Decline of WTO

What is the issue?

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- Most of the developed countries are losing their interest on multilateralism in trade, which makes WTO weak.
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- India should be more actively engaged to arrest the slide and then make the WTO a more equitable organisation.
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How did WTO evolved into a multilateral trade forum?

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- In the early 1990s, global trading powers U.S., EU, Japan and Canada pushed for a GATT (General Agreement on Tariff and Trade) agreement that would vastly increase access for their products in foreign markets.
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- They succeeded with the 1994 Marrakesh agreement by which “farm subsidisers” of the U.S. and EU agreed to bring agriculture under GATT rules.
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- In exchange, the developing countries had to pay up front by reducing import duties on manufacture, opening their markets to services, and agreeing to strict protection of intellectual property rights.
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- The Marrakesh agreement also created the new Dispute Settlement Body (DSB) to adjudicate on trade disputes.
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- By which WTO was born in 1995, replacing the General Agreement on Tariffs and Trade (GATT).
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Why developed nations are losing interest on WTO?

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- WTO has been felled by the weight of the extraordinary ambitions, many developed countries made pressure to bring many more “new” non-trade issues under the WTO.
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- As a consequence, since the late 2000s, the organisation has been unable to carry out its basic task of overseeing a successful conduct of multilateral trade negotiations.
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- The WTO seemed to be just the kind of “super” international organisation that the major powers wanted.
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- This over-reach of the organisation at sometimes had the opposite of the intended outcomes of the developed nations.
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- The entry of China into the WTO in 2001 also became a challenge for developed countries.
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- China used its newly acquired ‘most favoured nation’ status as its tool to expand exports by its export ambitions China hollowed out U.S. manufacturing.
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- Due to the active presence of developing nations like India, Brazil etc. and majority of such memberships, Developed nations realised that no more they can influence WTO.
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What are the recent threats posed by the developed nations?

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- The U.S. and EU have sought to formally scrap the DDA and try to make new laws which is favourable for them.
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- In 2014, trade facilitation (covering customs rules and procedures) was taken out of the DDA and a stand-alone agreement was signed, because the U.S. and the EU were interested in it.
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- This virtually destroyed the principle of reciprocity under which each country wanting to obtain gains in specific areas makes concessions in others.
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- The U.S. has even begun to undermine the very elements of the WTO that it had pushed through in the early 1990s.
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- It now refuses to implement some DSB decisions.
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- Most recently, it has taken decisions on DSB appointments which will in effect bring adjudication to a halt.
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- During 11th ministerial meeting at Buenos Aires, proposals were made for the WTO to take up “new issues” such as e-commerce, investment facilitation and trade and gender.
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- But all these were outside the DDA and of interest only to a select membership.
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Source: The Hindu

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