WTO Amidst Trade War

What is the issue?

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- Countries are increasingly announcing new trade sanctions and imposing tariffs and retaliatory tariffs on imports.
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- The looming trade war raises serious concerns on the very role of the World Trade Organisation (WTO).
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What are the recent developments?

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- China, India and others have already filed complaints against the US in WTO.
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- This is in regards to imposing high tariffs on steel and aluminium imports, citing national security as the reason.
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- Adjudication starts after a mandatory 60-day waiting period.
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- Meanwhile, US President Trump describes WTO as a “catastrophe” and threatens to pull US out of it.
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- At present, WTO rules may prevent the break-out of a full-fledged trade war.
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What are the concerns?

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- Despite the rules in place, the risks remain, and WTO’s limitations are showing.
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- **Relevance** - WTO was unable to bring successful closure to the Doha Round of multilateral trade negotiations.
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- Most of the action in recent years has been outside the WTO’s multilateral framework.
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- They had taken the form of bilateral or plurilateral discussions and agreements.
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- **Disputes** - WTO's appellate body for disputes may soon become non-operational.
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- It has 7 members, but 3 seats are vacant because the US has blocked fresh appointments.
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- Given this deterioration, WTO's function of dispute settlement is uncertain and less encouraging.
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- **Delay** - In any case, dispute settlement takes years to do.
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- By this time, non-compliant tariffs and retaliatory action prevail.
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- E.g. China has been imposing tariffs knowing well it would eventually be ruled out of court after a couple of years.
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- Nevertheless, it gains from the tariffs in the interim.
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- **Violation** - A country that files a successful trade complaint only earns the right to impose penal tariffs on the offending country.
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- The whole idea of dispute settlement seems baseless, given the fact that retaliatory tariffs are already being imposed.
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- Meanwhile, the US has imposed unilateral trade and other sanctions on countries like Russia, North Korea and Iran.
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- India’s difficulty to buy oil from Iran, or missiles from Russia is continuing.
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- **Role** - WTO is supposed to set the rules for trade and deal with trade disputes.
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- But WTO cannot act on its own even in reacting to unfair trade practices.
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- It has to wait for member-nations to take the initiative.
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- The recent unwelcome developments call for a reform of WTO.
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Source: Business Standard

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