

WTO may still emerge as the lynchpin of global trade governance

What is the issue?

- On our Independence Day, the US President has stripped off India and China's 'developing nations' status, saying they benefited immensely by misusing it.
- He blamed the World Trade Organisation (WTO) for this lapse and reiterated his threat to leave the world's largest multilateral trade forum.

What is India and China's stance?

- At any other moment, both India and China would have been pleased to rid themselves of this tag, but not at this time.
- Meanwhile, China's narrative is the injury to the national mind due in part to the "centuries of humiliation" they claim to have suffered at the hands of western powers.
- Their growing economic and military might presents the Chinese an opportunity to set the historical record straight.
- For the US, these are times for fear of losing the mantle of the world's preeminent power after at least 3 decades of unchecked hegemony.
- Chinese rise and US fears are straining their bilateral trade and causing serious collateral damage to the WTO.

Is WTO worth saving?

- One way to evaluate this question is to **investigate its achievements**, with the obvious caution that the past is an imperfect guide to the future.
- Since the WTO came into being in 1995, the world has witnessed massive changes, some deeply structural in nature.
- Today, the WTO regulates more than 98% of global trade flows among its members.
- It also monitors the implementation of free trade agreements, produces research on global trade and economic policy, and serves as a forum for settling trade disputes between nations.

How can WTO's success be viewed in the trade war aspect?

- A way to look at the WTO's success is **to focus on how it helped to avert the damage in trade value.**
- One estimate puts the value of avoided trade wars at \$340 billion/year.
- When the US-China trade conflict began in July 2018, many were calmed into believing that the sabre-rattling was temporary.
- The **US used Super-301 legislation** to designate specific countries as unfair traders and threaten them with higher tariffs unless they fell comply.
- Some countries complied with US pressure to avoid escalation, while others such as India refused to negotiate under threat of US sanctions.

Why India and China are not ready to accept the US's stance?

- In the current instance, it does not seem likely that the US will back off.
- Neither does it seem that the Chinese (or India) will agree to negotiate under pressure.
- In all likelihood, the Chinese will not brook another humiliation, while India at the current juncture is little more than collateral damage.
- It's not possible for India to trade in the developing country status in the WTO without a fight.
- **Under the rules**, a measure is defined as unilateral if it is imposed by a country without invoking the WTO dispute settlement procedures or other multilateral international rules and procedures, and which is based solely upon invoking the country's own criteria.
- Article 23 of the Dispute Settlement Understanding (DSU) explicitly prohibits members from doing so.

Why US say it has taken matters in its own hands?

- US's explanation is that it's using its power to discipline the trading system for the benefit of all.
- They claim that China and India have taken advantage of the open trading regime while itself being opaque on subsidies, state-owned enterprises and intellectual property.
- It also claims that the dispute settlement in the WTO has become dysfunctional and appeals to the appellate body (AB) are taking longer than the prescribed 90 days.
- There is no justification for subverting the multilateral process, especially by the US that was instrumental in putting it together in the first place.

What is the way forward?

- The multilateral process needs to be fortified and it cannot happen until the strongest member is vested in it.

- The multilateral agreement is still the best, and when reasonable people sit around the table, a solution can be found.
- In the absence of pure multilateral negotiations, interested members could negotiate plurilateral with the aim of achieving multilateral outcomes.
- But burden-sharing, as opposed to altruism among the big players, will remain an integral part of the multilateral approach.
- The WTO may still emerge as the lynchpin of global trade governance.

Source: The Indian Express

