

## **1. WTO at 25 - Impact & Relevance**

**Prelims Level: India and WTO**

**Mains Level: GS-II - Important International institutions, agencies and fora- their Structure, Mandate.**

**Context:**

- Over this past quarter century, the World Trade Organization (WTO), has helped transform international economic relations. January 1<sup>st</sup> 2020 marks the silver jubilee of the WTO. The world trade body was established on 1st of January, 1995. It was the biggest reform in international trade since the end of the Second World War.



**THE RISE & DECLINE OF GLOBAL TRADE BODY**

<b>October 1947:</b> General Agreement on Tariffs and Trade (GATT) signed by 23 nations after Second World War	formulated to improve trading prospects of developing countries
<b>July 1948:</b> India acceded to GATT	<b>December 2011:</b> China joins WTO
<b>January 1995:</b> WTO is founded under Marrakesh Agreement by 123 nations	<b>August 2017:</b> Trump attacks WTO for slowing 'America First' law, begins trade war with China
<b>November 2001:</b> Doha Development Agenda	<b>December 2019:</b> Top WTO court for trade disputes goes defunct for the first time

### **Achievements of the WTO:**

- The system helps to Promote Peace –**
  - ✓ By building binding rules for global trade in goods and services, WTO has facilitated **dramatic growth in cross-border business activity.**
  - ✓ Disputes are handled constructively.
- Trade Raises Incomes -**
  - ✓ Domestic reforms and market-opening commitments have resulted in the **lasting boost to national income** of the member nations.
- Trade stimulates Economic Growth -**
  - ✓ The value of world trade has nearly quadrupled, while the real volume of world trade has expanded by 2.7 times.
  - ✓ The **Agreement on Trade Facilitation** by WTO is projected to lift trade by over \$1 trillion per year.

- **Free trade cuts the costs of living –**
  - ✓ **Average Tariffs** have almost halved, from 10.5% to 6.4%.
  - ✓ The economic growth in the developing countries also correlate to the reduction of the **Extreme Poverty Rate**.
- **It provides more choice of products and qualities -**
  - ✓ The **predictable market conditions** fostered by the WTO, have combined with improved communications to enable **the rise of global value chains**, trade within these value chains today accounts for almost 70% of total merchandise trade.
- **Governments are shielded from lobbying -**
  - ✓ WTO has **liberalised trade in information technology products** and abolished harmful farm export subsidies.

### Structure of the WTO:

- The WTO has 164 members, accounting for **98% of world trade**. A total of 22 countries are negotiating membership.
- Decisions are made by the entire membership, typically **by consensus**.
- A majority vote is also possible but it has never been used in the WTO, and was extremely rare under the WTO's predecessor, the GATT. The WTO's agreements have been ratified in all members' parliaments.
- **Ministerial Conference –** is the top-level decision-making body, meets usually every **two** years.

### The WTO

**LOCATION:** Geneva, Switzerland

**ESTABLISHED:** 1 January 1995

**CREATED BY:** Uruguay Round negotiations (1986-94)

**MEMBERSHIP:** 164 members representing 98% of world trade (as of 30 Sept 2018)

**BUDGET:** 197 million Swiss francs for 2018

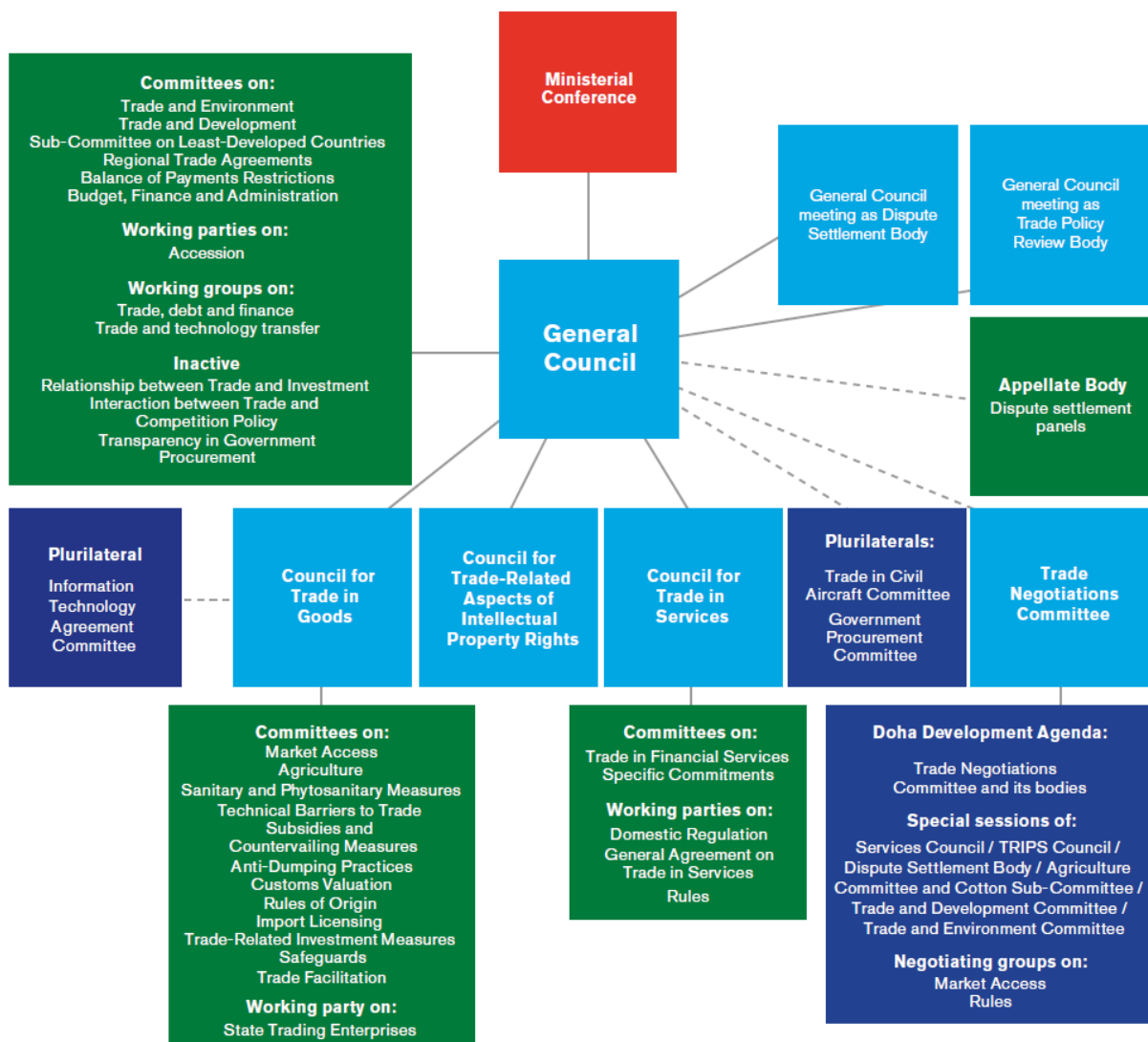
**SECRETARIAT STAFF:** 630

**HEAD:** Roberto Azevêdo (Director-General)

#### FUNCTIONS:

- ▣ Administering WTO trade agreements
- ▣ Forum for trade negotiations
- ▣ Handling trade disputes
- ▣ Monitoring trade policies
- ▣ Technical assistance and training for developing economies
- ▣ Cooperation with other international organizations

- **General Council-** functions below the Ministerial Conference.
  - ✓ Normally ambassadors and heads of delegation are based in Geneva but sometimes officials sent from members' capitals.
  - ✓ It meets several times a year in the Geneva headquarters.
  - ✓ The General Council also meets as the Trade Policy Review Body and the Dispute Settlement Body.
- **The Goods Council, the Services Council** and Intellectual Property (TRIPS) Council report to the General Council.
- Numerous specialized committees, working groups and working parties deal with the individual agreements and other areas, such as the environment, development, membership applications and regional trade agreements.



## **Growing Discomfort – WTO is facing the worst crisis in its History:**

- **Rising sectarianism** - Major powers like the US, the EU, China, and Russia are increasingly carving out the zones of influence, which leads to onslaught on multilateralism.
- **Rules Undermined** - The unilateral tariffs threatened by the U.S. and China don't adhere to the WTO's established procedures, and if triggered, will inflame trade tensions that can't be constrained by the trade body.
- **Using national security as veil** - The countries are using the national security as a justification for tariffs. Countries exploit a loophole in WTO law that permits its members to take any action they consider necessary to defend "essential security interests."
- **Paralyzing the Key bodies** - Since August 2017 the U.S. has blocked nominees to the WTO's **Appellate Body**. Beginning December 10, two of the three remaining members of the seven-judge appellate body retired, making it defunct.
- **Market Economy Dispute** – Anti dumping investigations are getting complicated due to the issues related to the market economy tag. The U.S. had said that it has no plans to treat China equally in international anti-dumping investigations because Beijing has not adopted market-economy principles. China says the U.S. and the EU are violating WTO rules by continuing to treat it as a non-market economy in anti-dumping investigations.
- **Failed Negotiations** - It took two decades for the WTO to complete its first significant trade accord and prospects for new deals among its 164 members are slim.

## **Issues relating to the Appellate Body:**

### **The Appellate Body:**

- The Appellate Body was established in 1995 under Article 17 of the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU).
- It is a standing body of seven persons that hears appeals from reports issued by panels in disputes brought by WTO Members.
- The Appellate Body can uphold, modify or reverse the legal findings and conclusions of a panel, and Appellate Body Reports, once adopted by the Dispute Settlement Body (DSB), must be accepted by the parties to the dispute.
- The Appellate Body has its seat in Geneva, Switzerland.

### **Defunct Appellate Body and its Impact on India:**

- Since August 2017 the U.S. has blocked nominees to the WTO's **Appellate Body**. Beginning December 10, two of the three remaining members of the seven-judge appellate body retired, making it defunct.
- The fate of six critical trade disputes being fought by India has ground to a halt, due to the paralyzing of the Appellate body.
- This includes, a recent ruling by the appellate body, which abolished India's export-promotion schemes for almost all sectors as well as special economic zones.
- Economies such as China, which have repeatedly circumvented trade norms to push non-tariff barriers, will not be held accountable and this could affect India negatively.
  - ✓ The slow but sure death of the WTO's clout has become visible, since the major economies had ventured in to protectionist measures. Major WTO economies such as Canada and the EU have planned ahead by deciding on an interim arrangement to look into Bilateral Disputes.
  - ✓ However, India is against the idea of setting arbitration panels to resolve disputes bilaterally. These bilateral arbitrations would seriously be affecting the smaller economies, which are on the receiving side of the spectrum. As India stands, **Multilateralism** is the only way to bring due justice for the developing and the under developed countries.