25 years on, WTO on its shakiest ground

As confidence of member nations plummets, reforming the global body itself forms the core agenda for many

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On January 1, 1995, the creation of the World Trade Organization (WTO) marked the biggest reform of international trade since the end of the Second World War. Now, on its 25th anniversary, reforming the WTO itself forms the core trade agenda of many nations, rich and poor alike, as confidence in the global body plummets to historical lows.

While the earlier General Agreement in Trade and Tariffs mainly dealt with merchandise trade, WTO has expanded its reach to cover labour, environmental, and intellectual property aspects of trade. Through its enabling policies of free and fair trade, it was credited with providing a platform for all nations to consult, till just a few years back.

But that view has since been challenged by rising sectarianism in trade as major powers like the US, the EU, China, and Russia choose to increasingly carve out zones of influence. The onslaught on multilateralism has been dominated by US President Donald Trump, diminishing confidence for the body's ability to broker peace has affected all nations. This was brought on by the global body's top court for trade disputes going defunct earlier this month, for the first time.

Beginning December 10, two of the three remaining members of the seven-judge appellate body retired, making it defunct. The body functions as the highest global adjudicative authority for settling global trade disputes worth billions of dollars. Regarded as the central pillar of the multilateral trading system, and as WTO's "unique contribution to the stability of the global economy", the appellate body has shaped global trade flows over the past two-decades.

But India and 116 other nations failed to convince Washington DC to drop its longstanding opposition to the appointment of new judges, which requires the unanimous support of every nation. "The developments actually ended up vindicating the US' stand that WTO continues to be an unequal space and common sense means little, if major forces refuses to budge," a senior European Union diplomat, said.

THE RISE & DECLINE OF GLOBAL TRADE BODY

October 1947: General Agreement on Tariffs and Trade (GATT) signed by 23 nations after Second World War

July 1948: India acceded to GATT

January 1995: WTO is founded under Marrakesh Agreement by 123 nations

November 2001: Doha Development Agenda formulated to improve trading prospects of developing countries

December 2011: China joins WTO

August 2017: Trump attacks WTO for slowing 'America First' law, begins trade war with China

December 2019: Top WTO court for trade disputes goes defunct for the first time

Axe to grind

But over the past three years, the US has increasingly chipped away at WTO authority by arguing that genuine American concerns and broader interests of developed nations have been ignored. This criticism had accelerated after the body rebuked Washington DC over its unilateral tariff measures against trade partners, including China.

"The US has playing a far larger game whereby it is on one hand petitioning the dispute settlement body while also single-handedly and consistently blocking the appointment of judges to the seven-member panel," India's former ambassador to the WTO, Jayanta Dasgupta, had said earlier.

Leading the American charge has been US Trade Representative Robert Lighthizer, who has repeatedly thundered against the WTO for being unfair to the US. Interestingly, Lighthizer was nominated to the appellate body as a judge 16 years ago. However, he was not confirmed after the other nations rejected him. Come 2019, Lighthizer has threatened to cut the WTO's budget, called China's accession to the body a 'mistake' and warned the US may pull out altogether if its demands are not met.

But the powers of the WTO as a single stop for solving trade spats had continued to dwindle for a long time now. Currently, cases take more than a year to be heard while the government, trade officials stationed in Geneva, said. On the other hand, smaller nations continue to feel marginalised as issues crucial to them such as a permanent solution to the public stockholding of food grains and a demand for special safeguard mechanism, they added.

India size vacuum

With most orders of the top court now unenforceable, the fate of six critical trade disputes being fought by India has ground to a halt. However, luckily for policy makers in New Delhi, 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 may simply refuse to abide by global rules anymore," senior trade policy expert and Jawaharlal Nehru University professor Biswajit Dhar said.

The slow but sure death of the WTO's clout has not come as a surprise to India. Over the past two years, New Delhi has repeatedly stitched coalitions with least-developed countries and other developing nations and arranged multiple mini-ministerials in India to call for a return to multilateralism. It has also intermittently clashed with richer economies over legacy conflicts such as the current practice of not taxing digital transactions, the lack of a services trade facilitation agreement, and calls for a global set of e-commerce rules.

Other major WTO economies such as Canada and the EU have planned ahead by deciding on an interim arrangement. However, the idea to set up arbitration panels to resolve disputes bilaterally have been opposed by India. Instead it is looking to occupy the power vacuum. "Smaller nations will never get their due in a one-on-one fight. If current conditions resists, other nations would see India remains committed to the WTO's ideals, which is the only way to go forward," a senior government official, declared.

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