Trade Multilateralism at Risk

What is the issue?

The upcoming WTO ministerial meeting scheduled in Geneva provides an opportunity to rescue the global institution which is facing an existential crisis due to the U.S. policy.

What is the U.S. policy on WTO?

- United States seems to have lost interest in WTO as it feels that WTO hasn't served the American national interest.
- It has failed to stem China's rise and regularly indicted the U.S. in several trade disputes.
- The U.S. policy on the WTO is most evident in the crippling of Appellate Body (AB) which is a part of the WTO's dispute settlement mechanism.
- The U.S. has consistently blocked the appointment of AB members and AB has stopped functioning due to rising vacancies.
- This provides scope for non-compliance with the WTO panel decisions by appealing into the void.
- The U.S. has also stalled the proposal of the EU to establish an alternative interim appellate arbitration mechanism.

> *Appellate Body (AB) is composed of seven permanent members appointed by WTO members by consensus.*
>
> *The initial appointment of an AB member is for a four-year term, with possible reappointment for a second term.*
>
> *The AB members can continue to adjudicate an appeal even after expiry of their tenure, on cases to which they were appointed during their term.*

What are the other challenges faced by WTO?

- **Public stockholding for food security -** The WTO rules allow countries to procure stock and distribute food.
- However, if procurement at MSP is higher than the external reference

price, then MSP-provided budgetary support shall be considered trade-distorting and is subject to an overall cap.
- Legal suits will not be brought if countries breach the cap but there has been no permanent solution for considering MSP-provided budgetary support as non trade distorting.
- **Waiver of TRIPS -** India and South Africa proposed a TRIPS waiver for COVID-19 medical products to overcome intellectual property (IP)-related obstacles.
- But the WTO member countries continue to disagree on the need of waiving the TRIPS agreement.
- **Regulation of irrational subsidies -** WTO is about to sign a deal on regulating irrational subsidies provided for fishing that has led to the overexploitation of marine resources.
- A differential treatment provision must be insisted to strike a balance between conserving ocean resources and the livelihood of marginal fishermen.
- **Mega plurilateral trade agreements -** The gridlock at WTO has led to the emergence of mega plurilateral trade agreements like Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and RCEP.
- These plurilateral agreements not only fragment the global governance on international trade but also push the multilateral order to the margin.

What is India's approach towards WTO?

- Prime Minister during his recent U.S. visit insisted for a rule-based global order**.**
- Institutional multilateralism would be the ideal antidote to unilateralism and economic nationalism.
- The WTO is the only forum where developing countries like India can push for evolving an inclusive global trading order.

Source: The Indian Express

Quick Facts

World Trade Organisation (WTO)



- WTO is the only global international organization dealing with the rules of trade between nations
- It was created in **1995** superseding the 1947 General Agreement on Tariffs and Trade (GATT)
- Headquarters – **Geneva,** Switzerland
- WTO has over 160 members representing 98 per cent of world trade
- **Ministerial Conference** – It is the topmost decision-making body of WTO which usually meets every two years
- **General Council** - It is the WTO's highest-level decision-making body that has representatives from all member governments and meets regularly to carry out the functions of the WTO
- The General Council also meets under different rules as the Dispute Settlement Body and as the Trade Policy Review Body.

SHANKAR IAS PARLIAMENT
Information is Empowering