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## **A Deceptive Joy in Geneva over U.S. China Trade Talks**



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There is joy in diplomatic Geneva. The neutral, good offices convenor of Reagan-Gorbachev and Putin-Biden summits is back in the headlines with trade talks between China and the United States. “China-U.S. tariff talks place Swiss diplomacy on centre stage” boasted a local website. But wait, isn’t the trade war between the United States and China a clear violation of international norms codified at the World Trade Organization (WTO)? Is the euphoria over the possibility of averting a global trade war and recession actually undermining internationally accepted principles and institutions of multilateralism such as the WTO based in Geneva?

In a highly anticipated meeting, representatives of the world’s two largest economies met over the May 10 weekend in Geneva to try to avert a global economic slowdown caused by President Trump’s imposition of a minimum 145 percent tariff on all Chinese imports and China’s countermeasure 125 percent import tax on all American imports. U.S. Treasury

Secretary Scott Bessent, U.S. Trade Representative Jamieson Greer and Chinese Vice Premier He Lifeng led the high-level delegations.

No official statement followed the first day of talks, but Trump was optimistic; “A very good meeting today with China, in Switzerland. Many things discussed, much agreed to. A total reset negotiated in a friendly, but constructive, manner,” he posted on Truth Social after Saturday’s seven hour session. Trump added: “We want to see, for the good of both China and the U.S., an opening up of China to American business. GREAT PROGRESS MADE!!!” The final agreement after Sunday’s meeting said that starting May 14, the U.S. will drop its 145 per cent tariff rate for Chinese imports to 30 per cent, while China agreed to lower its rate from 125 per cent to 10 per cent. Both reductions caused global economic and political relief. In addition, the two sides agreed to set up a joint mechanism focused on “regular and irregular communications related to trade and commercial issues,” China’s international trade representative Li Chenggang said.

But what is this joint mechanism? Where is the WTO? From the Chinese perspective, according to Frederic Koller in a local Geneva newspaper, “China is indeed trying to position itself as the defender of international trade rules and its guarantor, the WTO.” As proof of Chinese support for the WTO, the Chinese delegation invited the head of the WTO, Ngozi Okonjo-Iweala, to a debriefing late Sunday at the Chinese embassy after the bilateral negotiations ended.

The U.S., on the other hand, has been very critical of the WTO. The WTO appeals organ, the Appellate Body, has been blocked since 2016 by the U.S.’s refusal to fill remaining vacancies. And the U.S. Trade Representative Greer continued to downplay the multilateral trade institution, saying, “This organization is detached from reality.”

There is no question that Trump’s Liberation Day announcement of tariff increases has caused global economic disruption and political anxiety. U.S. Federal Reserve Chair Jerome Powell warned about the negative effects of substantial increased tariffs at a recent press briefing; “If the large increases in tariffs that have been announced are sustained, they are likely to generate a rise in inflation, a slowdown in economic growth, and an increase in unemployment,” Powell said.

But in addition to causing economic hardship, Trump’s tariff announcements are a direct violation of the WTO’s fundamental principles. Although the head of the WTO found the talks encouraging – the discussions are “a positive and constructive step towards de-escalation” Ngozi Okonjo-Iweala said on the eve of the negotiations – she did not comment on the larger questions of the Trump administration following WTO norms.

The United States has undermined the effectiveness of the 166 member organization by challenging WTO rules. Article II of the General Agreement on Tariffs and Trade (GATT, the precursor of the WTO) requires “that each member gives effects to its commitments to treat imports no less favourably than its GATT Schedule provides.” If a member country imposes a tariff higher than its bound commitment, it violates Article II. That is exactly what the United States has done.

The first step to resolve a dispute are bilateral consultations. If consultations fail, the complainant country may be allowed to impose retaliatory tariffs or other trade countermeasures after receiving approval from the WTO. That has not been done. Trump announced the tariffs unilaterally. There was no WTO approval. To be noted; The United States, under Trump 1.0, had introduced additional tariffs of 25 per cent on steel and 10 per cent on aluminium products on grounds of ‘national security.’ The WTO ruled against this in multiple cases.

The WTO dispute panel decided that national security exceptions cannot be used arbitrarily and must be linked to real security concerns such as during war or emergencies. The U.S. has appealed this and the result is still pending.

So while there is joy in Geneva because the trade talks are taking place here, the larger question of Trump undermining multilateralism cannot be avoided. The two sides agreed to establish a mechanism for consultation on economic and commercial issues in China, the United States or elsewhere. But that is exactly what the WTO is supposed to do. No final decision about where the consultations will take place has been made.

An American anti-WTO argument was sent to me by Joost Pauwelyn, a former legal adviser to the WTO Secretariat: “The U.S. would argue that they tried to reform the WTO, address unfair trade from China for decades, but the WTO process is hopelessly blocked. The U.S. would say that they had no other choice but to take things in their own hands the way they did in the late 1980s/early 1990s, with U.S. aggressive unilateralism and NAFTA actually pressuring other countries to agree to the WTO’s creation.”

As for a positive WTO role in the future, Pauwelyn, now a professor at the Geneva Graduate Institute, optimistically wrote in the [International Economic Law and Policy Blog](#); “The WTO leadership has a key role to play....a revitalized WTO following a positive outcome on reciprocal tariffs would create the conditions for better international cooperation on these matters too. If this could materialize, instead of chaos for global trade and the death knell of the WTO, Trump’s reciprocal tariff plan could be a boost for WTO reform and the creation of a new, fairer balance in global trade.”

All of the above discussion of tariffs, the role of the WTO and multilateralism is in many ways a tribute to Joseph Nye, who passed away on May 6 at 88. Former professor at Harvard and Dean of the JFK School, Nye was a senior member of the Carter and Clinton administrations. He is best known for coining the phrase “soft power,” the idea that power and influence can come from sources other than military might.

Multilateralism and soft power go hand in hand. Trump’s attacks on USAID, USIP and other American peaceful global outreaches are examples of his disregard for soft power. Unilateral tariff increases are hard power. Bilateral trade negotiations are hard power. Multilateral negotiations within a collective organization such as the WTO are soft power, a necessity in a complex interdependent world, another phrase often used by Professor Nye.

Whether the WTO will come out stronger from Trump’s tariff declarations, as Pauwelyn hopes, remains to be seen. But Trump’s Liberation Day announcements and other unilateral measures remain traumatic shocks to the multilateral system and a determined rejection of Nye’s soft power. Geneva’s joy at hosting the U.S. China trade talks cannot hide that reality.

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