



## 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**



**IAS PARLIAMENT**  
*Information is Empowering*  
A Shankar IAS Academy Initiative