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Mercader Solano, Pau; Soriano Gatica, Juan Pablo, dir. Contestation of the multilateral trade system : the WTO crisis through the lens of the Appellate Body, free trade agreements, and the Green Room. 2025. (Grau en Relacions Internacionals)

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**Facultat de Ciències Polítiques i Sociologia**  
**Treball de Fi de Grau**

**Títol:**

**Contestation of the Multilateral Trade System:  
The WTO Crisis through the Lens of the  
Appellate Body, Free Trade Agreements, and the  
Green Room**

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Data: 26/05/2025

Grau en: Relacions Internacionals

## **Abstract**

This thesis analyzes the crisis of the World Trade Organization (WTO) through Wiener's (2014) contestation theory. It will focus on three key institutional pillars: multilateral trade liberalization, decision-making and dispute settlement. It will explore how major actors such as China, the United States, and the European Union have engaged in norm contestation through the proposed analytic framework: multilateral cooperation vs. *sovereignty-based scheme*. Through the case studies of PTAs/FTAs, Green Room and the Appellate Body, the study proves how Western powers increasingly retreat from multilateralism, while China emerges as its defender. This shift is signified by a return of power politics and interests that outweigh shared norms, reshaping the WTO's legitimacy and future role in international trade.

Key Words: Contestation, Multilateralism, Sovereignty, WTO Reform, Appellate Body

## **Resumen**

Este trabajo final de grado analiza la crisis de la Organización Mundial del Comercio (OMC) a través del marco de contestación de Wiener (2014). Se centrará en tres pilares institucionales clave: la liberalización del comercio multilateral, la toma de decisiones y la resolución de controversias. Explorará cómo actores importantes como China, Estados Unidos y la Unión Europea han participado en la contestación de normas a través del marco analítico propuesto: cooperación multilateral vs. esquema basado en la soberanía. A través de los estudios de caso de los ACP/TLC, la Green Room y el Órgano de Apelación, el estudio demuestra cómo las potencias occidentales se retiran cada vez más del multilateralismo, mientras que China emerge como su defensora. Este cambio se refleja en el retorno de la política de poder y los intereses que prevalecen sobre las normas compartidas, redefiniendo la legitimidad de la OMC y su futuro rol en el comercio internacional.

Palabras clave: Contestación, Multilateralismo, Soberanía, Reforma de la OMC, Appellate body

## **Resum**

Aquest treball de final de grau analitza la crisi de l'Organització Mundial del Comerç (OMC) a través del marc de contestació de Wiener (2014). Se centrarà en tres pilars institucionals clau: la liberalització del comerç multilateral, la presa de decisions i la resolució de controvèrsies. Explorarà com actors importants com la Xina, els Estats Units i la Unió Europea han participat en la contestació de normes a través del marc analític proposat: cooperació multilateral vs. esquema basat en la sobirania. A través dels estudis de cas dels ACP/TLC, la Green Room i l'Òrgan d'Apel·lació, l'estudi demostra com les potències occidentals es retiren cada cop més del multilateralisme, mentre que la Xina emergeix com a defensora. Aquest canvi es reflecteix en el retorn de la política de poder i els interessos que prevalen sobre les normes compartides, redefinint la legitimitat de l'OMC i el seu rol futur en el comerç internacional.

Paraules clau: Contestació, Multilateralisme, Sobirania, Reforma de l'OMC, Appellate body

*Abbreviation List*

World Trade Organization	WTO
United States	US
European Union	EU
Preferential Trade Agreements	PTAs
Free Trade Agreements	FTAs
General Agreement on Tariffs and Trade	GATT
Appellate Body	AB
Special and differential treatment	SDT

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## **Introduction:**

On April the 2nd, Donald Trump announced the introduction of the most sweeping tariff hike since the 1930's, called the *Liberation Day*. The justification seemed to be a malfunctioning international trading system, which has proved ineffective at regulating supposed bad practices that emerging powers, especially China, rely on (Harithas et al., 2025). This policy, as new as it could look, has a background of long and ongoing US contestation to the multilateral trade system. This system crystallized in the The World Trade Organization (WTO), once considered a cornerstone of the liberal international economic order, is facing an unprecedented crisis of legitimacy. Key players such as the United States, the European Union, and China are increasingly questioning the rules and mechanisms that underpin multilateral trade governance.

This bachelor thesis will work on this background, the political and judicial contestation that has taken place within the World Trade Organization (WTO) since the Uruguay Round until 2024. Understanding the contestation background that has taken place inside the WTO by its most important actors, can shed some light to why we are currently returning to a power politics based order. This shift reflects a vision that emphasizes preserving national autonomy rather than enforcing binding multilateral trade rules, summarized as the "*Sovereignty-based scheme*". Understanding these ongoing dynamics and their potential future implications is essential, as the WTO remains the primary institution for negotiating rules that govern 98% of global trade (WTO, 2025f).

Contestation is going to be analyzed through Wiener's (2014) framework and operationalization. The conception of contestation as a norm-generative activity and an essential practice for legitimacy in any context of governance, is the most common approach in the studies of this matter. This thesis will focus on this approach and will study the *arbitration* and *deliberation* processes undertaken by principal actors, the United States, the European Union, and China in the WTO. These processes seem to have resulted in two antagonistic approaches that have divided actors between a compliance with the multilateral trade liberalization and a

*Sovereignty-based scheme.* This proposed division could reflect how states could be breaking the trading regime that has been built since 1948.

The rupture in the current multilateral trade regime is going to be characterized by three case studies that reflect: the basis of the regime, with the multilateral trade liberalization; the decision-making within the regime, with the green room; and the dispute settlement in the regime, with the Appellate Body. Through these case studies, this thesis tries to define the approach of each actor among each case.

This thesis is structured into four main sections. It begins with an introductory literature review of the concept of contestation and explores its theoretical approaches. Second, outlines the roles of the key actors analyzed: China, the U.S., and the EU. Third, explains the methodological approach and analyzes the ongoing contestation existent in three case studies: trade agreements, the Green Room, and the Appellate Body. Finally, it is closed with a section of discussion and conclusions.

Therefore, this work tries to understand how WTO's main actors have contested the institution through these years, summarized in the question: *To what extent has the WTO been contested by its most important actors since the Uruguay Round until 2024?*.

## **1. Literature review:**

### *1.1 What is contestation?*

Wiener (2014) understands contestation as a social practice that goes beyond dissent. She views constant actor interaction as a norm-generative activity and a key practice for legitimacy in any governance context. Contestation is a social activity unfolded through language and can either be explicit (e.g., contention, objection, questioning, deliberation) or implicit (e.g., neglect, negation, disregard). While often verbal, contestation can also take non-verbal, excluding violent forms.

Wiener's analytical approach is based on the "Principle of contestedness," shifting focus beyond the state to governance in the international arena. This principle asserts that norms, rules and principles of governance are constantly contested and require regular contestation in order to work (Wiener, 2014). She identifies distinct types of contestation: *Arbitration* as the legal mode, evaluating court-related processes. *Deliberation* as the political mode, addressing rules within transnational regimes. *Justification* as the moral mode, questioning principles of justice and *Contention* as the societal mode, challenging societal norms in informal settings.

Norms are understood as "collective expectations about proper behaviour for a given identity" (Katzenstein, 1996, p. 56). Over time, constitutive and regulative norms evolve into practical norms embedded in international practices (Björkdahl, 2002). However, Wiener further differentiates norms by type: *Type 1* norms are universal moral claims, broadly accepted and often formalized in treaties. However, they are contested in practical implementation. *Type 2 norms* emerge through policymaking, legal decisions, and political interactions, reflecting shared understandings of the norm. They balance legitimacy in both theory and practice since they evolve through real-world application. *Type 3 norms* are detailed rules and procedures within treaties and conventions. While they are not typically morally debated, they can conflict with individual interests when implemented.

### *1.2 Which norms are being contested?*

After the Second World War, in 1948, the General Agreement on Tariffs and Trade (GATT) was implemented. It was based on the Wilsonian vision of a global system based on a moral consensus, upheld by a coalition of powers sharing ideals of legitimate sovereignty (Mead, 2021). This ideal held that free trade promoted not only prosperity but also peace. The 1930's experiences certainly suggested as much. Government responses to the Great Depression such as high tariffs, currency devaluations and discriminatory trading blocs destabilized international markets without improving economic conditions (Office of the Historian, n.d.).

The set of rules implemented those years were the result of the new economic order created by the Bretton Wood system. This system aimed to provide stability to

commercial transactions through an international monetary system, with solid and stable exchange rates, founded on the dominance of the US dollar (Bretton Woods Agreements, 1944). After the implementation of the International Monetary Fund and World Bank, a body to regulate international trade remained absent. After the failure of the International Trade Organization, GATT was set up as a temporary agreement, lasting until the World Trade Organization (WTO) was founded in 1995. However, GATT's core rules remained and were adopted by the WTO (Millet et al., 2001).

The main goal of GATT (and later WTO) was that:

*“Economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods” (GATT, 1947)*

GATT sought to liberalize trade through mutual reduction of tariffs, the dismantling of discriminatory blocs, and the removal of other trade barriers.

Key practices included: *Most-Favored Nation principle*: Any trade advantage granted to one country must be extended to all members, ensuring equal treatment in duties, charges, and rules. *Equal Treatment of Imported and Domestic Goods*: Imported goods must be treated the same as domestic ones in taxation, regulation, and commerce. It prohibits using internal policies to protect domestic industries while allowing specific exceptions. *General Elimination of Quantitative Restrictions*: Bans trade limits beyond duties and taxes (with some exceptions). Restrictions must be publicly declared and can not unfairly hinder imports, promoting free trade while permitting necessary regulatory measures (WTO, 2025e).

Compliance on these rules is controlled by Articles XXII and XXIII of the WTO dispute settlement system (WTO, 2025e). Article XXII promotes consultations before disputes. Article XXIII allows formal complaints over violations or unfair practices. If consultations fail, the Dispute Settlement Body may authorize affected Members to suspend obligations toward the violating party (WTO, 2025d).

### *1.3 Why are states / actors contestating?*

Contestation justification is rooted in the legitimation of norms. If contestation is understood as a norm-generative activity and an essential practice for legitimacy in any governance context (Wiener, 2014), we must explore why certain actors accept or reject norm legitimacy. Many authors argue that international norm legitimacy is often based on compliance. In a nutshell, the perception that states comply with international norms is the legitimacy base of those rules (Franck, 1988; Hurd, 1999; Steffek, 2007). Thus, analyses of compliance can help indicate the motives behind WTO norm contestation.

In the WTO, compliance is generally based on states' consent to follow its rules and practices, settle disputes peacefully, and cooperate. The literature on why states do or do not consent to these rules is extensive. Numerous theoretical approaches have tried to explain the factors that promote norm compliance. The primary reasons identified by international relations scholars are grouped into three main approaches: *realism, liberalism, and constructivism*.

#### Realism

Realism is the dominant epistemological framework in the study of compliance. It sees material conditions as the primary drivers of state behavior. From this view, compliance with international norms or legal obligations come from interest-based calculations or prevailing power structures. States comply either out of fear of consequences or because it aligns with their cost-benefit assessments. Legal commitments are not considered morally binding but are seen cynically, as tools used to pursue strategic objectives when they serve self-interest (Chayes & Chayes, 1993; Simmons, 1998; Hurd, 1999).

## Liberalism

Liberalism interprets compliance as a response to collective problems that states cannot solve unilaterally. States engage in cooperation to avoid suboptimal outcomes and enhance mutual benefits. International law and institutions are seen as global public goods that facilitate problem-solving, promote coordination, and reduce the effects of anarchy. Integration is viewed as a mechanism to deepen cooperation, increase interdependence, and stabilize the international system. Weak or non-compliance is often linked to domestic political dynamics, such as interest group influence or administrative limitations (Simmons, 1998).

## Constructivism

Constructivist or normative approaches argue that ideas, beliefs, and values are key motivations for compliance. Rules grounded in shared principles of fairness, whether in form or content, are more likely to be seen as legitimate and followed (Simmons, 1998). For norms to gain legitimacy, they should exhibit characteristics like determinacy, symbolic validation, coherence, and adherence to a normative hierarchy (Franck, 1988).

### *1.4 Literature review summary*

This literature review has examined contestation as a norm-generative practice central to the legitimacy of international governance, particularly in global trade. Focusing on Wiener's (2014) framework, legal, political, moral and societal contestation both challenges and reinforces norms through ongoing interaction. In the WTO, norms such as multilateral trade liberalization, decision-making, and dispute settlement have faced contestation in both principle and implementation (Expanded on methodology).

The roots of such contestation lie in differing conceptions of norm legitimacy. Realism emphasizes strategic interests and power asymmetries. Liberalism focuses on institutional cooperation and domestic capacity. Constructivism highlights the

role of ideas, fairness, and shared meaning. These frameworks suggest that actors comply when norms align with their interests, values, or identities.

This thesis addresses a gap in the literature: the limited application of Wiener's (2014) framework to the specific dynamics of the WTO. It also aims to contribute to broader debates in international politics by synthesizing contestation processes often examined separately. This integrated analysis offers insights into the WTO's evolving dynamics and may inform more effective strategies for future multilateral trade negotiations.

## **2. Main actors**

### *2.1 China*

Despite its late access to the multilateral trade framework in 2001, China's evolution within the organization has positioned this actor as a key to understanding the processes of contestation and reform of the WTO. Chinese committed binding to the institution these last years have been outstanding. The country has gradually been adapting to international markets and by consequence, the multilateral trade system. China has substantially liberalized its economy, first gradually attracting foreign capital and later on deregulating its economy (Ge, 1999). It also integrated into the global market through the measured creation of Economic Special Zones that focused on the development of a market-oriented economic system, and served the country as a window and a base to economic liberalization (Ge, 1999). Finally, China has changed its economic policies, shifting from wholly state-owned enterprises to a mixed-ownership model that allows private and foreign investors to own enterprise stocks. Moreover, Chinese firms now focus on profitability and competitiveness rather than simply meeting production quotas as in the central planning days (Ge, 1999).

As China integrated more deeply into the global economy, it became an active participant in the multilateral trading system. One example is China's significant

human capital built to defend its interests within the organization (Shaffer & Gao, 2021). It looks like China has committed itself to the WTO's norm scheme. It has shown an utter willingness to accept binding international resolutions from the Appellate Body and the Dispute Settlement system. It signified the engagement of China in the multilateral trade framework as it changed from avoiding litigation to proactively utilizing it (Harpaz, 2010).

Nevertheless, deeper integration into the international trade framework does not necessarily mean deeper convergence. Even though China's post-WTO economy is more transparent and market-oriented than before accession, it remains distinct from traditional market economies (Wu, 2016). The Chinese state capitalism system is a unique system that has been unforeseen by WTO (Harris, 2009) and Chinese accession to WTO commitments functioned as a mechanism to lock in the creation of this new economic system and prevent local backsliding (Shaffer & Gao, 2021). WTO norms have effectively acted as a "constitutional amendment". By accepting WTO's dispute settlement body, China introduced a third-party oversight into China's legal system. It has simultaneously preserved and reinforced its model of state capitalism. The alignment with WTO norms, therefore, was not a surrender of sovereignty, but a calculated means to advance internal reform agendas and promote China's interests within the global trade system (Shaffer & Gao, 2021).

## 2.2 United States

In recent years the United States has contested the idea of a multilateral trade framework. US' actions disregarding the Appellate body, trying to hijack the decision-making process (green room) and objecting to the multilateral trade system proves that. The positions have been established towards a *sovereignty-focused scheme*. Fixating in the fundamental norms (type 1), its contestation to WTO's multilateral trade liberalization can be traced to two interrelated factors: a co-optation dilemma (Heinkelmann-Wild et al., 2024) and power shrinkage process (Mandel, 2012; Rodrigue, 2013; Shaffer, 2018). Together, these dynamics unravel why the United States is both contesting the WTO's

authority and retreating from its traditional leadership of the multilateral trade regime.

The co-optation dilemma could be described as a political strategy where rulers include powerful social actors into the leadership structures of an order (WTO) to gain their support. While this inclusion can range from full to partial integration, it always involves a trade-off: by sharing power to secure support, rulers risk losing control of the institution. The dilemma is understood as the tension between gaining support and maintaining authority. If too few actors are included, the order may be stable but contested from excluded. If too many are included, it may gain support but become uncontrollable. (Heinkelmann-Wild et al., 2024). This huge WTO expansion has led to a US loss of hegemonic control over the international trade, that has led to a contested order-building, order-maintenance, and, eventually, an internal leading order contestation.

Moreover, the United States has seen its market influence erode relative to emerging economies. As these rising powers have become bigger participants of the international trade scheme, laws and regime, the US has seen constant losses within the Appellate Body (AB) regarding its protectionist antidumping, countervailing duty, and safeguard measures. In particular, after the 2008 financial crisis, U.S. officials came to view the AB's interpretation and enforcement of WTO rules as restricting their ability to defend domestic industries against what they deemed "unfair competition" from Chinese imports (Shaffer, 2018).

This shift to a *sovereignty-focused scheme* is not "new". Sovereignty positions have been present since the US's accession to GATT (Pigman, 1998) and have always been the most influential aspect in the approach towards the organization. In some ways the Americans and the Chinese sovereignists' arguments could be equated as they function the same way. Many examples of these arguments have been the previous extensive use of anti-dumping measures and tariffs (Sinha, 2021). It indicates that this deliberation process has taken place for a long time and compliance has always been rooted in interests and existing power dynamics. The

US acted as a provider of public goods because it benefited from shaping the WTO's agenda.

As global power dynamics shifted, the United States adopted new strategies to maintain its influence. Under President Obama, it focused on lowering trade barriers through a series of new free trade (FTAs) and preferential trade agreements (PTAs), acting within the WTO but mostly in a holding pattern and on a case-by-case basis (Dixon & Rimmer, 2013; Sinha, 2021). This proliferation of PTAs and FTAs stands in contrast to the WTO's foundational commitment to multilateral trade liberalization.

### *2.3 European Union*

As the US retreated from its traditional leadership role in global trade governance, it created a void that the EU could have positioned to fill. Nevertheless, the EU's position has evolved unclear.

The EU was devoted to preserving and reforming the WTO. In the early years of the American questioning of the institution, after the Uruguay round, the EU tried to maintain its leading role in the organization, expressing its commitment to the multilateral trading system. This role was based on the EU's historical reliance on multilateral institutions like the WTO to project its influence globally (Dee, 2015). In the mid 2000's, the EU started developing a sense for a comprehensive WTO reform (Van den Abeele, 2021). Nevertheless, the EU is still trying to address unfair trade practices, protection for intellectual property, regulate state subsidies and tackle emerging issues like data protection and environmental standards (Dee, 2015).

As time passed by, the EU has attempted to strengthen its domestic capacity in terms of trade enforcement through policies like the "open strategic autonomy". This policy is defined as "the ability to act autonomously, to rely on one's own resources in key strategic areas and to cooperate with partners whenever needed" (Van den Abeele, 2021). It seems as if the EU advocates for a "third way" of

*protective multilateralism*, calling for a new global agreement to ensure fair competition, especially with China. This could be attributed to a diminishing competitiveness and a declining position due to the harsh competition with emerging economies (Hildebrandt & Silgoner, 2007)

The shift from the multilateral towards a competitive based approach is evident as the Doha Round evolved. Rather than leading negotiations, the EU began questioning emerging economies' responsibilities and pursuing trade liberalization through bilateral and plurilateral agreements. By stepping back from its traditional multilateral leadership role, the EU redirected its energies toward negotiations where it held greater leverage to secure foreign market access (Dee, 2015).

This indicates a shifting position from pioneer and reform-pusher in the late 1990s and early 2000s, to a pusher, mediator and defender between 2005 and 2008, to a mediator, cruiser, bystander and laggard, after 2008 (Dee, 2015). It reflects a response to a reconfigured great-power hierarchy due to a power shrinkage process too (Dee, 2015). As new actors emerged in the organization, the EU recalibrated its own strategies and norms of “appropriate behaviour,” adapting its role to the new fragmented multipolar governance landscape that emerged after the Doha Round.

### **3. Methodology**

This study employs Wiener's (2014, p76) analytical approach to norms as its conceptual framework, using her operationalization typology to examine three case studies. These cases are categorized under Type 1 and Type 3 norms. The Type 1 case, Preferential Trade Agreements (PTAs) and Free Trade Agreements (FTAs), will be investigated through the question “Change of norms over time”. The Type 3 cases, the Green Room and the Appellate Body, will be explored through the question “Compliance/non-compliance/negotiations of norms”.

The analysis of the Type 1 case, Preferential Trade Agreements (PTAs) and Free Trade Agreements (FTAs), is based on data compiled by Hofman et al. (2017),

which traces the evolution of trade agreements. The Type 3 cases, the Green Room and the Appellate Body, are based on policy documents and official statements issued by key actors, comparing their stated intentions in relation to their actual behavior within the WTO.

*Table 1. Case Studies and its type classification*

Types	Type 1	Type 3
Typology	Fundamental norms	Detailed rules and procedures
Cases	Multilateral trade liberalization - (PTAs & FTAs)	- Green room - Appellate body
Operationalization	Change of norms over time	Compliance/non-compliance/negotiations of norms

*Source: Self creation*

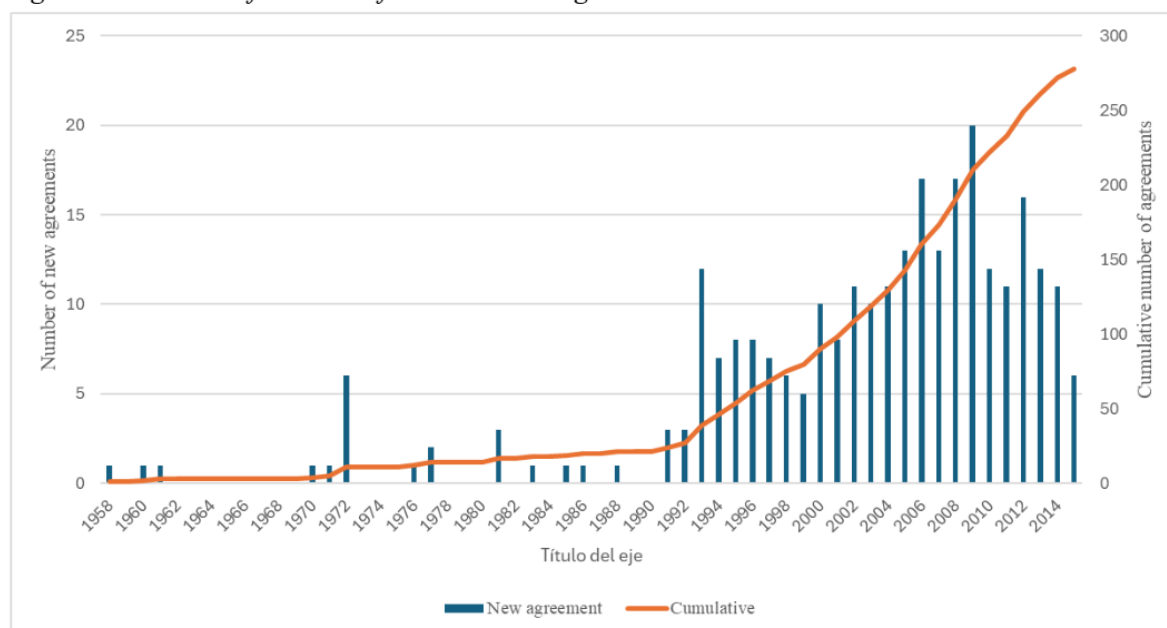
These case studies have been selected for their capacity to illustrate the shift toward a *sovereignty-focused scheme* adopted by certain actors within the multilateral trading system. This concept will be defined as an *approach to the WTO that prioritizes the preservation of national autonomy over the enforcement of binding multilateral trade rules*. The existing literature in the three case studies supports this definition, as empirical evidence, particularly in the behavior of actors such as the United States and the European Union, demonstrates its willingness to reclaim regulatory authority previously delegated to the WTO's supranational mechanisms. Thus, it is understood that states position themselves within a spectrum, between the compliance of the multilateral trade liberalization and a *sovereignty-focused scheme*.

## 4. Case studies

### 4.1 Preferential Trade Agreements & Free Trade Agreements

As major actors like the United States and the European Union transitioned toward a sovereignty-based scheme, new instruments emerged in the reconfiguration of international trade. Among these, Preferential Trade Agreements and Free Trade Agreements assumed significantly greater importance. Preferential Trade Agreements (PTAs) and Free trade Agreements (FTAs) are international treaties with restricted membership that include articles aimed at improving market access for members in goods or services (Limão, 2016). The main difference among them is that a PTA specifies a positive list of products for tariff reductions, whereas a FTA uses a negative list to identify goods exempt from duty cuts. Additionally, FTAs typically cover a broader range of tariff lines for reduction. These trade agreements serve as valuable instruments for deepening and broadening economic policy cooperation, often complementing policy areas that are either addressed, or not at all, under WTO law.

Figure 1. Evolution of Free / Preferential Trade Agreements



Source: Self creation - Hoffman et al. (2017) data

The consequences of trade agreements to international trade welfare has no theoretical consensus. There are two approaches to how they influence multilateral trade liberalization. Authors are theoretically divided among the ones that believe PTAs and FTAs act as “stepping blocks” and the ones that believe they are “stumbling blocks” (Auyezova, 2020). “Stepping blocks” believers argue that trade agreements are a way to overcome regime failures. Regional agreements are easier to negotiate, facilitate monitoring of compromises, and lead to lower transaction costs. (Summers 1991, Bergsten 1996, Baldwin 1997). On the other hand, “stumbling blocks” believers argue that regional trade agreements can lead to protectionism, restricting countries from participating in global trade and resulting in welfare losses due to trade diversion (Bhagwati 1992, Bhagwati and Panagariya 1996).

#### 4.1.1 How PTAs and FTAs affect WTO liberalization premise

The conception of PTAs and FTAs serving as stepping stones has been empirically refuted. Evidence shows that trade agreements often do not lead to significant increases in trade. Instead, they can introduce higher costs due to overlapping regulations, incorporate safeguard measures that conflict with WTO law, and in some cases, hinder future integration into multilateral trade frameworks (Limão, 2006; Senti, 2014; Nakatomi, 2014; Limão, 2016; Arie Kot, 2018; Baccini, 2019; Auyezova, 2020).

Nevertheless, actors may pursue PTAs and FTAs, despite their suboptimal outcomes, due to existing interdependence and concerns about market exclusion. Rovira and Vaillant (2024) attribute this behaviour to a so-called “*Domino effect*”, previously exposed by Baldwin (1993). It refers to a dynamic mechanism in which countries feel compelled to join PTAs as a defensive response to being excluded from agreements formed by their trading partners or competitors (*Further understanding in Figure 1. Annex*).

#### 4.1.2 Summary on fundamental norms contestation

As the US and the EU took a higher stance on the sovereignty-based approach, bilateral and multilateral agreements started to emerge. Although this model based on PTAs and FTAs was not a contestation process initially (Baldwin, 1993), it became a tool to pursue this sovereignty-based scheme. Even though actors knew the suboptimal results of such Trade Agreements, they didn't stop this, so called, "Domino Effect". The US and the EU further engaged this liberalization process outside the multilateral trade framework, contesting the existence of the WTO and its objectives.

China's approach to FTAs and PTAs, however, seemed to follow a different rationale. Rather than challenging the multilateral trade framework, China's participation appears to be largely reactive, driven by the "Domino Effect." As more countries entered into preferential trade arrangements, China found itself compelled to follow. This hypothesis appears to be suiting as most of Chinese Trade Agreements appear much later (MOFCOM, n.d.) than the initial western agreements and it is supported by some studies (Song & Yuan, 2012; Schott et al., 2015).

#### 4.2 *Green room*

The green room is an informal institution of the WTO decision-making process. It refers to meetings, typically convened by the Director-General, where a limited group of member countries participate in discussions on specific aspects of multilateral trade negotiations.

"Green room" politics in GATT and WTO negotiations have undergone significant transformation since 1948. In the early GATT years, negotiations were predominantly US led with no need for a formal green room. However, the Tokyo Round, as the organization got bigger and more complex, led to the use of small and informal meetings. This new "green room" was used to create consensus among key players, continuing with a US (and EU) led. This format expanded significantly during the Uruguay Round, increasing to 25-30 participants per meeting. The goal

was to manage an increasingly varied agenda. With the WTO's establishment, the US and EU (as a bloc) retained de facto control, often joined by Japan and Canada. This group was known as "the Quad". Quickly, after the start of the Doha Round, a more fluid core was created, with emerging powers like Brazil, India or Australia (Jones, 2009).

As emerging powers got more powerful and claimed their decision-making share, this structure became obsolete. There was a perceived exclusivity and lack of transparency in green room dealings, culminating in big backlashes during the Seattle and Cancun ministerials (Jones, 2009). In response, developing countries began organizing into issue-based coalitions to gain negotiating capacity. Today, there are several reform calls with different approaches. Several plans are proposed to adapt the Green room to the new power structure, with proposals such as the creation of Executive Boards (such as the IMF), a representation based on platforms and coalitions or a regional mandatory representation (Jones, 2009). The issue with the green room process isn't so much its fairness, but its declining effectiveness in facilitating the trade-offs needed to build consensus in WTO negotiations (Jones, 2009).

The transparency critics about the informal institution could be extended to research, as little or no information exists about the "Green room" procedures. WTO's reputation for secrecy and elitism has been a problem for a long time. These criticisms have been roundly endorsed within many countries' representatives through time, as even WTO delegates suffer from these problems. One notorious example occurred at the Seattle ministerial backlash, when some delegates were excluded from the final (closed door) negotiations at the convention as major powers desperately tried, unsuccessfully, to salvage an agreement (Walters, 1995).

The Green Room negotiation process is addressed in only a single available source, the South North Development Monitor (SUNS), created by the Third World Network Berhad. Even though all continuous reports align with observed realities, all recorded statements explicitly request to remain off the record. As a result,

citation is going to be cautious, and any analytical insights derived from this source remain with limited academic reliability.

#### 4.2.1 Leading positions and reform approaches to decision-making

There has been an observable push from the United States, especially in the 12th Ministerial Conference, for a shift in WTO's negotiating process, advocating the adoption of a "critical mass" approach (SUNS, 2022a; SUNS, 2022b). This strategy allows a subset of WTO Members to proceed with agreements even without full consensus, provided the group is large and representative enough. In this approach, the outcomes would still be applied to all Members on a most-favored-nation basis (Low, 2011). By advocating to formalize this method, the US is questioning, not only the existing procedural norms, but also article IX. This article dictates that the WTO makes decisions mainly by consensus, with voting and special majorities used in specific cases (WTO, 1995). This is a direct call to eliminate the consensus-based decision-making process.

The US is also seeking to introduce different criteria, without specifying which one, to developing countries for accessing special and differential treatment (SDT) (SUNS, 2022a). The SDT status is crucial for developing states as it increases trading opportunities and gives provisions requiring all WTO members to safeguard the trade interests of developing countries (WTO, 2025a). These provisions must be negotiated, making these states "key actors" in the decision-making process. The US argues that the SDT mechanism is an outdated system that lets rapidly advancing economies (notably China) self-claim "developing" status and enjoy special rights they no longer need, undermining reciprocity, burdening genuine low-income members, and creating unfair free-riders (Bacchus & Manak, 2020).

As invitations to Green Rooms are based on arbitrary conceptions of being "key actors", US' SDT reform proposals could allow developed countries to perpetuate the marginalization that most developing countries suffer from (Patel, 2007). If developing countries are not "key actors", they do not need to be present in certain negotiations. This looks like a US (with its allies) push to reshape the WTO's

negotiating functions in their favor. Despite these reform demands, such proposals have notably been excluded from official summaries (SUNS, 2022a), possibly due to raising concerns among some members about the growing pressure to legitimize plurilateral negotiations outside the traditional bottom-up and inclusive processes.

The European Union's role in the green room crisis has been unclear. In the *European Parliament resolution of 25 November 2021* the EU announces its commitment to renegotiate several aspects of the WTO, specifically “its monitoring, negotiating and dispute settlement functions” (European Parliament, 2022). Nevertheless, no official document nowadays explains the EU's approach towards the matter. In SDT status reform, it has balanced between the US' and China's positions. The EU has proposed a case-by-case approach for providing SDT status (European Commission, 2018; SUNS, 2022a), similar to the US. It also considers that “SDT status self-assertion as only criterion could lead to unfair trade” (European Parliament, 2022). However, it considers the Chinese proposal as a way to “safeguard the right to special and differential treatment” (European Parliament, 2021).

China argues that the WTO's failure to deliver negotiation outcomes diminishes the relevance of the multilateral trading system and underscores that effective decision-making should be a central pillar of WTO reform (SUNS, 2024). China's approach to reforming the decision-making process could align with the US proposal, as Beijing also supports a “Critical Mass” approach. However, the Chinese proposal is much clearer. In an unofficial room document (RD/GC/31) titled “Revisiting the Marrakesh Agreement to Improve WTO Decision-Making: A Pareto Improvement Perspective”, China proposes a mechanism to prevent a minority from blocking widely backed proposals. It recommends enhanced transparency, obligatory engagement, and third-party mediation, along with flexible tools like differentiated commitments, opt-outs, and reservations (SUNS, 2024).

Regarding development and SDT reforms, China outlined a clear path in the document “Reflections on Approaches to Development Issues” (WT/GC/W/935),

emphasizing the need to reframe negotiations, move beyond zero-sum thinking, analyze systemic issues through focused topics, increase developing countries' presence at the table and reform SDT status to avoid self-claiming while preserving its core principles (WTO, 2024).

#### 4.3 Appellate Body

The Appellate Body (AB) of the World Trade Organization (WTO) is a permanent body established in 1995 under Article 17 of the Dispute Settlement Understanding (DSU). It comprises seven members appointed by the Dispute Settlement Body to serve four-year terms. These members are individuals of recognized authority with demonstrated expertise in law, international trade, and the subject matter of the covered agreements. They are unaffiliated with any government and are expected to be broadly representative of the WTO membership (WTO, 2025b). The AB functions practically as a court, even if the finality of its decisions requires political approval by reverse consensus in the Dispute Settlement Body (Van Damme, 2010).

There's a wide consensus that the WTO is suffering an ongoing crisis, and its main contestation comes from the US (Petersmann, 2018; Hoekman & Mavroidis, 2019; Vidigal, 2019; Starshinova, 2021). It all started in 2001 with the resolution DS141 against "zeroing". Zeroing means treating specific price comparisons which do not show dumping as zero values (instead of negative) in the calculation of weighted average dumping margins (WTO, 2025c), leading to higher duties. The "sovereignty attack" comes from the interpretation and implementation of Article 17.6 and 2.4.2 of the Anti-Dumping Agreement. Many times, the AB has outlawed zeroing, which the US domestic authorities practice (Hoekman & Mavroidis, 2019).

The article 17.6 states that the panel must uphold the authorities' evaluation if the facts were properly established and assessed objectively, even if it disagrees with the conclusion (WTO, 1995). Furthermore, article 2.4.2 states that dumping margins are usually determined by comparing weighted averages or transactions (WTO, 1995). The conflict is created in the understanding that Zeroing is an

“unbiased and objective” way of establishing duties. In the first resolution that mentions zeroing, the DS141 (EU vs.India), there was a clear conclusion:

*“The practice of "zeroing" when establishing "the existence of margins of dumping", as applied by the European Communities in the anti-dumping investigation at issue in this dispute, is inconsistent with Article 2.4.2 of the Anti-Dumping Agreement”*

Following sentences such as the DS294, DS322, DS343, DS350, DS422... have proven many times the unwillingness of the US to commit to jurisprudence and contrary sentences. Nevertheless, the US used to correct actions according to AB sentences. This dynamic shifted significantly under the Trump administration. Since Trump took office, he made it pretty clear that the WTO was “the single worst trade deal ever made” (BBC News, 2018). Trump showed a clear disgust towards the continuous judiciary resolutions. He stated: “We lose the lawsuits, almost all of the lawsuits in the WTO.” Adding: “WTO was set up to benefit everybody but us” (BBC News, 2018).

The Trump administration’s strategy to undermine the WTO began by blocking the appointment of new members to the Appellate Body. As the WTO functions on a consensus-based decision-making, adopting a policy of formally objecting to every proposal to nominate or renew Appellate Body members effectively paralyzes the system (Brewster, 2018).

The “sovereignty” argument extends beyond a mere debate on duty calculations. It's also concerned with the broader authority the AB has assumed. The United States has repeatedly expressed strong concerns about the extent to which the AB has expanded its jurisdictional scope against the letter and the spirit of the Dispute Settlement Understanding and not respected the statutory deadlines for issuing its reports (Brewster, 2018).

The consequences of this question to AB legitimacy has created a return to the settlement dispute to GATT levels, based on power politics and bilateral relations rather than through a neutral interpretation of trade law (Brewster, 2018; Eriksson, 2023; Bandhu & Agarwal, 2025). The disruption of the multilateral trade framework has opened the opportunity for economic powers to engage in unilateral sanctions, protectionist policies, strategic trade strategies and rising economic nationalism (Bandhu & Agarwal, 2025). This crisis has created a stalemate in up to 30 cases from 2018 to 2024 (Bandhu & Agarwal, 2025) that affected smaller economies that depend on the WTO's dispute settlement mechanism to ensure fair trade.

The response to this crisis has been the creation of the Multi-Party Interim Appeal Arbitration Arrangement (MPIA), an alternative WTO dispute mechanism that emulates the AB. It operates under Article 25 of the DSU, and members can invoke it as an alternative appeals process (WTO Plurilaterals, 2025). Although MPIA is not legally binding, actors generally comply with its resolutions as a political commitment (Starshinova, 2021). Currently, the MPIA includes 26 WTO members, such as the European Union, China and others. Together, these economies account for over half of global trade, giving the initiative significant influence and credibility (Sambhav, 2025). Experts suggest WTO members will likely continue expanding the MPIA to counter harmful trade measures, with minimal concern for opposition (Bandhu & Agarwal, 2025). Developing states view the multilateral trade framework as offering quality, consistency, and efficient decisions through fair interpretation of trade law (Kaushik, 2024).

## **5. Discussion, study limitations & conclusions**

This study acknowledges several limitations. One of the primary challenges encountered is the WTO's idiosyncratic untransparent structure, which hinders the observation and analysis of its internal practices. A key critique of this thesis concerns the significant information gap surrounding the Green Room mechanism. The scarcity and lack of diversity in available sources limits academic

extrapolation. Given that the decision-making process is essential for understanding the power dynamics within the organization, further research is needed. In particular, deeper insights into the negotiations and reform proposals within the institution's decision-making processes could help determine the potential for future progress in the Doha Round.

A proposed area for further discussion concerns the WTO's mere existence. The apparent deadlock in zero-sum negotiations has led some to question whether the organization has become an anachronistic institution, potentially experiencing "brain death". Most authors have agreed on most of the issues raised in the thesis: The Preferential / Free Trade Agreements are not effective to keep liberalizing international trade, the Green room is an ineffective decision-making method and the appellate body blockage has collapsed the WTO. Nevertheless, despite a strong interest in further exploring these topics, the formal constraints of the thesis structure limited the deepening to certain aspects of the case studies.

Finally, we could conclude that the WTO demonstrates ineffectiveness in regulating the multilateral trade regime. The United States and the European Union appear to be retreating from the system they built this last 70 years. Both actors seem to shift towards a system where they recuperate power over the supranationalization that they suffered over the years. This shift has been described as a *sovereignty-based scheme* and is evident across the three case studies analyzed.

The contestation over multilateral trade liberalization has been clear, where the US and the EU have focused their efforts on negotiations where they hold greater leverage to secure access to foreign markets. Has been also present in the Green Room politics reform proposals, as both actors demonstrated discontent in their capacity to project their economic power and interests. Finally, the Appellate body is the clearer example of the main contestation process that is taking place in the WTO, with the complete blocking of the dispute settlement, and by consequence, of the whole multilateral trade system.

On the other hand, China has positioned itself as a defender of the WTO, advocating for comprehensive reforms in both the decision-making process and the dispute settlement mechanism. Moreover, China's approach to bilateral and regional trade liberalization has generally been reactive rather than proactive, suggesting a commitment to the multilateral trade system. The findings show a clear shift in leadership over the regime, where the western actors deliberate to keep its power influence and the new emerging actor, China, defends the system that has helped it grow. This indicates that the main approach by actors is and will be interests rather than values or identities.

The evidence thus indicates a notable shift in leadership within the global trade regime: while traditional Western powers seek to preserve their influence through alternative mechanisms and favouring reforms proposals, China emerges in the defense of the institutional framework that has helped it economically grow. These dynamics demonstrate that the principal motivations of key actors in the system are and will be interests rather than values or identities (See Annex. Figure 2).

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**Annex:**

*Figure 1. Domino effect*



Figure 2. Contestation Summarize

	United States (US)	European Union (EU)	China
Overall Position	Strong contestation of WTO structure and multilateralism. Favors sovereignty-based scheme	Initially reformist, now pragmatic. Mix of sovereignty and multilateralism ("third way")	Defender of multilateral trade system. Uses the WTO to maintain its economic strategy
Trade Agreements (PTAs/FTAs)	Uses FTAs/PTAs as alternatives to WTO, bypassing multilateral liberalization. Proactive in signing bilateral deals.	Increasing use of FTAs/PTAs. Didn't start as a contestation process but now balancing trade agreements autonomy with the global regime.	Engages reactively due to "Domino Effect"; PTAs mainly to avoid exclusion from key markets, not diverging from WTO
Green Room (Decision-Making)	Pushes for "critical mass" approach (plurilateralism without full consensus). Wants to limit self-claiming SDT status (targeting China). Questions consensus rule.	Ambiguous stance. Supports reforms but avoids clarity. Suggests SDT should be granted case-by-case but aligns partially with both US and China.	Also advocates for "Critical mass" but with clear delimitations. Advocates reform through transparency and inclusiveness. Defends SDT without self-claiming mechanisms

Appellate Body (Dispute Settlement)	Blocked appointments to paralyze Appellate Body. Objects to its interpretative role. Prefers a return to power politics.	Supports MPIA (alternative to AB). Wants a functioning dispute mechanism.	Strong supporter of Appellate Body. Part of MPIA. Sees AB as essential to fair trade adjudication and a tool to constrain power politics
Objective of Contestation	Regain trade policy autonomy, resist binding multilateral obligations and counter rising Chinese influence.	Maintain influence in evolving trade order and adjust to power shifts while preserving trade openness when it's advantageous.	Stabilize and shape a predictable trade environment. Maintain its state capitalism model.
Nature of Contestation	Political and legal contestation. Interest-based promoting sovereignty-based scheme	Political and legal contestation. Mixed position. Balancing between regaining autonomy and promoting multilateral trade rules.	Political and legal contestation. Interest-based promoting multilateral trade liberalization
Final Trajectory	From hegemon to selective participant. Retreating from multilateral leadership	From leader to mediator and bystander.	From latecomer to position itself as the main WTO supporter.