



Dispute Settlement in WTO

What is the issue?

\n\n

\n

- The World Trade Organisation is now amidst a crisis for ensuring a legitimate dispute settlement mechanism.

\n

- The changes in the global trade regime and the multilateral institutions necessitate a greater role for the developing world.

\n

\n\n

Why a trade organisation?

\n\n

\n

- The new financial trade order with the coming of Bretton Woods institutions (World Bank and IMF) demanded a trade organisation at the international level.

\n

- It became necessary for the regulation of the international monetary system.

\n

- It was also needed to establish multilateral rules for the settlement of trade disputes.

\n

- Adherence to the rules was expected to serve as an important domestic incentive for governments.

\n

- It would allow them to resist protectionist demands and provide for greater legal certainty.

\n

- The World Trade Organisation (WTO) was created primarily to address these demands.

\n

\n\n

How has the US's role been?

\n\n

- \n
- The US's push for the creation of WTO was mainly to pursue its own commercial interests.
- \n
- The U.S. has never truly embraced the idea of a multilateral system in which its leadership could be contested.
- \n
- Evidently the US is isolating itself from NAFTA, TPP, NATO and UNESCO in the recent times.
- \n
- In the trade negotiations too, the U.S. put forward excessive demands that countries are unprepared to meet.
- \n
- So the current crisis with the WTO dispute settlement system largely follows this unequal power formula.
- \n

\n\n

What is the crisis with WTO?

\n\n

- \n
- The nature of the trade disputes is now increasingly getting hypertechnical.
- \n
- Despite this, the WTO currently faces a trade dispute settlement crisis.
- \n
- The U.S. has systematically blocked the appointment of new Appellate Body members (judges).
- \n
- This has impeded the work of the WTO appeal mechanism.
- \n
- It is under great stress with only four working members out of seven normally serving office.
- \n
- If no appointment is made, the mechanism would be destroyed by December 2019.
- \n
- It would be left with only one remaining member to tackle a massive number of disputes.
- \n
- But the Appellate Body requires a core of three members to decide a dispute.
- \n

\n\n

What are the other concerns?

\n\n

- \n
 - It is to be noted that the WTO dispute settlement mechanism is not a world trade court.
 - \n
 - So logically, the process remains political and diplomatic.
 - \n
 - WTO members are thus concerned over the politicisation of the Appellate Body appointment and reappointment process.
 - \n
 - There is also a concern with the quasi-attribution of permanent Appellate Body seats to the U.S. and the European Union (EU).
 - \n
 - Besides, there is concern over the possibility of China finding its way to have a permanent seat.
 - \n
 - **Cases** - Some Appellate Body members continue to hear cases which have been assigned to them during their tenure.
 - \n
 - The U.S. has persistently attacked this practice.
 - \n
 - However, the blame lies on the U.S. itself, for delay in filling up of vacancies and reappointment of members.
 - \n
 - This is indicative of the fact that the US is deliberately pushing the WTO legal mechanism for deterioration.

\n\n

How is China's prospect?

\n\n

- \n
 - Despite limitations ensured by US and EU, China has largely benefited from the rules-based WTO system.
 - \n
 - It might well be the new WTO leader in the coming future.
 - \n
 - China's growing assertiveness, in fact, may be the reason for the U.S.'s hard measures.
 - \n
 - Its emerging power and the impact of its commercial domination on other

economies are evident.

\n

- But how far will China's legitimacy be, among other trading members, remains largely uncertain.

\n

\n\n

What is the way forward?

\n\n

\n

- The world has changed and multilateral institutions now have to embed these changes.

\n

- The current WTO crisis could be a battle to retain control over a Western-centric organisation.

\n

- It is high time for emerging economies and the developing world to have a greater say.

\n

- They should establish their role in shaping the much needed multilateralism and its institutions.

\n

\n\n

\n\n

Source: The Hindu

\n\n

\n\n

Quick Fact

\n\n

WTO Appellate Body

\n\n

\n

- The Appellate Body of the WTO was established in 1995 with its seat in

Geneva, Switzerland.

\n

- It is a standing body of seven persons.

\n

- It hears appeals from reports issued by panels in disputes brought by WTO Members.

\n

- The Appellate Body can uphold, modify or reverse the legal findings and conclusions of a panel.

\n

- The Appellate Body Reports, once adopted by the Dispute Settlement Body (DSB), must be accepted by the parties to the dispute.

\n

\n



IAS PARLIAMENT

Information is a Blessing

A Shankar IAS Academy Initiative