

## Boeing, Boycotts, and Most Favoured Nation: China's Response to United State Tariffs Under WTO Law

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Manuscript ID	67858
Article History	Submitted: 27 May 2025   Reviewed: 28 May 2025   Revised: 29 May 2025   Accepted: 30 May 2025
Author(s) Origin	Indonesia
Abstract	<p>The violation of the Most-Favoured Nation (MFN) principle in the case of China's boycott of American-made Boeing aircraft requires each country to provide equal trade treatment to all other members, as set out in the GATT 1994 and WTO agreements. Selective boycotts can violate this principle, primarily if the action is based on considerations of the product's country of origin. The method used is normative legal research with a legislative and conceptual approach. The statute approach analyzes WTO provisions related to the MFN principle. In contrast, the conceptual approach examines the concept of non-discrimination in international trade law. This research conclude that the boycott of Boeing products can be considered contrary to the MFN principle if China does not apply similar policies to similar products from other countries. Justification based on national security or retaliation can only be accepted if it meets specific criteria determined by the WTO. Unilateral actions without going through the WTO dispute resolution mechanism are also considered to damage the rules-based multilateral trade order potentially. This study emphasizes the importance of compliance with the Most Favoured Nation principle and legal dispute resolution in maintaining justice and stability of international trade. The conclusion is WTO must create new regulations to govern the boundary between political actions and legitimate trade policies as a form of protection.</p>
Keywords	<i>Most-Favoured Nation, World Trade Organization, boycott, international dispute resolution.</i>

## INTRODUCTION

International trade was governed by various principles and provisions that aim to create fair and discrimination-free economic relations between countries. One of the essential principles in international trade is the Most-Favoured-Nation principle contained in the agreement regulated by the World Trade Organisation (WTO). This principle requires WTO member countries to treat all other member countries equally, without any discrimination. The Most-Favoured Nation principle aims to create an open global market that is not hindered by protectionist or discriminatory policies that are detrimental to member countries. Applying the Most-Favoured Nation principle or non-discrimination has a positive impact in that it encourages the realisation of fair trade between countries.<sup>1</sup>

However, in practice, there are some situations where countries tend to violate the Most-Favoured Nation principle as part of protectionist measures or to retaliate against other countries' trade policies. One concrete example of violating this principle occurred when China boycotted Boeing aircraft after the United States implemented a policy of increasing import tariffs on goods from China. The President of the United States, Donald Trump, imposed a 145 per cent tariff on imports of products from China. This boycott action not only harms American aircraft manufacturers but also raises questions about its legality and impact on international trade relations, particularly about the violation of the Most-Favoured Nation principle. Violation of principles in this case is a very relevant issue in international trade relations.

China's boycott of Boeing aircraft can be considered a form of retaliation or revenge against the tariff policy imposed by the United States. Trade retaliation is often used as a strategy by countries to put pressure on countries that are considered to be taking actions that are detrimental to them. However, within the framework of international trade law, is this action legitimate and in accordance with the provisions regulated by the WTO.

The WTO provides a dispute resolution mechanism that can be used by member countries that feel they have been harmed. However, how effective this mechanism is in dealing with cases involving violations of this principle and whether there is any possible justification in the context of retaliatory actions taken by China are important matters to understand further. This calls for more attention to how the WTO dispute settlement system can function to safeguard the principles of international trade.

The decision to return the boeing have significant implications over time, as China currently projected to become the largest aviation market in the world. The demand for aircraft in china will supprot a linear doubling increase alongside the development of the aviation industry to impact demand. In the future china prjected to play a major role as the largest air traffic in the world and increase of single-aisle aircrafts fleets. China will not only play a narrow role as a buyer market but also as a partner in aircraft production. China will become a field of ling term opportunities.

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<sup>1</sup> Najmi, N., & Magdariza, M, (2023), *Prinsip Most Favoired Nation Dalam Perdagangan Jasa Menuju Liberisasi*, Unes Journal of Swara Justisia, 6(4), p. 597.

This research aims to analyse whether China's boycott of Boeing aircraft as a form of retaliation against the United States' import tariff policy can be considered a violation of the Most Favoured Nation principle in international trade law. This research will also explore how the WTO dispute settlement mechanism can be applied in dealing with such cases, as well as the legal implications of retaliatory actions taken by China against the United States. In this way, it is hoped that a more comprehensive understanding can be found regarding the relationship between national trade policies and international obligations stipulated in the WTO agreement. This research will be based in previous research with the paper title China's Retaliation against The United States America in the Context of The Trade War.

## **ANALYSIS & DISCUSSION**

### **Analysis of Violation of the Most-Favoured Nation Principle in China's Boycott Actions Against Boeing Aircraft**

The Most Favoured Nation principle is a principle in international trade that requires a member country to provide equal trade treatment to all other member countries.<sup>2</sup> So it can be seen that if a country provides tariff concessions or preferential trade treatment to one country, then this treatment must also be given to all member countries that are members of the World Trade Organisation (WTO) without any discrimination. Legally, the Most Favoured Nation principle is regulated in Article 1, Paragraph 1 of GATT 1994, which states that:

“With respect to custom duties and charges and any kind imposed on or in connection with importation or exportation or imposed or the international transfer of payment for imports and exports, and with respect to all rules and formalities in connection with importation and exportation; and with respect to all matters referred to paragraph 2 and 4 of Article III, Any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties.”

From this clause, it can be seen that any trade advantage given to one country must be immediately and unconditionally given to all other WTO members. The Most-Favoured-Nation principle is one of the main foundations of international trade law under the framework of the World Trade Organisation (WTO), where this principle is the most important and fundamental of the WTO among several existing principles.<sup>3</sup> The Most Favoured Nation Principle is actually very simple, namely, the existence of equal treatment for fellow GATT/WTO member countries in carrying out international trade activities.

This principle is very important to maintain non-discriminatory treatment. However, if a country takes action that differentiates its trade treatment, such as the incident that occurred in China's boycott of US-owned Boeing aircraft, this could be seen as a potential violation of the Most Favoured Nation principle.

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<sup>2</sup> Van den Bossche, P. & Zdouc, (2017), *The Law and Policy of the World Trade Organization*. Cambridge University Press, p. 337.

<sup>3</sup> Khalid, Rasheed, et al, 1999, *The World Trade Organization and Developing Countries*. The OPEC Fund for International Development, p. 13.

However, in order to determine this, an analysis must be carried out regarding the event using the concept of the Most Favoured Nation principle. In April 2025, the Chinese government ordered domestic airlines to stop accepting deliveries of US-made Boeing aircraft. China is carrying out the boycott in response to the high tariff policy imposed by the administration of President Donald Trump, namely a tariff of 145% on imported goods from China. In retaliation, China imposed a 125% tariff on US products, including aircraft and their parts.

The Most Favoured Nation principle emphasises the importance of equality and non-discriminatory treatment in international market access. When linked to China giving different treatment to the United States by refusing to import Boeing aircraft, even though Boeing aircraft products made in other countries are not subject to the same ban, then this action reflects a violation of the principle of non-discrimination. Next, we look at the analysis of the WTO exceptions to the Most Favoured Nation principle, referring to Article XX of the General Agreement on Tariffs and Trade on General Exceptions:

“Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures:

- (a) necessary to protect public morals;
- (b) necessary to protect human, animal, or plant life or health;
- (c) relating to the importation or exportation of gold or silver;
- (d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to customs enforcement, the enforcement of monopolies operated under paragraph 4 of Article II and Article XVII, the protection of patents, trademarks, and copyrights, and the prevention of deceptive practices;
- (e) relating to the products of prison labour;
- (f) imposed for the protection of national treasures of artistic, historic, or archaeological value;
- (g) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption;
- (h) undertaken in pursuance of obligations under any intergovernmental commodity agreement which conforms to criteria submitted to the CONTRACTING PARTIES and not disapproved by them or which is itself so submitted and not so disapproved;
- (i) 8 involving restrictions on exports of domestic materials necessary to ensure essential quantities of such materials to a domestic processing industry during periods when the domestic price of such materials is held below the world price as part of a governmental stabilisation plan; Provided that such restrictions shall not operate to increase the exports of or the protection afforded to such domestic industry, and shall not depart from the provisions of this Agreement relating to non-discrimination;
- (j) essential to the acquisition or distribution of products in general or local short supply; Provided that any such measures shall be consistent with the principle that all contracting parties are entitled to an equitable share of the international supply of such products, and that any such measures, which are inconsistent with the other provisions of this Agreement shall be discontinued as soon as the conditions giving rise to them have ceased to exist. The CONTRACTING PARTIES shall review the need for this subparagraph not later than 30 June 1960.”

Furthermore, further analysis is required to determine whether the boycott of China can be categorised as an MFN exception. The MFN principle requires a country that is a member of the WTO to provide equal trade treatment to all other members. China supposedly gives preferential treatment to aircraft from other countries, such as Airbus aircraft originating from the European Union. So, in principle, the United States should also treat Boeing similarly.

The following is an analysis of the exceptions to the Most Favoured Nation principle, which are related to China's boycott of US Boeing aircraft : Article XX Letter A of GATT 1994 provides exceptions for member countries that take actions that are considered "necessary to protect public morals" or that are needed to protect public morals. The clause provides space for countries to implement trade policies that are specifically based on moral and ethical values that grow and become principles in existing societies that may not be directly regulated. When the Boeing aircraft made in the United States is related to United States policies or actions that are considered to be contrary to the moral interests or values that are the principles of the Chinese state, for example, if the proceeds from the sale of the aircraft were allocated to negative things, this would be contrary to the moral and cultural values that exist in Chinese society. So China can boycott the United States' purchase of Boeing aircraft. However, China only boycotted Boeing and bought planes from other countries, such as Airbus, which is still considered an unfair act. It can be seen that China's real reason for boycotting American-made Boeing aircraft is to influence trade or politics, not for moral, cultural, and ethical reasons. This happened because of the import tariff war that occurred between the two countries.

Article XX Letter D of GATT 1994 provides exceptions for trade measures necessary to ensure compliance with national laws or regulations, as long as such laws do not conflict with existing GATT provisions. In this case, China could argue that the boycott of Boeing is part of the implementation of applicable national laws that prohibit cooperation with foreign companies that are considered to endanger national interests or state security. China could try to use this exception clause as a justification to avoid the existing principle of non-discrimination. However, the fact is that this boycott is a revenge move because the United States raised tariffs on Chinese imports, and it happened immediately after. China also does not boycott purchases of the same products from other countries, so that the implementation of these actions is carried out arbitrarily and discriminatively against certain countries, namely the United States.

Article XX Letter G of GATT 1994 regulates actions related to the conservation of exhaustible natural resources. These actions are accompanied by equal restrictions on domestic production or consumption. In the context of the Boeing boycott, the use of this article is inappropriate and has no clear relationship. This is because aeroplanes are not a natural resource that can be exhausted at this time in terms of production usage. In addition, boycotting products from certain countries has no direct connection to China's efforts to conserve natural resources, such as energy, water, or the environment. Meanwhile, Article XX Letter J of GATT 1994 permits actions relating to the distribution of goods that are generally in short supply both globally and locally. The aim is to provide member countries with flexibility in maintaining access to essential but limited goods.

However, this clause is clearly irrelevant in the case of China's boycott of Boeing, as aeroplanes are not a generally scarce commodity in the international market. Additionally, there is no evidence of a supply shortage that would force China to shift purchases from

Boeing to other manufacturers. In other words, Boeing aircraft, which are included in civil aircraft, are not a rare commodity globally. Furthermore, the exceptions regulated in Article XXV Paragraph 5 relate to the basis for special treatment for developing countries (Generalised System of Preferences), regional trade agreements such as free trade zones, or the establishment of free trade areas. Exceptions related to the Generalised System of Preferences are a United States trade program designed to promote economic growth in developing countries by providing preferential duty-free entry for up to 4,800 products from 129 designated beneficiary countries and territories.<sup>4</sup> So, the exception of the Generalised System of Preferences on China's unilateral boycott of United States products is not included in the GPS exception because this action is purely a retaliatory measure. China is boycotting Boeing aircraft products made in the United States because the United States has increased Chinese import tariffs by 145 per cent. Where this is not permitted by WTO legal mechanisms, it is therefore not legally valid under international trade law. From here, it can be seen that the boycott of Chinese Boeing aircraft can be seen as a protectionist measure that can damage the multilateral trading system, which is expected to reduce tariff and non-tariff barriers between countries. By blocking Boeing aircraft deliveries, China is not only affecting the United States' aircraft industry but also hurting Chinese consumers and airlines that rely on Boeing aircraft for their operations. In terms of international economic relations, China's boycott of Boeing aircraft products could also increase political tensions between the two major countries. This has the potential to undermine broader economic cooperation between the United States and China, as well as trigger other retaliatory actions in a variety of sectors.<sup>5</sup> If such actions continue, WTO member countries could begin to adopt similar protectionist policies, potentially breaking down a trading system based on the principles of equality and non-discrimination.

### **Dispute Resolution Mechanism to Overcome Violations of the Most Favoured-Nation Principle due to China/s Retaliation Actions Against The United States' Import Tariff Policy**

China's boycott of Boeing aircraft products originating from the United States raises legal issues in the context of international trade principles, particularly regarding violations of the Most-Favoured Nation (MFN) principle as stipulated in Article I of GATT 1994. The United States, as the injured party, can use the dispute resolution mechanism under the auspices of the WTO. This mechanism aims to resolve trade conflicts legally and in a structured manner, in order to maintain the international trade system. Settlement of disputes in international trade must also be carried out peacefully first through several methods such as negotiation, fact-finding, mediation, conciliation, arbitration, settlement through the courts, or other dispute resolution forums chosen by the parties in the agreement made.<sup>6</sup> Regarding the stages of the dispute resolution procedures, they are

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<sup>4</sup> Jodie Jeihan, et al, (2020), "Analisis Penetapan Evaluasi Generalized System of Preference (GSP) Amerika Serikat Terhadap Indonesia dan Pengaruhnya Terhadap Kesepakatan Perdagangan Dibawah World Trade Organization (WTO)", *Lex Generalis*, 1 (1), p. 43.

<sup>5</sup> Ven-hwei lo, et al, (2022), "Anger Yes, Boycott No: Third-Person Effects and the China-US Trade War", *International Journal of Communication*, 16, p. 4958-4979.

<sup>6</sup> Riyadus Solikhin, 2023, "Sistem Penyelesaian Sengketa Dagang Internasional dalam Kerangka WTO: Mekanisme, Efektivitas Pelaksanaan Putusan dan Tindakan Retaliasi sebagai Upaya Pemulihan Hak", *Padjadjaran Law Review*, 11(1), p. 118.

further regulated in Annex 2: Understanding on Rules and Procedures Governing the Settlement of Disputes. The stages are as follows :

1. Consultation

Referring to Article 4 of the Dispute Settlement Understanding, which stipulates that :  
“Members affirm their resolve to strengthen and improve the effectiveness of the consultation procedures employed by Members.”

So, the first stage in resolving disputes under the auspices of the WTO is consultation. In order to provide effectiveness in the first stage of dispute resolution, namely consultation, WTO member countries must participate and also be involved in providing appropriate considerations as well as providing equal opportunities to other parties in terms of consultation if the country submits a request for consultation.

2. Panel Formation

In the first stage of dispute resolution under the auspices of the WTO, if it is unsuccessful. Then, the country that submitted the consultation can submit to the Dispute Settlement Body to create a panel. If a request to form a panel has been received, the Dispute Settlement Body will form the panel no later than the second hearing of the panel request, and the panel must be formed within 30 (thirty) days.

3. Panel Balance

Panel deliberation is a core stage in the dispute settlement process at the WTO, where a panel is formed to assess the dispute objectively. This panel acts as a “first court” that examines the legal arguments, facts, and evidence of the disputing parties. This is regulated in Article 11 of the Dispute Settlement Understanding, which stipulates that:

“The function of panels is to assist the DSB in discharging its responsibilities under this Understanding and the covered agreements. Accordingly, a panel should make an objective assessment of the matter before it, including an objective assessment of the facts of the case and the applicability of and conformity with the relevant covered agreements, and make such other findings as will assist the DSB in making the recommendations or in giving the rulings provided for in the covered agreements.”

4. Judicial Review

In the dispute settlement system under the auspices of the WTO, judicial review refers to two important mechanisms, namely: Appeal to the Appellate Body and Compliance review as regulated in the Dispute Settlement Understanding. An appeal is made if one of the parties feels that the panel made an error in the application of the law. This appeal process only examines the legal aspects, not the facts, and is regulated in Article 17 of the DSU. The Appellate Body has a maximum of 90 days to resolve the appeal. The resulting decision is final and binding. In the dispute settlement system under the auspices of the WTO, judicial review refers to two important mechanisms, namely: Appeal to the Appellate Body and Compliance review as regulated in the Dispute Settlement Understanding. An appeal is made if one party feels that the panel has made an error in the application of the law. This appeal process only examines the legal aspects, not the facts, and is regulated in Article 17 of the DSU. The Appellate Body has a maximum of 90 days to resolve the appeal. The resulting decision is final and binding. Meanwhile, a compliance review referring to Article 21, Paragraph 5 DSU is carried out if there is a dispute regarding the implementation of the decision by the losing party in the dispute. The respondent country may claim to have brought its policies or regulations into compliance with WTO decisions, but if the complainant country disagrees, it can ask the same panel (if possible) to review whether the measures are

in fact compliant. This panel is also called a compliance panel, and the results can lead to compensation or trade sanctions against parties who have not complied. With this mechanism, the WTO ensures that the dispute resolution process not only produces decisions but also ensures real compliance with applicable international agreements.

#### 5. Implementation

In dispute resolution under the auspices of the World Trade Organisation, implementation refers to the stage at which a country proven to have violated a WTO agreement must implement or carry out the decisions and recommendations that have been determined by the Dispute Settlement Body (DSB). So the implementation here is a very important stage because it shows the commitment of member countries to comply with multilateral rules and correct the violations that have been committed. The purpose of this stage is not to punish, but rather to return the trade situation to conditions that are fair and consistent with existing WTO provisions.

The basis for implementation is set out in Article 21 of the DSU, which stipulates that the losing party is given the opportunity to implement the decision within a “reasonable period of time” clause.. So this time period can be agreed by the parties, determined by the DSB, or determined through an arbitration option. If the country fails to implement the decision within the specified time period, the claimant country may request compensation or take retaliatory measures as regulated in Article 22 of the DSU. Thus, the concept of implementation in the WTO is not merely a technical implementation, but rather part of the international law enforcement mechanism that guarantees the effectiveness and credibility of the international trade system.

#### 6. Continuous Monitoring and Resolution

Further monitoring and settlement is the final stage of the dispute resolution process under the auspices of the WTO, so that the resolution does not stop at the decision of the panel or Appellate Body. This stage is the stage after the decision, which ensures that countries proven to have violated the rules actually implement the WTO decision in full and on time. This stage is a real step in the WTO's commitment to comprehensive and sustainable enforcement of international law in the field of international trade law. The legal basis for this implementation supervision refers to Article 21 and Article 22 of the Dispute Settlement Understanding. Article 21 of the DSU stipulates that the losing party is given a certain period of time to implement the DSB's recommendations. During this process, the Dispute Settlement Body continues to monitor implementation through periodic reports submitted by the defendant state. If the plaintiff country feels that the implementation is not yet in accordance with Article 21, Paragraph 5 of the DSU, a review panel (compliance panel) can be formed based on this. However, if the violation continues to occur or there is no settlement agreement, the plaintiff country may request compensation or retaliatory measures as regulated in Article 22 of the DSU.

It can be seen that there are six stages of dispute resolution under the auspices of the WTO, namely consultation, panel formation, panel consideration, review, implementation, supervision, and further resolution.<sup>7</sup> So when China boycotts Boeing aircraft made in the United States, this action can be considered a violation of international trade rules under the auspices of the World Trade Organisation (WTO), especially the

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<sup>7</sup> Jie Wu, et al, (2023), “How Does the WTO Dispute Settlement Mechanism Work for WTO Members ? A Comparative Analysis of Developed and Developing Countries”, *The Singapore Economic Review*, 68(06), p. 1829-1850.



principle of non-discrimination and the prohibition of unilateral trade restrictions. The United States, as the injured country, has the right to use the WTO dispute resolution mechanism in accordance with the procedures set out in the Dispute Settlement Understanding. The first step that can be taken is for the United States to submit a request for consultation to China in accordance with the legal basis stipulated in Article 4 of the DSU, namely an official bilateral meeting to seek a peaceful solution to the existing problem, which is related to China's boycott of Boeing aircraft made in the United States for 60 days.

If the consultation cannot end up with agreement, then the United States can request the establishment of a panel by the Dispute Settlement,<sup>8</sup> which functions to investigate whether the boycott policy violates China's obligations as a WTO member, which has violated the Most Favoured Nation principle, where the efforts made by the United States are regulated in Article 6 of the DSU. After the panel submits its report on the results of its investigation, both countries have the right to accept or appeal in accordance with the rules in Article 17 of the DSU. Both China and the United States can provide their respective arguments regarding the issues raised, namely the boycott of Boeing aircraft made in the United States, which are boycotted by China.

China can provide all the reasons related to the boycott. Not only that, but China can also submit evidence. Boycott boeing aircraft can be considered an act of retaliation as a form of enforcement cross-sector retaliation regulated by WTO, while one country retaliates against a violator in another sector based on a certain agreement. It would be better if there were rules from WTO to aviod trade wars. Otherwise, the United States could object to actions taken by China. If the panel's report is accepted, and it is proven that China's actions violate WTO provisions, then the DSB will ask China to change its policies. This process is entering the implementation stage. At the implementation stage, China is given a certain amount of time to comply with the decision that has been made. If, in practice, China is deemed not to have seriously implemented the decision, the United States has the right to submit a review through the compliance panel in accordance with Article 21 of the DSU. In these condition, China still does not want to comply with the regulations and decisions that have been made. As a last resort, the United States may seek compensation or take legitimate countermeasures or retaliation, such as raising tariffs or imposing restrictions on Chinese exports, as stipulated in Article 22 of the DSU.

All these stages show that within the WTO framework, trade dispute resolution is systematic, law-based, and upholds the principles of justice and legal certainty in international trade. At each stage, starting from consultation to the last stage of retaliation, it is not only a technical procedure, but is also part of the international law enforcement mechanism that is recognised and agreed upon by countries that have joined as members of the WTO. The WTO dispute resolution stages here are positioned as the main instrument in maintaining the supremacy of law in international trade relations, which have the function of preventing the use of unilateral force and building a fairer and more orderly global system for countries that are members of the WTO.

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<sup>8</sup> Thomas Cottier, (2021), "Recalibrating the WTO Dispute Settlement System: Towards New Standards of Appellate Review", *Journal of International Economic Law Review*, 24 (3), p. 515-533.

## CONCLUSION

China's action in boycotting the United States led Boeing aircraft to violate the Most-Favoured Nation principle within the framework of international trade law. China discriminates against American-made Boeing aircraft products. The boycott of aircraft products was only carried out against the United States, while European-made Airbus aircraft products were still being carried out in business transactions, so there was unfair treatment here. In its exception to Article XX of the General Agreement on Tariffs and Trade, China also does not fulfil this element because China is carrying out a boycott as an effort to wage an import tariff war against the United States. So, China, as a WTO member, has violated the Most Favoured Nation principle. The United States, as the injured country, has the right to use the WTO dispute resolution mechanism in accordance with the procedures set out in the Dispute Settlement Understanding. The first step that can be taken is for the United States to submit a request for consultations, the formation of a panel, panel considerations, Judicial review, implementation, supervision, and further resolution. It is a form of enforcement of international trade law principle that is recognised and agreed upon by countries as members of the WTO. Boycott boeing aircraft can be considered an act of retaliation as a form of enforcement cross-sector retaliation regulated by WTO, while one country retaliates against a violator in another sector based on a certain agreement. It would be better if there were rules from WTO to aviode trade wars.

## SUGGESTION

The World Trade Organisation, as an international trade organisation, has an important role in trying to maintain consistency in the application of the Most Favoured Nation principle to ensure certainty and justice in international trade. Newest regulation that regulates the boundaries between political action and legitimate trade policy was needed in order to create a clearer understanding of the legitimacy of an action within the framework of WTO principles.

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