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The WTO at 30: Japan's Role at a Critical Juncture

—Toward Rebuilding a Multilateral Trading System—

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In 2025, the World Trade Organization (WTO) celebrates its 30th anniversary, yet the institutional crisis it faces continues to deepen due to the breakdown of multilateral negotiations and its dispute settlement function. The Trump administration's unilateral trade policies and growing withdrawal from international institutions have exacerbated the problem, and Japan is now being called upon to show leadership in designing a renewed framework for the free trade system.

Dysfunction at the WTO: Negotiations and Dispute Settlement at a Standstill

Thirty years have passed since the establishment of the WTO, yet the institution once envisioned as a pillar of global free trade now faces a severe systemic crisis. Ideally, the WTO as the culmination of a multilateral free trade system should have established a firm foundation within the international economic order and served as a cornerstone of global prosperity. In reality, however, the situation is quite the opposite. The WTO now finds itself in a situation where many of its primary functions—namely, negotiation, implementation, monitoring, and dispute settlement—have either stalled or become hollowed out, has now fallen into serious institutional dysfunction. The paralysis of both its negotiation and dispute settlement capabilities epitomizes this dysfunction.

Regarding the negotiation function, intended to further advance free trade, the Doha Development Agenda (DDA or Doha Round) has repeatedly stalled due to conflicts of interest between developing and advanced economies, and has effectively been in deadlock since 2011. As rulemaking is needed in critical areas such as agriculture, non-agricultural products, services, intellectual property, and electronic commerce, so-called plurilateral negotiations by willing countries have continued and expanded, with flexible geometry proceeding on a sector-by-sector basis. Since the resulting agreements require only approval from participating countries, rather than unanimous consent from all WTO members, to take effect and be implemented, they have helped sustain some momentum within the WTO by supporting its culture of negotiation and willingness to develop new frameworks, even as the WTO itself is failing to carry out its primary multilateral negotiation function. In the services

sector, for instance, an agreement of willing parties on domestic regulation was formally institutionalized in 2023 as an annex to the General Agreement on Trade in Services (GATS), marking the emergence of partial rulemaking.

However, the more serious issue is the WTO's dispute settlement system. In particular, the paralysis of the Appellate Body is fatal. Since December 2019, the United States has repeatedly blocked new appointments to the Appellate Body, preventing the minimum quorum of three members needed to hear appeals. As of now, the body is in an unprecedented state with all seven positions vacant, bringing the appeals function completely to a halt. This state of affairs originated in the first Trump administration, continued under the Biden administration, and shows no signs of improvement even under a second Trump administration.

Such institutional gaps benefit the country most opposed to WTO values. Ironically, that country is the United States, which once stood at the center and led the free trade order. The current Trump administration regards the WTO's dispute settlement system as an infringement on national sovereignty. It is also implementing arbitrary and unilateral "reciprocal" tariffs, knowingly violating WTO rules. While the term "reciprocal" evokes post-World War II mutualism and reciprocity in pursuit of globalism, in practice it is nothing more than unilateral pressure disguised in the name of reciprocity—imposing high tariffs to strengthen negotiating leverage and extract one-sided concessions from the other party. It seeks trade and investment concessions from other countries that are more favorable than what the United States offers in return. This approach of using bilateral transaction logic to coerce concessions is fundamentally incompatible with the WTO's rules-based spirit.

Meanwhile, the international community is alarmed by the WTO's dysfunction. At the 2024 G7 and G20 meetings, discussions were held on WTO reform, and Japan and the European Union (EU) have advocated improving the system's transparency, speed, and accountability. On the other hand, the United States fundamentally distrusts the core principles of the WTO dispute settlement system itself (rule of law vs. sovereignty) and shows little sign of collaborating toward institutional revival. Its uncooperative stance has become a major obstacle.

Toward a Trade Order Without the US: Lessons on Inclusive Strategies from the CPTPP

In this context, what deserves attention is the growing tendency of the United States to withdraw from international frameworks and favor bilateral, power-based negotiations. The Trump administration has already executed withdrawal from the Paris Agreement and announced its exit from the World Health Organization (WHO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO). With regards to the WTO, while there has been no formal withdrawal, the administration continues to take actions outside the formal system that ignore institutional procedures and disregard rules (such as refusing to appoint Appellate Body members), shaking the foundations of a trade order based on

international rules. Furthermore, distrust of institutional multilateralism has been consistently expressed regarding the Iran nuclear agreement (the Joint Comprehensive Plan of Action or JCPOA), the United Nations' Global Compact for Safe, Orderly and Regular Migration, the Intermediate-Range Nuclear Forces (INF) Treaty, the Open Skies Treaty, the Human Rights Council, and others.

Under such circumstances, WTO reform predicated on US cooperation lacks realism. It is more important to envision the rebuilding of a WTO order without the United States, and prepare a system in which other major economic blocs lead rulemaking efforts. The establishment of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) serves as a reference model for this approach.

In 2017, when the Trump administration announced withdrawal from the Trans-Pacific Partnership (TPP) and the agreement seemed on the verge of collapse, Japan took a leading role in renegotiating among the remaining parties and succeeded in preserving and rebuilding the framework as the CPTPP. That achievement demonstrated that even without the United States, a high-standard free trade agreement can be institutionalized. A similar approach is needed for the WTO as well.

In the Asia region, the Association of Southeast Asian Nations (ASEAN) has an institutional framework called "ASEAN Minus X." This is not about excluding certain member states, but is a form of flexible design: some ASEAN members move forward with cooperation first, and others join in once they are prepared. Similarly, in WTO reform, the realistic approach is that even without agreement from a protectionist-leaning United States, major countries or regions could move ahead with institutional reform, while keeping the door open for the US to return when it is ready. What matters is the openness— leaving a window open for the United States to rejoin.

Japan Leading WTO Reform: Its Role as a Bridge-Building Nation

At this 30-year milestone since the WTO's founding, Japan—having achieved economic development riding the wave of free trade promoted through the General Agreement on Tariffs and Trade (GATT) and the WTO—has a significant role to play. Japan must recognize itself not merely as a beneficiary of free trade, but as a player that leads institutional design. What Japan should fulfill in the future global trade order is the role of a bridge-builder filling institutional vacuums. It must engage in cooperation with countries and regions whose values and positions differ from those of the United States such as ASEAN, the EU, India, and Africa to contribute to rebuilding institutional legitimacy and functionality through the accumulation of diverse rulemaking initiatives. Moreover, Japan needs to work in partnership with the EU and ASEAN, which share the ideals of free trade, and to take on leadership in institutional reform.

Free trade is not only a means of expanding markets, but an institutional foundation supporting stability in the international order. The restoration and further evolution of the WTO require clear resolve and action from Japan as a steward of the institution. At this 30-year milestone of the WTO, Japan should contribute as a bridge-building nation in collaboration with entities like the EU and ASEAN to uphold the free trade system. Japan's efforts in this regard will undoubtedly return as heightened trust in Japan on the global stage.

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