contributed to the creation of general uncertainty, which resulted in a decrease in trade, but also the risk of an increase in inflation, as just one of the many macroeconomic parameters on which these measures will have direct consequences.

What is important to point out refers to the work of the WTO itself, which has long been the target of criticism aimed at the changes that need to be undertaken in this organization, which are aimed at the loss of negotiating capacity, the growing tendency to rely on preferential trade agreements, rather than the WTO, to define market access conditions among countries, a deadlock in decision-making, a largely unsuccessful dispute settlement system and continuous disagreement among WTO member countries on the right to special and differential treatment in response to development imperatives (Low and Riddell 2025). Due to pre-existing problems within the organization itself, which have undermined its existence and functioning, many agree that the consequences of Trump's tariffs have only accelerated the necessity of reforms that need to be implemented within the framework of the WTO, so that countries can once again work and act in accordance with the principles of the WTO and benefit from multilateral trade cooperation.

The destructive consequences that we had during the last term of Trump, after a large amount of research and collected data from 2018, it was seen that American tariffs were completely passed on to American importers and consumers. According to many researches and results from 2018, the country that was most affected by these tariffs was China, however, Trump's customs measures were reflected in the increase in prices everywhere in the world, with a significant worsening of the position of American consumers as well. Because of this, many authors were inclined to think that the Trump administration will not apply them again, but the current situation has convinced us otherwise. In 2025, a new customs war begins, as many call it, and new tariffs directed at a large number of countries are set. Donald Trump has often said that tariffs protect and create domestic American jobs, and he sees them as a way to boost the American economy and raise tax revenues. Only some of President Trump's statements justifying his actions for the introduction of tariffs relate to saving jobs for Americans, because there is a danger of losing jobs due to foreign countries, and in this way foreign countries will worry about losing jobs due to America, which again emphasizes the return of America to the throne, their strength and power as the most important and influential country in the world. Later, many statements and explanations related to the introduction of tariffs against certain countries (China, Canada, Mexico and the EU) were also with direct reasons, that is, with specific objections and the level of damage or disrespect that a certain country has towards America. Any of the stated reasons were the motive, the consequences are the same, which is that they inhibit the world economy, because many economies have begun to revise their growth forecasts, due to the consequences that can be seen through the reduction of sales targets at a large number of companies, including small companies, but also large multinationals, then business reorganization, layoff plans, etc. What many are starting to mention is the new uncertain reality that is in force, and which is precisely the main factor that slows down the growth of the global economy, and the end result of US tariffs is not only short-term in nature but threatens to become much more intense than thought.

This research employed comparative analysis to examine existing data sets and to identify the relationships among them, thereby enabling a more comprehensive and reliable assessment. Document content analysis was utilized to ensure a systematic examination of the material, allowing for the identification of patterns and the interpretation of the dynamics underlying the phenomena under review. In addition, discourse analysis was applied to explore the social and political contexts in which these developments occur, comparing past and present discursive patterns in order to understand how actors project power and to assess the implications of their communicative strategies.

The review of the existing literature on this topic aimed to identify areas that require further scholarly attention. In this regard, the article examines relevant trends and patterns that emerged as a consequence of the tariff war, with the intention of synthesizing these insights into a coherent analytical narrative. By validating previous findings and highlighting problematic developments, the study seeks to clarify what can be learned from these dynamics, as well as to outline what policymakers and researchers should anticipate in an increasingly unpredictable global environment.

1. The Impact of Tariffs on Global Trade

Analyzing the previous theoretical knowledge and the impact of tariffs introduced by large countries, such as America in this situation, should have led to a reduction in the prices of foreign companies, but the reality and the impact of a large number of factors, which economists did not have the opportunity to analyze and study until the trade war, *i.e.* until 2018, influenced that such a scenario did not occur. According to Amity, Redding and Weinstein (2020), the application of significant tariffs on imports by the USA to its major trading partners provides a natural experiment for understanding these effects, which until now have not been encountered in such an explicit way by economists. Apart from the theory, since 2018 the researchers have also come to concrete analyzes and results, and the effects that were obtained as a consequence of that, *i.e.* that the application of tariffs in this way by America had a negative impact not only on the countries towards which this measure was directed, but also on American

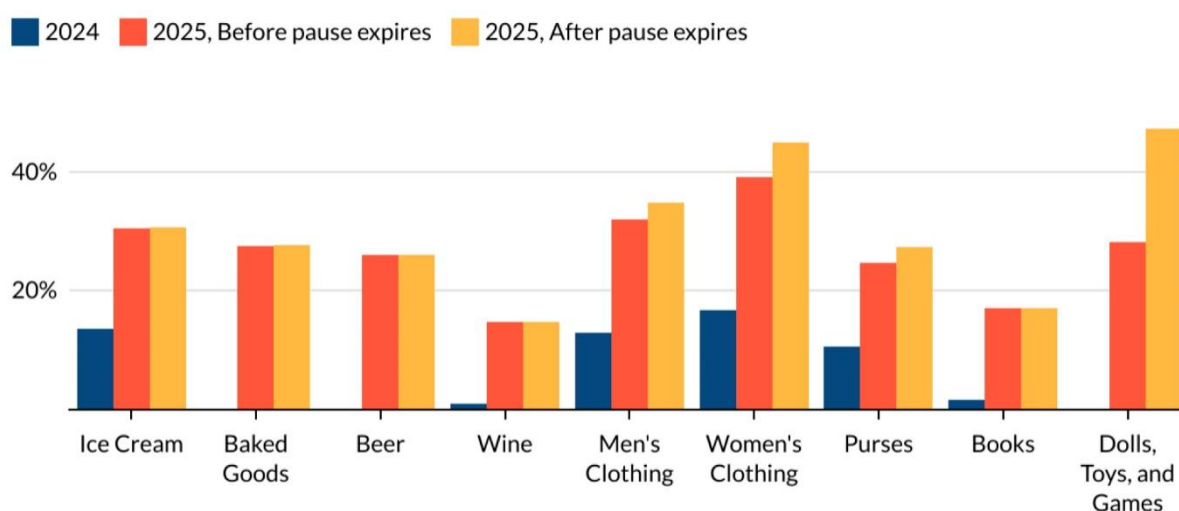
companies and consumers. Also, the reorganization of supply chains that many companies from the affected countries were forced to do led to a larger and longer-term reorganization of their operations, which again had a direct negative effect on certain sectors of the American economy. At the same time, we also had examples of certain industries where, due to the introduction of customs duties, exporters lowered their prices, which enabled them to export a little more than was the case in other sectors.

Report *Economic Impact of Section 232 and 301 Tariffs on U.S. Industries, 2023*, aimed to assess the effects of tariffs on trade, production and prices, focusing on short-term rather than long-term effects over the analyzed period of 2018-2021. year. Which means that the report did not assess the impact of the tariffs on the overall economy, and as such cannot be used to draw general conclusions about whether the tariffs produced a net benefit for the American economy as a whole, but the conclusions derived from their analysis point to changes in trade, and negative changes. However, the analysis points out that these changes were not only influenced by tariffs, but that the consequences of the pandemic crisis, disruptions in the supply chain, anti-dumping and countervailing duties (AD/CVD), the sharp increase in energy prices, global reactions to tariffs and Russia's invasion of Ukraine are still being felt (USITC, 2023). From this we can conclude that although the customs duties were not the only ones to blame for the worse results, they certainly did not contribute to improving the situation, not even in their economy, and we will talk about the consequences for others later on.

According to Piser et al. (2025) if investors perceive tariffs as a threat to future profits, they may reduce investment in EU firms, leading to lower stock prices, especially in sectors most exposed to SAD-EU trade relations (e.g., automotive, IT, and manufacturing). And this could just be seen through the research they conducted, and already at the announcements in February 2025, where EU companies experienced a significant drop in abnormal and cumulative stock returns after key announcements related to tariffs, and all this was attributed to increased uncertainty, disrupted trade relations and higher operating costs, in accordance with the efficient market theory - EMT (PISERA 2025).

The economic consequences, which include the risks of recession, disruptions in the supply chain and inflation, as well as its wider implications for global alliances, USA hegemony and the liberal international order, lead to a re-examination of states in terms of their economic and strategic priorities, which in the next phase may lead to the intensification of competition between great powers and declining multilateralism (Mahmud, 2025). From the moment of the announcement until the actual introduction of tariffs, some of the consequences can be shown in Figure 1. Here, the total tariff rates imposed on various imported consumer goods are summarized, with the increased tariffs compared to the previous year shown, as well as the situation during the pause in relation to country-specific reciprocal rates (TPC, 2025). The data shown on the chart are formed on the basis of analyzes and data from various sources, such as: US International Trade Commission, Bureau of Economic Analysis, Federal Register Notices, International Trade Administration, and White House announcements.

Figure 1. Tariff Rates on Consumer Goods.



Source: Tax Policy Center, 2025.

Also, it is important to point out that even after the announcement of the decision on tariffs and the percentages set for each country, the introduction of tariffs was paused for 90 days in almost all countries except China, which represents a new dynamic in the so-called trade war, as this situation with tariffs is called, which even

then foreshadowed additional tensions between these two countries and additional unpredictability in their further relations regarding tariffs. However, Helbert (2025) also points out that the Trump administration's formula is simple: whether it is their NATO ally, their Middle East ally, or their long-time enemy, any country that has a trade surplus with the SAD is treated as if it owes the SAD and deserves a penalty equal to that amount of the surplus. Accordingly, the range of countries under attack was unprecedented, risking a global trade war (Mangan et al. 2025). Serious threats that may occur as a result of a high degree of uncertainty at the global level, leads to a high chance of creating a global recession and that percentage according to analysts is currently 60%, while Goldman Sachs calculated the probability of this event at 45% (Reuters 2025).

Analyzing the Trump Tariffs, Tax Policy Center (2025) indicate six major categories of tariffs that significantly determine the taxation of imports (TPC, 2025):

1. Pre-existing tariffs from past statutes and trade deals, summarized by Chapters 1-97 of the Harmonized Tariff Schedule. Also referred to as Most Favored Nation (MFN) rates.
2. "Reciprocal" tariffs, which are set specifically for each country, along with a minimum rate of 10 percent.
3. Section 232 tariffs, imposed on the basis of national security, which apply to goods such as steel, aluminum, automobiles, and copper, regardless of origin.
4. Non-reciprocal IEEPA (International Emergency Economic Powers Act) tariffs, which are levied on China, Canada, and Mexico in relation to fentanyl smuggling; on Brazil in relation to content moderation and legal issues concerning a former president of Brazil; and on India for the import of Russian oil.
5. Section 301 tariffs, imposed on the basis of unfair trading practices, which currently apply only to specific Chinese goods.
6. Antidumping and countervailing duties.

Although many agree that in the current situation, with all the crisis situations that many countries are facing, high tariffs only deepen the problems and create even greater uncertainty, and undoubtedly negative effects on the real economy, it seems that the Trump administration is not relenting in implementing the same, even harsher measures. Therefore, it is believed that since the lobbying of foreign governments has not borne fruit, the only hope left is that America itself will change some things for the better, and that the voices of protest within it will gradually grow, due to the increasingly significant negative impact on their consumers and import industries in the USA itself.

2. Trump and WTO Principles

The WTO has been facing major challenges for years before Trump launched his tariff attack on other countries around the world. The WTO is already suffering from a loss of negotiating capacity, a growing reliance on preferential trade agreements, rather than the WTO, to define market access terms between countries. Added to this is a deadlock in decision-making, a largely ineffective dispute settlement system, and continued disagreement among WTO members over the right of certain countries to special and differential treatment in response to development imperatives (Low and Riddell 2025). It is essential that the WTO reform its practice of requiring full consensus among its 166 members when adopting trade rules. Article 9 of the WTO's founding Marrakesh Agreement establishes the practice of using consensus "applied in accordance with the GATT" as the basis for WTO decisions. The multilateral negotiation of agreements, such as those on electronic commerce and investment facilitation, has become important for the WTO because they address current and important issues, and modernizing trade rulemaking would speed up and facilitate the process.

For much of the twentieth century, the United States treated international trade policy primarily as an instrument of foreign policy. However, later trade agreements became increasingly focused on domestic economic policy. Intellectual property provisions in trade agreements offer an example, as efforts to promote intellectual property rights abroad do not serve any foreign policy objective, but are motivated by efforts to increase the economic returns of multinational corporations (usually headquartered in the United States) whose business models are based on the development of innovative technologies and medicines (Meyer, 2021).

The basic principles of the WTO, non-discrimination (most favoured nation – MFN status), transparency, reduction of trade barriers, settlement of disputes through a special body for arbitration, and others make this organization crucial for the regulation of international trade flows. When Donald Trump first took office as President of the United States of America on January 20, 2017, as part of his "America First" policy, he significantly departed from the multilateral approach to trade embodied by the WTO, and took unilateral measures, including the introduction of tariffs on goods from several countries, especially China. By the end of his mandate in 2021, Trump has criticized the WTO and threatened to leave the organization, among other things. The biggest and most lasting consequences of Trump's tariffs are that the tariffs bypassed multilateral mechanisms of the WTO and that the US blocked the appointment of judges to the Appellate Body of the WTO, effectively paralyzing the dispute settlement

system. Member states have complained to the WTO that the US has broken the rules, and the organization has ruled against the US in several cases, notably over tariffs on China. Still, after all, the consequences were, among other things, that the multilateral system, embodied in the WTO, came out weakened, while bilateral pressures became more frequent. In addition, the geopolitical fragmentation of the world economy has been strengthened, which has continued even after Trump.

As the American Constitution stipulates, the mandate of each new president begins on January 20 at noon, local time in Washington (6 p.m. CET), so in 2025 Donald Trump's second term began. The Trump administration has again preferred a bilateral approach and tariffs as a means of pressure, which has again brought tension to the global trading system and WTO rules. Trump's approach again called into question the effectiveness and relevance of the WTO as a guarantor of the multilateral system.

Chenini's study revealed that Trump imposed a 10% tariff on any country with which the United States faced a bilateral trade deficit of 20% or less of its imports. For other countries, Trump applied a 50% reduction rate to the percentage of the bilateral trade deficit in terms of imports. The study concludes that Trump's tariffs are considered unfair and unscientific (Chenini, 2025). Stober concluded in his research that while protectionist measures may offer short-term impact, they often undermine long-term global economic stability and efficiency (Stober, 2025). US policy since Trump took office has become unpredictable and subject to frequent changes, contributing to general uncertainty, increased risks of trade contraction and inflation, as well as macroeconomic instability in general.

3. Most Favoured Nation Principle and Tariffs

WTO agreements are of great importance because they cover a wide range of activities important to a large number of countries. At the same time, they are complex, because they are made up of a large number of professional legal acts, but on the other hand, they are also easy to apply, because the basic principles run through all their documents. The principles of the WTO are the foundation of the multilateral trade system, and that is why their importance and respect for the established principles are of great importance for everyone. One of the most important things is trade without discrimination, and here the Most Favored Nation (MFN) principle stands out as the first and perhaps most important principle, where the basic motto is equal treatment of other people. Under WTO agreements, countries usually cannot discriminate against their trading partners, because if you give someone a special favor (such as a lower tariff rate on one of their products), you must do the same for all other WTO members. Its importance is also indicated by the fact that when the rules for regulating trade in goods are defined, MFN appears as the first article of the General Agreement on Tariffs and Trade (GATT), and as one of the priority principles it stands out in the General Agreement on Trade in Services in Article 2, and the Agreement on Trade Aspects of Intellectual Property Rights in Article 4.

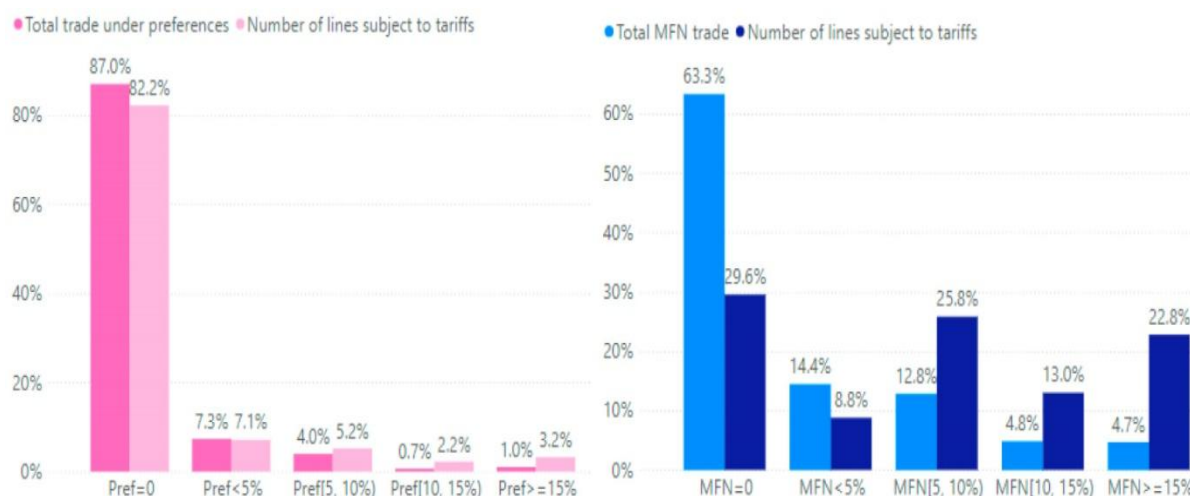
By abandoning the principle of the most favored nation in favor of reciprocal tariffs, it can lead to several harmful political implications such as (ICC, 2025): a negative effect on foreign direct investment, through less capital investment amid uncertain trade conditions; procuring inputs from less competitive suppliers, thereby undermining their competitiveness; consumer prices may rise, due to inflation; slowing economic growth amid reduced investment, higher costs and inefficient markets; labor markets face disruptions as losses in export industries and sectors dependent on imported inputs outpace employment gains in protected sectors.

Although everyone agrees that this WTO principle is extremely important for stability and proper trading conditions, certain deviations have occurred, as indicated by a large number of bilateral and regional trade agreements, because they provide more favorable customs treatment to certain partners. At the same time, WTO members can, under certain circumstances, raise trade barriers against imports for various reasons, including the suppression of unfair trade practices (Gonciarz & Verbeet, 2025). However, even with all the deviations from the MFN operating principles, which have been increasing in the last two decades, the largest number of countries and trade is still conducted under the most favorable conditions, with its importance for the harmonized global trade system. These authors provide an overview of preferential and MFN trade in their analysis, which can be seen in graph 2. On the left side of the figure, preferential imports are shown, where we can see that the majority of trade takes place at duty-free levels, comprising the vast majority of trade at 87.0% and customs lines at 82.2%. On the right side of the figure is MFN imports, showing a more diverse distribution, where two-thirds of imports are made under MFN terms with no tariff, and the share of most-favoured-nation trade decreases as tariffs increase (Gonciarz & Verbeet, 2025).

According to these principles of the WTO and the principles of free trade, the American economy was run, whether under the leadership of Republicans or Democrats, until the arrival of Trump. According to Mahmoud and Obaidullah (2025), this change is not only a change in tactics, but a rejection of the basic principles underlying America's global role since World War II, which was based on greater prosperity through trade, in order to promote

democracy, to prevent authoritarian movements, as a result of the financial turmoil of the 1930s. But what we have on stage now is the complete opposite.

Figure 2. Preferential and MFN trade by tariff bands (percentage shares, 2022)



Source: Gonciarz & Verbeet, 2025; WTO Integrated Database (IDB) and other sources, 2024.

According to statements from the White House (2025), the Trump administration with the slogan "America First" is turning everything upside down and imposing positions that with these reciprocal tariffs it has been made clear that America will no longer allow other countries to abuse it and that if companies want to avoid these tariffs, they will do business in America (White House, 2025).

Upon the announcement of new tariffs in 2025, Ursula von der Leyen, President of the European Commission, stated that the tariffs have already had a negative impact on the global economy and that the EU remains fully committed to finding a solution with the US, which will be of great importance for consumers and businesses on both sides of the Atlantic (EC, 2025). Due to all the problems arising from such unilateral decisions and the obvious violation of the basic rules and principles of the WTO, the EU is determined to initiate a dispute before the WTO against the USA for its universal so-called "reciprocal" tariffs and tariffs on cars and auto parts. The EU justifies its decision with the importance of reconfirming the importance of the existing rules and emphasizing that no WTO member can and must not ignore them unilaterally, which is the case with the USA in this situation. In addition, the Commission will continue to conduct negotiations with other trading partners to find new export channels and diversify sources of supply (EC, 2025).

In addition to the EU, ASEAN also emphasizes the exceptional importance of the WTO in promoting global economic growth, based on a transparent, fair and rules-based multilateral trade system, which is why this organization encourages the WTO to serve as a forum for dialogue to help prevent further escalation of trade conflicts and seek cooperative solutions (ASEAN, 2025).

Everyone agrees that the measures implemented by the USA represent a direct violation of WTO rules, but with the already weakened position and function of the WTO in settling disputes, it is becoming increasingly difficult to find the right way to overcome this crisis and the uncertainty it brings with it. Masayuki (2025) believes that the retaliatory measures taken by other countries against Trump's tariffs can be one way to counter it, but on the other hand, they can also lead to an escalation of the tariff war, which can only increase global uncertainty even more.

4. Settlement of Disputes through WTO

The Dispute Settlement Mechanism (DSM) was once considered perhaps the WTO's most important achievement compared to other international organizations, especially compared to its predecessor, the GATT. Today, the WTO faces serious criticism for its inherent limitations and problems, and its appellate review function is particularly under attack, since it is currently almost paralyzed by the US. The loss of WTO's efficient dispute settlement system is a particularly strong blow to the multilateral trade order. Discussions on reforming the DSM have been ongoing for several years now. Among several alternative dispute resolution options, "mediation" can offer the WTO and its members an important set of tools for more efficient and faster dispute resolution (Lee, 2025). The US dealt another blow to this mechanism by unilaterally increasing tariffs in 2025. Since the inauguration of President Trump in the second term, complaints against the US have appeared before the WTO DSM (see Table 1).

Table 1. Dispute Settlement – Complaints against US from 20. January 2025.

Complainant	No.	Title	Agreements cited in request for consultations	Consultations requested
China	DS633	United States - Additional Tariff Measures on Goods from China	Art. I:1, II:1(a), II:1(b) GATT 1994	4 February 2025
Canada	DS634	United States - Additional Import Duties on Goods from Canada	Art. I:1, II:1(a), II:1(b), V:3 GATT 1994 Art. 7.8 Trade Facilitation (TFA)	4 March 2025
Canada	DS635	United States - Additional Import Duties on Steel and Aluminium Articles from Canada	Art. II:1(a), II:1(b) GATT 1994	12 March 2025
Canada	DS637	United States - Additional Duties on Imports of Automobiles and Automobile Parts from Canada	Art. II:1(a), II:1(b), VIII:3 GATT 1994	3 April 2025
China	DS638	United States - Universal and Country-specific Additional Duties on Imports from China	Art. I:1, II:1(a), II:1(b), VII:1, VII:2, X:3(a) GATT 1994 Art. 1, 3.1, 3.2 Subsidies and Countervailing Measures (SCM) Art. 1.1, 8, Annex 1 Customs valuation	4 April 2025
Brazil	DS640	United States - Tariff measures on goods from Brazil	Art. II:1(a), II:1(b), I:1 GATT 1994 Art. 23.1, 23.2, Dispute Settlement Understanding (DSU)	5 August 2025

Source: WTO (2025)

On 4 February 2025, China requested consultations with the United States with respect to tariff measures, consisting of a 10% additional tariff, on goods originating in China. China claimed that the challenged measures appear to be inconsistent with Articles I:1, II:1(a) and II:1(b) of the GATT 1994.

On 4 March 2025, Canada requested consultations with the United States with respect to measures imposing a 25% ad valorem rate of import duty on Canadian non-energy goods and a 10% ad valorem rate of import duty on Canadian energy goods entering the United States. These import duties were in addition to any duties imposed by the United States pursuant to its tariff commitments as set out in its GATT 1994 Schedule of Concessions. Canada claimed that the challenged measures appear to be inconsistent with: Articles I:1, II:1(a), II:1(b), and V:3 of the GATT 1994; and Article 7.8.2(d) of the Trade Facilitation Agreement.

On 12 March 2025, Canada requested consultations with the United States with respect to measures imposing ad valorem rates of import duty on certain steel and aluminium articles. These rates of import duty were in addition to any other duties applicable to such articles. Canada claimed that the challenged measures appear to be inconsistent with Articles II:1(a) and II:1(b) of the GATT 1994. On 20 March 2025, the European Union requested to join the consultations. United States rejected the European Union's request to join the consultations.

On 3 April 2025, Canada requested consultations with the United States with respect to measures imposing 25% tariffs on automobiles and automobile parts. These tariffs were in addition to any other duties, fees, exactions, and charges imposed by the United States. Canada claimed that the challenged measures appear to be inconsistent with Articles II:1(a), II:1(b), and VIII:3 of the GATT 1994.

On 4 April 2025, China requested consultations with the United States with respect to measures that imposed universal and country-specific additional duties on imports from China. These additional duties were imposed in addition to any other duties or charges applicable to the imported products, including the United States' bound rates in its GATT 1994 Schedule of Concessions. China claimed that the challenged measures appear to be inconsistent with: Articles I:1, II:1(a), II:1(b), VII:1, VII:2(a), VII:2(b), VII:2(c), and X:3(a) of the GATT 1994; Articles 1.1, 8, the relevant interpretative Notes in Annex I of the Customs Valuation Agreement, and paragraphs 1 and 2 of the General Introductory Commentary; and Articles 3.1 and 3.2 of the SCM Agreement.

The United States responded to all these requests for consultations and negotiations in a similar manner. It indicated that the United States accepted mentioned countries request to enter into consultations, without prejudice to the United States' view that the actions cited by mentioned countries were issues of national security not

susceptible to review or capable of resolution by WTO dispute settlement, or whether each of the items in China's request for consultations constituted a "measure" within the meaning of Article 4 of the DSU. The United States always pointed out that issues of national security are not susceptible to review or capable of resolution by WTO dispute settlement, or whether each of the items in other countries request for consultations constituted a "measure" within the meaning of Article 4 of the DSU.

5. WTO "Special and Differential Treatment"

This global multilateral body currently allows its 166 members to decide for themselves whether they are developed or developing countries. The WTO has never had a system for classifying its members or for deciding when they should move from developing to developed economy status. In addition to developing and developed economies, there is a third category of WTO members, the least developed countries. However, they are not controversial, as these countries are designated as such according to the United Nations classification. The current situation is that about two-thirds of WTO members claim and self-classify as developing economies. Thus, under the current system, the world's second and fourth largest economies by nominal GDP, China and India, respectively, are classified as developing countries in the WTO. According to GDP adjusted for purchasing power parity, China is the largest economy, and India is the third largest (Hinrich Foundation, 2025c). It is a kind of paradox, and the country that most often points to it is the US.

Developing country status brings numerous trade privileges known as "special and differential treatment". These "special and differential treatment" benefits include:

- Longer time periods for implementing agreements and commitments.
- Measures to increase trading opportunities for these countries.
- Provisions requiring all WTO members to safeguard the trade interests of developing countries.
- Support to help developing countries build the infrastructure to undertake WTO work, handle disputes, and implement technical standards.

- provisions related to least-developed country members (WTO, 2025).

China decided on 23 September 2025 to end its "special and differential treatment" benefits. China took the first step in response to long-standing complaints from the United States and other developed economies. Now, eyes are on India, which continues to defend its right to be considered a developing country due to poverty and uneven growth, and on the other hand, on developed countries to take steps toward an agreement that would lead to convergence of positions and WTO reform. For instance, India has said it won't become a developed country until 2047, and Brazil in 2019 said it would declare itself a developed country, then in 2024 said it wouldn't. India and other like South Africa, Brazil, and Indonesia also objects to plurilateral deals among other WTO members. In that way those deals, which usually do not include these countries, and are about high technologies, are stalled.

China's decision to waive special benefits tied to this designation in current and future WTO negotiations. China's decision in early October to forgo special benefits for developing countries at the WTO poses an unspoken challenge to other large emerging economies: Would they similarly step up to contribute to the reform of the multilateral trading system? This move should prompt policymakers in other major emerging economies, notably India, to ask hard questions of themselves if they should take China's lead in stepping up to meet much-needed contributions toward leadership of the international trading system (Hinrich Foundation, 2025b).

On the other hand, Japan struggled to negotiate a reduction in Trump's 25% tariff on Japanese imports, and the agreement was finally reached and confirmed by executive order on September 4. The agreement resulted in a reduction in the tariff rate to 15%, which contributed to the average tariff rate across Asia falling from about 33% on April 2 to 21% on August 1. It should be noted that Japan's agreement is unique in that it includes an extraordinary commitment to invest US\$550 billion in the United States during the remainder of President Trump's second term (Hinrich Foundation, 2025a).

In this way, we see that negotiations are currently taking place on several tracks. The WTO and individual member countries are struggling to achieve a compromise and for this organization to be reformed and modernized and to be able to regain its former importance in the multilateral regulation of international trade. And at the same time, bilateral and plurilateral negotiations are ongoing to individually, ie collectively, reduce the customs rates that Trump introduced with his second mandate. It is already clear from past experience that the stronger negotiators will always have greater success in achieving their interests, while the weaker and truly less developed countries have to ensure and strengthen the WTO within which they would have a stronger voice and a stronger negotiating position, so that they too can achieve their interests, even partially. Negotiations in all the mentioned fields are currently very uncertain and their results remain to be seen. It is clear that changed rules will be built in multilateral

trade, which are embodied in the WTO, but what they will be depends on the commitment and influence that the interested countries will show in the negotiations on the reform itself.

Despite the enormous change in international trade relations that has emerged from the GATT/WTO system, the basic contours of trade agreements have been slow to change. Although many preferential trade agreements now at least include provisions on labor and the environment, the WTO has not yet renegotiated the balance between the interests of trade liberalization and other public policy objectives that may be in open conflict with trade liberalization. Instead, WTO agreements create space for the pursuit of those objectives through exceptions. It is therefore crucial that the interpretation of those exceptions accurately reflects the underlying political pressures that lead to their invocation. Unfortunately, the WTO's case law on exceptions has not been up to the task. Dispute resolution panels and treaty negotiators of today must adapt to this reality (Meyer, 2021).

The latest WTO plenary meeting was held on 24 September 2025 to relaunch the "collective reflection" on WTO reform and also to begin planning a pragmatic way forward. The plenary meeting allowed members to hear directly from each other in an open format, and consultations were held in parallel. There is currently a high level of engagement among WTO members and a broad willingness to engage constructively. However, views remain fundamentally different. All discussions among WTO members on WTO reform have been structured around a previously identified three-track framework: governance, fairness, and issues of our time. "Decision-making" and "development" have been most often cited as logical starting points for reform (WTO, 2025). It's good that already the majority of WTO member countries agree that the WTO needs reform.

Conclusions and Further Research

Trump's tariff policy has had multiple negative consequences for the WTO. Tariffs, protectionist and discriminatory policies have undermined the foundations of multilateral trade stability. The already paralyzed arbitration mechanism and the threat to the organization's ability to enforce the rule of law have all led to a decrease in the efficiency, trust and relevance of the WTO. Meanwhile, alternatives have emerged, in the form of bilateral negotiations, regional agreements and ad hoc arbitration. Ultimately, due to the tariff measures, but also to the existing problems that the WTO itself was facing, the prospect of international multilateral regulation of global trade has become uncertain. The search for solutions has begun, but they are still not at the multilateral level. A step in the right direction towards compromise was made by China, with its renunciation of developing country status and de facto use of special and differential treatment. The talks on WTO reform, primarily between the leading countries of the system, give hope that some kind of compromise will have to be found. But regardless of the speed or slowness of the formation of a new reformed working structure of the WTO itself, it is clear that in recent years there have been constant changes in the functioning of multilateral trade flows and their regulation.

The tariffs introduced by Trump have further undermined the effectiveness of the WTO, which already faces significant challenges. There is widespread disrespect for WTO rules around the world. There is no doubt that reform of the organization is urgently needed if the multilateral trading system is to be maintained in accordance with the multilaterally agreed rules. China, as the first major country to compromise during the WTO reform negotiations, is proving that it is ready to take one of the leading roles in the future design of the new rules of the multilateral trading system that will emerge with the WTO reform. Further research can be focused on the individual principles of the WTO and on the direction of their modernization.

The research has certain limitations, which are primarily related to the time frame included in the analysis, as well as the activities of the US administration, which are still ongoing and may bring unforeseen changes and impact on the WTO. Only when the entire term of the current US president ends will it be possible to see all the effects on global trade regulation as a whole, so that future studies could more comprehensively investigate all the changes.

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Sanja Jelisavac Trošić: Conceptualization, Investigation, Methodology, Formal analysis, Writing – original draft, Supervision, Writing – review and editing.

Aleksandra Tošović-Stevanović: Investigation, Methodology, Formal analysis, Writing – original draft, Data curation, Validation, Writing – review and editing.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Declaration of Use of Generative AI and AI-Assisted Technologies

The authors declare that they have not used generative AI and AI-assisted technologies in the writing process before submission, but only to improve the language and readability of their paper and with the appropriate disclosure

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