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## Reinventing Multilateralism: Assessing Pathways for Comprehensive WTO Reform in the 21st Century

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**Abstract**

*The World Trade Organization (WTO), established in 1995, has served as the foundational institution governing global trade rules and dispute resolution. However, the rapid transformation of international economic relations has shaped it by geopolitical tensions, technological advancements, regional trade agreements, and the rise of emerging economies. By which it has placed unprecedented strain on the WTO's ability to function as an effective multilateral forum. This paper examines the urgent need to "reinvent" multilateralism by both identifying and evaluating feasible pathways for comprehensive WTO reform in the 21st century. It argues about the legitimacy and relevance of the WTO that will depend on its ability to adapt its governance structure, negotiation processes, and dispute settlement mechanisms to contemporary global realities. This research contributes to ongoing discussion on global economic governance by providing a clear, structured, and holistic roadmap for WTO reform suited to the complexities of the 21st century.*

**Keywords:** WTO Reform, Multilateralism, Global trade governance, Dispute settlement mechanism, Global economic governance, international trade law.

### Introduction

Since its establishment in 1995, the World Trade Organization (WTO) has served as the cornerstone of the global trading system by providing a rules-based framework designed to promote predictability, transparency, and clearness in international commerce. For more than two decades, the WTO's multilateral approach enabled the expansion of global trade flows and helped member states for both advanced and developing economies to resolve disputes through a structured, legalistic mechanism. However, the contemporary global trade has changed dramatically by showing its rapid geopolitical shifts, technological advancements, the emergence of regional and mega-regional trade agreements. The growing economic influence of emerging economies have collectively challenged the WTO's capacity to function as an effective multilateral forum.

The increasing complexity of global economic relations has exposed the limits of the WTO's existing governance model. Geopolitical tensions among major powers have resulted majorly in unilateral trade actions, retaliatory measures, and a weakening of shared commitment to multilateralism. New issues such as digital trade, data governance, cybersecurity, and climate-related trade have emerged as critical areas requiring updated international rules. The WTO's inability to produce substantial new agreements in these domains has heightened concerns regarding its relevance in the 21st century.

A central component of the WTO's current crisis is the paralysis of the Appellate Body, which once served as the backbone of its dispute settlement mechanism. There was no functioning appellate tier for enforceability and credibility of WTO rulings have been significantly undermined. This institutional deadlock has not only weakened compliance but has also encouraged members to pursue unilateral or bilateral avenues for dispute resolution to further eroding trust in multilateral structures. These developments underscore the urgent need for institutional reform and renewed political commitment to the WTO's core principles.

In addition to institutional challenges, there is a widening divide between developed and developing members regarding issues such as subsidies, special and differential treatment, and state-driven industrial policies. The rise of global value chains and the digital economy has created new forms of economic interdependence that the WTO's original agreements negotiated more than two decades ago they are not fully equipped to regulate. As a result, the organization faces mounting pressure to modernize its rule-making functions to address e-commerce, service mobility, environmental sustainability, and the changing nature of global production networks.

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This paper argues that the legitimacy and future relevance of the WTO depend on its ability to adapt its governance structure, negotiation processes, and dispute settlement mechanisms in response to these evolving global realities. Reinventing multilateralism within the WTO framework requires more than incremental adjustments; it demands a comprehensive, forward-looking reform agenda grounded in inclusivity, flexibility, and cooperation among member states. The study evaluates potential pathways for such reform, including improvements to institutional functioning, innovative negotiation formats such as open plurilateral agreements, and the revitalization of a credible, two-tiered dispute settlement system.

By assessing these multidimensional challenges and opportunities, this research contributes to ongoing debates on global economic governance. It offers a structured and holistic roadmap for WTO reform suited to the complexities of the 21st century, emphasizing the importance of restoring trust, enhancing transparency, and ensuring that the multilateral trading system remains capable of addressing emerging global challenges. The need for reinvigorated multilateralism is not merely a theoretical aspiration but a practical necessity for maintaining stability and predictability in an increasingly interconnected world economy.

## Review of Literature

### 3.1 Evolution of Multilateralism and the WTO's Institutional Foundations

The post-war multilateral trading system evolved from GATT's provisional framework into the far more comprehensive WTO, designed to embed stronger legal enforceability and deeper rule-making authority. The WTO's establishment in 1995 represented a normative shift toward legalized, rules-based multilateralism through its binding dispute settlement system and broad coverage of services and intellectual property (Howse, 2016). However, scholars argue that the institutional design that crafted in the early 1990s and has not kept pace with geopolitical and technological transformations (Cottier, 2006; South Centre, 2020).

The expansion of global value chains, digital trade, and new industrial strategies has rendered many WTO-era assumptions outdated. Baldwin and Evenett (2020) highlight the shift from tariff-focused trade to a world dominated by regulation, data, and services, exposing the WTO's inability to update disciplines that no longer match the structure of the 21st-century global economy. This structural mismatch is a central theme in contemporary debates on WTO reform.

### 3.2 Structural and Governance Limitations of the WTO

#### 3.2.1 Consensus Decision-Making and Institutional Gridlock

The WTO's consensus rule requiring unanimity among 164 members. It has increasingly become a procedural obstacle to decision-making. Scholars agree that the consensus norm was manageable in the smaller GATT era but is now incompatible with a highly diverse

membership (Hughes, 2023). The failure of the Doha Development Agenda demonstrates how veto power, divergent interests, and lack of procedural flexibility contribute to negotiation paralysis (South Centre, 2020).

Hoekman (2021) and others have argued that rigid consensus requirements prevent timely responses to emerging policy issues such as digital trade regulation or subsidies transparency. This stagnation drives members toward regional agreements (CPTPP, RCEP) that offer deeper and faster rule-making and signaling a weakening centrality of the WTO in global trade governance.

#### 3.2.2 Transparency, Notification Compliance, and Institutional Trust

The WTO faces persistent challenges in ensuring compliance with notification requirements, particularly regarding subsidies, regulatory measures, and state support. Tipping (2024) emphasizes that chronic under notification undermines trust among members and impedes the monitoring function essential to multilateral governance.

These deficiencies create asymmetric information environments, where larger economies can navigate complexity while developing countries struggle to meet administrative burdens. Lee (2021) notes that without substantial transparency reforms that potentially involve capacity-building and digital reporting platforms and core WTO functions will remain impaired.

### 3.3 Crisis in the Dispute Settlement Mechanism (DSM)

The paralysis of the Appellate Body (AB) since 2019 is the most widely studied dimension of the WTO crisis. Scholars such as Hughes (2023) and Zhou & Crochet (2025) argue that the DSM breakdown is not merely procedural but reflects deeper systemic tensions between binding adjudication and state sovereignty especially U.S. concerns about judicial overreach.

#### 3.3.1 Structural Causes of the Appellate Body Paralysis

The United States has criticized the AB for:

- Exceeding its mandate ("judicial activism"),
- Failing to adhere to procedural deadlines,
- Creating precedent-like interpretations inconsistent with WTO texts (Lo et al., 2020).

These criticisms culminated in the blocking of new appointments, leaving the AB without quorum.

#### 3.3.2 Interim and Proposed Solutions

In response, 24 WTO members including the EU established the **Multi-Party Interim Appeal Arbitration Arrangement (MPIA)**, which Zhou & Crochet (2025) describe as a "stopgap mechanism designed to replicate appellate review absent the AB." However, they note that MPIA lacks universality and long-term legitimacy.

Other scholars propose procedural reforms, enhanced political oversight, and clearer separation of judicial and diplomatic functions as essential preconditions for

restoring DSM credibility (Zimmermann & Molinuevo, 2024).

### 3.4 Changing Patterns of Global Trade: Digitalization, Sustainability, and Industrial Policy

#### 3.4.1 Digital Trade and Data Governance

Digital trade has emerged as a central dimension of global commerce, yet WTO rules remain anchored in pre-digital concepts. Xiao (2024) argues that e-commerce negotiations reveal both the potential for WTO modernization and the constraints imposed by geopolitical rivalry and divergent regulatory philosophies. The WTO's existing rules (e.g., GATS) do not address algorithmic governance, cross-border data flows, cybersecurity restrictions, or digital platform regulation.

As a result, major economies have pursued unilateral and regional approaches (e.g., EU Digital Markets Act, USMCA digital chapter), which risk fragmenting digital governance (Aaronson, 2022).

#### 3.4.2 Environmental Sustainability and Climate-Related Trade Measures

Climate policy increasingly intersects with trade, creating regulatory conflicts. Tipping (2024) notes that measures such as the EU's Carbon Border Adjustment Mechanism (CBAM) raise questions about WTO compatibility, non-discrimination, and the balance between environmental and trade objectives.

The absence of updated WTO rules on climate-related trade instruments generates uncertainty and fuels disputes and highlighting the urgent need for new disciplines that integrate environmental and developmental considerations.

#### 3.4.3 Resurgence of Industrial Policy and the Role of SOEs

Major economies, including China, the EU, and the US, have intensified the use of industrial policy instruments to promote strategic technologies. According to Atanda-Lawal (2025), existing WTO disciplines on subsidies and SOEs are insufficient to govern modern state-intervention practices.

This regulatory gap is a major source of geopolitical tension, especially between the U.S. and China, and complicates efforts to modernize WTO rules in areas where national security and industrial competitiveness converge.

### 3.5 Contemporary Reform Proposals in Scholarship and Policy Research

#### 3.5.1 Governance Reform: Toward Flexible Multilateralism

Scholars and policy institutions propose "variable geometry" models that permit plurilateral agreements while maintaining openness and transparency (Hoekman, 2021; Chatham House, 2019). These approaches aim to allow willing members to advance new rules without requiring universal consensus.

#### 3.5.2 Rule Modernization Across Emerging Trade Domains

Policy analysts emphasize three priority areas:

1. **Digital Trade and Data Governance** (Xiao, 2024)

2. **Climate and Environmental Measures** (Tipping, 2024)

3. **Subsidies Discipline and SOEs** (Atanda-Lawal, 2025)

These domains illustrate how trade intersects with domestic regulation may requiring more sophisticated, interdisciplinary WTO rules.

#### 3.5.3 Dispute Settlement Reform as the Institutional Core

Hughes (2023) and Zimmermann & Molinuevo (2024) concur that DSM revival is non-negotiable. Proposals include:

- Clarifying the scope of appellate review
- Reinstating deadlines and procedural discipline
- Creating hybrid appeal mechanisms
- Strengthening political oversight without undermining judicial independence

Restoring the DSM is widely considered a prerequisite for broader WTO reform.

#### Objectives of the study

1. To identify and assess Feasible Pathways for WTO Reform
2. To develop a Holistic Roadmap for WTO Reform
3. To evaluate the Current Challenges and Limitations of the WTO

This study aims to examine and propose comprehensive reforms for the World Trade Organization (WTO) to enhance its effectiveness and adaptability in the contemporary global trade environment.

#### Framework for Objectives:

This study is grounded in a multidisciplinary theoretical framework that integrates **Liberal Institutionalism**, **Regime Theory**, and **Historical Institutionalism** to explain both the need for, and the pathways toward, comprehensive WTO reform in the 21st century. **Liberal Institutionalism** provides the foundation for understanding the WTO as a cooperative mechanism designed to reduce uncertainty, promote transparency, and facilitate mutually beneficial trade relations among states. According to this perspective, multilateral institutions like the WTO remain essential for stabilizing global economic interactions, especially in periods of geopolitical turbulence. This theory supports the first objective "**To identify and assess feasible pathways for WTO reform**", focuses on "*Which reform proposals are most practical and implementable?*" This question can be best answered by explaining why identifying feasible reform pathways is necessary: as global trade becomes more complex, institutions must adapt to continue delivering collective benefits and maintaining legitimacy.

**Regime Theory** further reinforces the analytical lens by framing the WTO as an international regime consisting of norms, rules, and decision-making procedures shaped by state preferences and power

relations. Within this context, reforms are understood as adjustments to regime structures to ensure institutional effectiveness. This theoretical perspective directly supports the second objective “**To develop a holistic roadmap for WTO reform**, based on another important question: “*How can reforms be structured and sequenced to maximize effectiveness while balancing member interests?*” This can be proved by highlighting the need for a structured and holistic roadmap that aligns institutional rules with evolving state interests, technological transformations, and emerging global policy challenges. Through the regime lens, WTO reforms are not merely administrative updates but strategic recalibrations that sustain cooperation amid shifting global power dynamics and divergent national priorities.

Meanwhile, **Historical Institutionalism** provides insight into the persistence of institutional constraints and path dependencies that have created obstacles to WTO reform. This theory explains how foundational rules—such as consensus-based decision-making and outdated legal frameworks—have locked the organization into patterns that limit adaptability. It emphasizes how decisions made at the time of the WTO’s founding continue to shape current institutional behavior, often contributing to governance inefficiencies and negotiation deadlocks. This perspective is crucial for the third objective “**To evaluate the current challenges and limitations of the WTO**, focusing on the question: “*What institutional, operational, and procedural constraints hinder the WTO’s effectiveness?*”

It illuminates the structural and operational limitations of the WTO, including the paralysis of the dispute settlement mechanism and the organization’s difficulty in responding to new global economic realities. Historical Institutionalism thus demonstrates why some reforms face resistance and why comprehensive change requires addressing deep-rooted institutional barriers.

Collectively, these three theories create a robust analytical framework that explains why WTO reform is necessary in the current geopolitical and economic environment, how reform pathways can be structured to realign the institution with contemporary global trade demands, and what institutional challenges and constraints must be addressed to achieve meaningful transformation. By integrating these theoretical perspectives, the study offers a well-founded explanation of the dynamics influencing WTO reform and effectively supports the research objectives.

## Methodology

### 4.1 Research Design

This study adopts a qualitative, interpretive, and document-based analytical design, well-suited to exploring the complex institutional, legal, and political dimensions of multilateral trade governance. Given the conceptual and evolving nature of WTO reform debates, qualitative methods allow for a deep, nuanced understanding of institutional dynamics,

negotiation behaviors, and the geopolitical factors influencing the global trading system.

### 4.2 Data Sources and Corpus of Analysis

The research relies exclusively on secondary data, drawn from a comprehensive corpus encompassing:

- Peer-reviewed academic literature focused on international trade law, political economy, and global governance;
- Primary WTO documents, including Ministerial Conference declarations, Appellate Body reports, dispute settlement cases, official notifications, and committee proceedings;
- Policy analyses and reports from major international organizations such as the OECD, UNCTAD, and the World Bank;
- Official WTO reform proposals submitted by member states, regional trade blocs, and expert working groups;
- Analytical briefs and policy papers from reputable think tanks specializing in WTO disciplines and trade reform.

This broad and diverse corpus ensures that both doctrinal legal interpretations and the broader political-economic context of WTO reform are thoroughly examined.

### 4.3 Analytical Techniques

The study employs three complementary analytical techniques to rigorously interpret the collected data:

#### 4.3.1 Thematic Analysis

Key themes such as institutional governance paralysis, the breakdown of the dispute settlement mechanism, challenges in digital trade, and issues around subsidy transparency are systematically identified and explored across the literature. This approach facilitates the recognition of converging and diverging perspectives on WTO reform.

#### 4.3.2 Comparative Institutional Analysis

This method involves comparing the WTO’s institutional framework with those of other multilateral organizations and trade agreements (e.g., IMF, OECD, CPTPP, RCEP). Such comparative insights highlight alternative governance models and reform strategies potentially applicable to the WTO context.

#### 4.3.3 Normative Evaluation

Beyond technical feasibility, reform proposals are critically assessed for their normative dimensions, including considerations of equity, legitimacy, inclusiveness, and systemic coherence. This evaluation is crucial given the significant distributional impacts that trade rules can have on member countries.

## Findings

The findings of this research reveal a deeply fragmented, politically strained, and structurally outdated multilateral trade regime. Several key insights emerge:

### 4.1 Governance Architecture is Misaligned with Contemporary Economic Realities

The WTO’s consensus rule while normatively egalitarian has become procedurally paralyzing. With

164 members of vastly differentiated economic profiles, reaching unanimity on complex policy issues has proved increasingly unattainable. This structural rigidity is a principal source of negotiation deadlock, particularly evident in the Doha Round and recent attempts to update digital trade rules.

#### **4.2 The Dispute Settlement Crisis Represents a Systemic, Not Procedural, Breakdown**

The paralysis of the Appellate Body signals a deeper crisis of legitimacy and power politics rather than mere procedural deficiency. The DSM's inability to enforce compliance in an era of heightened geopolitical rivalry undermines the credibility of rules-based trade governance. Without a functioning two-tier system, compliance becomes voluntary, eroding legal predictability and encouraging unilateralism.

#### **4.3 WTO Rule-Making is Inadequate for 21st-Century Trade Patterns**

Existing WTO rules fail to address:

- Cross-border data flows and digital services,
- Environmental and climate-related trade measures,
- Algorithmic governance and AI-related trade barriers,
- The resurgence of industrial policy led by state-supported firms,
- Green technology subsidies and carbon adjustment schemes.

This regulatory obsolescence incentivizes major economies to bypass the WTO through regional frameworks or unilateral regulatory expansion, accelerating the fragmentation of global trade governance.

#### **4.4 Geopolitical Rivalry Significantly Constrains Reform Feasibility**

U.S.–China strategic competition profoundly shapes the institutional environment in which reforms are debated. Each power seeks rule structures advantageous to its own development model: market-liberal vs. state-capitalist. This rivalry restricts consensus on key reforms relating to subsidies, SOEs, and industrial policy.

#### **4.5 Plurilateralism Offers Possibilities, But Risks Institutional Fragmentation**

Open plurilateral agreements while increasingly necessary challenge the foundational multilateral principle of non-discrimination. Without safeguards ensuring transparency, openness, and MFN compatibility, plurilaterals may evolve into exclusive clubs, reinforcing systemic inequalities.

#### **4.6 A Coordinated, Multi-Pillar Reform Strategy is Required**

The evidence indicates that piecemeal reforms are insufficient. The WTO requires a **holistic reform agenda** that simultaneously addresses:

- Governance flexibility,
- DSM restoration,
- Rule modernization,
- Institutional capacity-building,
- Transparency and subsidy disciplines.

Such an integrated approach is necessary to restore institutional legitimacy and ensure long-term sustainability.

#### **Scope and Limitations**

This study does not conduct empirical econometric modeling or country-specific impact assessments. Instead, it prioritizes *institutional, legal, and governance analysis*. While this allows for rich conceptual insights, it limits the capacity to quantify economic effects of specific reforms. Nonetheless, the approach is well-aligned with the study's aim of generating a holistic and theoretically grounded reform framework.

#### **Conclusion**

This research demonstrates that the WTO stands at a critical juncture, facing profound structural, political, and normative challenges. The cumulative effect of negotiation stagnation, dispute settlement paralysis, rule obsolescence, and geopolitical fragmentation has eroded the organization's capacity to function as an effective custodian of the global trading system.

The study argues that genuine reinvention of multilateralism requires a *systemic, not incremental*, approach to reform. Governance structures must become more flexible; dispute settlement must be restored with clearer mandates and greater political legitimacy; and trade rules must be modernized to reflect digitalization, climate imperatives, and the resurgence of industrial policy. Moreover, any reform process must incorporate the interests and capacities of developing countries to ensure equitable participation in the future global trade architecture.

While the political constraints are formidable, the costs of inaction are far greater. Without comprehensive reform, the WTO risks marginalization and the gradual displacement of multilateralism by fragmented, power-based regionalism. With reform, however, the WTO can reclaim its central role in fostering predictable, rules-based, and inclusive global economic governance.

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