14th Ministerial Conference (MC14) of WTO

Mains: *GS -II – International relations | Bilateral, regional and global groupings and agreements involving India & its interests.*

Why in News?

The World Trade Organisation's (WTO) 14th Ministerial Conference (MC14) will take place from March 26 to 29 at Yaoundé, Cameroon.

What about the WTO?

- **WTO** – It is the *only international organisation* that deals with the rules of trade between countries to regulate international trade, ensure fair competition and provide a forum to negotiate trade disputes.
- **Establishment** – It was created under the *Marrakesh Agreement, 1995,* replacing the 1947 General Agreement on Tariffs and Trade (GATT).
- **Members** – 166 members representing 98% of world trade (Timor-Leste & Comoros were the last to join in 2024).
- **Core Principles**
  - **Most Favoured Nation** (MFN) - Non-discrimination among members.
  - **National Treatment** - Equal treatment for foreign and domestic goods.
  - **Bound Tariffs** - Members cannot exceed agreed tariff limits
- **Headquarters** – Geneva, Switzerland.
- **Functions** – To promote free trade by negotiating and implementing agreements among member states.
- To provide a forum for countries to negotiate trade rules and settle economic and trade disputes between member nations.
- **Ministerial Conference (MC)** – It is the WTO's *supreme decision-making body*, which brings together trade ministers from all member nations, usually every two years.
- **Decision making** – MC can take decisions on all matters under the WTO agreements, taken *through consensus,* and any member can exercise a veto.

What is the context in which MC14 is taking place?

- **Geopolitical Rivalry & Trade Security** – MC14 is taking place amid rising geopolitical rivalry between the U.S. and China, alongside ongoing global conflicts, and the mounting securitisation of international trade relations.
- **Decline of Multilateralism** – Trade multilateralism appears to be in retreat, while unilateralism is on the rise.

- **U.S. Assault on WTO Rules** – Over the last year, the U.S. has launched a massive assault on trade multilateralism by weaponising tariffs, undermining the WTO's foundational principles -
    - Most Favoured Nation (MFN) rule, which ensures non-discrimination among trading partners.
    - Bound tariff rates, the obligation not to exceed agreed tariff limits.
- By imposing arbitrary tariffs, the U.S. has violated these rules and pressured countries into one-sided trade agreements through tariff coercion.

Why is trade multilateralism reeling under a crisis?

- **U.S. Disillusionment** – There is a growing belief in Washington that the WTO, which the U.S. was instrumental in creating in 1995, has not served American interests well.
- **China's rise & its membership** – The meteoric rise of China in the last two decades has significantly narrowed the gap between Washington and Beijing.
- Moreover, China's accession to the WTO, facilitated by Washington, did not curb Beijing's state-led industrial policies as intended.
- **U.S. Push for Freedom from Constraints** – Consequently, the U.S. now wants to eliminate all legal constraints that apply to it, such as WTO law, to take on the Chinese threat head-on.
- The U.S. *paralysed the WTO's dispute settlement system* by relentlessly blocking the appointment of members to the Appellate Body — the organisation's highest judicial arm.
- **WTO's inability to draft new trade rules** – The WTO's consensus-based decision-making has slowed progress.
- Over the past three decades, the WTO has created *only two new agreements* -
    - Trade Facilitation Agreement and
    - Agreement on Fisheries Subsidies.
- The sluggishness in forming new trade rules has pushed countries to seek new venues for trade law-making, such as free trade agreements (FTAs).

What are the key issues in MC14?

- **Plurilateral Agreements** – Debate over including agreements like Investment Facilitation for Development and Electronic Commerce into the WTO rulebook.
- Although the WTO is a multilateral organisation, it allows plurilateral trade agreements — agreements between fewer than all WTO members.
    - **Plurilateral** deals *bind only signatories* but need consensus among all WTO members for inclusion in Annex 4.
- Many countries believe that plurilateral agreements are the way to revive the WTO's legislative function; a few countries, such as India, fear fragmentation of the system.
- **E-Commerce Moratorium** – First agreed in 1998 and renewed every two years, is not to impose tariffs on electronic transmissions & it is set to expire on March 31.
- While the developed world wants it to be made permanent, the choice is not so easy for developing countries like India.
- Given the rise in digital trade, continuing the moratorium could lead to significant revenue losses for developing countries.

- **Special and Differential Treatment (SDT)** – SDT grants special rights to developing and least developed countries, since not all WTO members are on an equal footing.
- The U.S. is keen to weaken the SDT principle by prohibiting larger economies, such as China, India, Brazil, and Indonesia, from enjoying special rights.
- **Dispute Settlement Reform** – It is critical to unequivocally demand the restoration of the Appellate Body to put the WTO's dispute settlement system back on track.
- **Foundational Principles Under Threat** – The U.S. is expected to use MC14 to challenge foundational WTO principles, such as the MFN rule.
- Developing countries that benefit from these principles should strongly oppose such efforts.

What should be India's role?

- **Champion of Multilateralism** – India should reaffirm its support for trade multilateralism and should regain its role as a normative leader for the Global South by using the MC14 to articulate the importance of multilateralism.
- **Strategic Alliances** – Forge coalitions with other developing countries to defend SDT and WTO principles.
- **Flexibility in Positions** – New Delhi should revisit entrenched stances, such as opposition to plurilateral agreements.
- India, along with other countries, should consider other innovative solutions, such as electing Appellate Body members through voting.
- **Guard Against Unilateralism** – If MC14 fails to strengthen the WTO and promote trade multilateralism, it will represent a victory for America's blatant unilateralism.
- This would pave the way for a coercive global trade order, detrimental to the interests of developing countries.

Reference

[The Hindu | What is at stake at the WTO's MC14?]

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