

A Disrupted Global Trading System and the Future of Multilateralism

**Presentation at
AECF Conference 2025**

August 22, 2025

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Global Trading System: Main Principles and Guardians

- Global Trading System
 - Existing since 1948 after the adoption of GATT
 - Adopted a few main principles
 - Non-discrimination (MFN and National Treatment)
 - Free and fair trade (MTN and DSM as backbones)
 - Also trade remedies an integral part of the GTS
 - Trade Remedies: Anti-dumping, countervailing measures and safeguard
 - Supporting economic development and reform
 - Deviation from non-discrimination as an instrument to integrate developing and transition economies
 - Traditional Guardians
 - The United States
 - The European Union
- The WTO as the “Institution for Executing GTS”

Global Trading System: Main Principles and Guardians

- Most Critical Elements of GTS
 - Multilateralism backed up by
 - Non-discrimination
 - Dispute Settlement Mechanism (DSM) for securing balance of interests and fair trading practices
- GTS one of most remarkable achievements of the world economy after the WWII
 - Evidence enough to prove trade expansion through GTS contributing to world economic growth
 - Trade expansion approx. 2.5-3 times that of world GDP
 - This linkage broken (at least weakened) since the GFC
 - World trade at the centre of globalization of economic activities together with investment /finance

Disruptions in the Global Trading System

- Before Trump 2
 - Paralyzed DSM as a threat to multilateralism
 - US blockage of AB member nomination as a main cause
 - DSM not functional since 2019 at the latest
 - Some WTO members tried to establish and utilize **Multi-Party Interim Appeal Arbitration Arrangement (MPIA)** as a workaround
 - Not a comprehensive and desirable solution
- After Trump 2
 - All-front shattering of the GTS through
 - US Trade and Tariff War
 - US practice/force of Bilateralism/Unilateralism rather than Multilateralism
 - MFN broken at the most important market

Disruptions in the Global Trading System

- Responses by major trading nations
 - EU: relatively passive reaction
 - 15% reciprocal tariffs imposed
 - China: prolonging bilateral negotiations→leading to no deals yet (as of August 22 and until November 10)
 - Japan: 15% reciprocal tariffs imposed
 - Korea: 15% reciprocal tariffs imposed
 - KORUS FTA (since 2011) not helpful under Trump admin.
 - UK: So far best deal in terms of rate of reciprocal tariffs

Current State of Multilateralism

- Multilateral Trade Order Shattered
 - Regionalism proliferating for a long period since 1990s
 - Regionalism co-existed with multilateralism ever since, and formed a 'new normal'
 - Regionalism complementary to Multilateralism for an extended period
 - Trump admin. reluctant to practice regionalism and/or multilateralism→prefers bilateralism and unilateralism
 - Some Nations attempt to strengthen regionalism as an instrument to weaken impacts from Trump's trade war
 - CPTPP as an example (China, Korea, even EU?)

Current State of Multilateralism

- Revival of Multilateral Trade Order only conceivable after the end of Trump era?
 - Though with some risk of long-lasting impact on the trading order (paralyzed DSM not by Trump)
 - Active role and involvements by other trading nations inevitable
 - Quad
 - BRICS
- Fundamental Question:
 - Can the GTS restored after Trump or is a new trading order emerging now?
 - Jamieson Greer in NYT (August 7, 2025): US laid "... the foundation for a new global trading order...."

Future of Multilateralism: Scenarios

- Critical determinants for future developments:
 - US policy orientation (Trump and post-Trump)
 - Development of the US and world economy
 - Changes in US economy may have impacts on policy directions (even under Trump)
 - The Great Depression in 1930s also a lesson
 - Policy responses by major trading nations
 - Responding with their own protectionism?
 - Coalition-building and concerted actions needed more strongly than ever
- Desirable is Restoring Multilateralism as early as possible

Future of Multilateralism: Scenarios

- Scenario 1: Expanded Protectionism and Trade War
 - Other major trading nations (EU, China, Japan, Canada, Korea, etc.) responding with their own protectionism
 - Expanded protectionism with the potential of global trade war
 - Situation similar to Great Depression in 1930s might emerge as a result
 - Strong Blows to the developing nations and lasting negative impacts for the world economy

→ Worst Scenario

Future of Multilateralism: Scenarios

- Scenario 2: New Global Trade Order
 - Based on Unilateralism/Bilateralism of the US
 - Most of the advantages of multilateralism achieved during the GATT/WTO era disappearing
 - Trade expansion→world economic growth channel disconnected for an extended period
 - Developing countries stagnating and encountering difficulties to climb-up the ladder of development
 - Detrimental to the world economy, and in the end to the US as well

→Second-worst Scenario

Future of Multilateralism: Scenarios

- Scenario 3: Expanded and Interlinked RTAs
Pressuring the Aggressive US Trade Policy
 - Existing Mega-RTAs, such as the EU, CPTPP pursuing expansion and inter-linking in order to complement disordered GTS (MTS)
 - Avoiding the Unilateralism/Bilateralism practiced by the US Trump Trade Policy
 - Minimizing the detrimental impacts of the aggressive protectionism practiced by the US
 - Part of disconnected “Trade expansion→world economic growth” channel cured

→**Second-best Scenario**

Future of Multilateralism: Scenarios

- Scenario 4: GTS (MTS) Restored soon
 - Multilateralism backed by MFN, functioning DSM restored soon, and at the latest after the end of Trump
 - The temporary damages bearable unless the impacts are prolonged
 - Oil price shocks
 - GFC and world economic recession all mastered
 - US and world economy might have had major blows
 - This experience could lead the world economy and major economies to a more liberalized trade environment (hopefully for a longer period, as was done in the 20th century)

→ Best Scenario

Thank you very much!