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TOPIC: TRADE REFORMS

Is the World Trade Organization still relevant?

Context: WTO's Growing Irrelevance and Credibility Crisis

- The World Trade Organization (WTO), once the backbone of multilateral trade governance, is facing serious challenges in adapting to the changing dynamics of global trade.
- Institutional paralysis, a non-functional dispute resolution system, and inability to address new issues like digital trade and climate change have raised concerns about its future relevance.

WTO: Background and Core Functions

- Established in 1995 as the successor to the General Agreement on Tariffs and Trade (GATT), the WTO was tasked with ensuring a rules-based, transparent, and fair multilateral trading system.
- It became one of the three pillars of global economic governance alongside the International Monetary Fund (IMF) and the World Bank.
- Today, however, the WTO faces mounting challenges due to rising protectionism, internal gridlocks, and evolving trade issues.

Key Challenges Faced by WTO

1. Dispute Settlement Crisis

- The WTO's Appellate Body, responsible for the final adjudication of trade disputes, has been non-functional since December 2019 because the United States has blocked the appointment of new judges.
- Without a functioning Dispute Settlement Mechanism (DSM), enforcement of trade rules has weakened significantly.
- This has led countries to resort to unilateral measures, bilateral retaliation, or "forum shopping" for dispute resolution, undermining trust in WTO processes.

2. Resurgence of Protectionism and Trade Wars

- Major economies, particularly the U.S. and China, have imposed tariffs and sanctions in violation of WTO norms like the Most Favoured Nation (MFN) principle and National Treatment obligations.



- Export restrictions and sanctions regimes reflect a growing disregard for multilateralism, fragmenting the global trading system.

3. Stalled Negotiations and Doha Round Fatigue

- The Doha Development Agenda, launched in 2001 to address the concerns of developing nations, has remained stalled for over two decades.
- Core issues like agricultural subsidy reforms, fisheries subsidy disciplines, and a permanent solution for public stockholding remain unresolved.
- The lack of progress has disillusioned many developing countries about the WTO's ability to deliver equitable outcomes.

4. Inability to Address Emerging Trade Domains

- WTO rules remain outdated regarding modern trade challenges such as e-commerce, cross-border data flows, digital services taxation, green subsidies, and carbon border adjustments.
- As a result, many nations are forming separate agreements on digital economy and environmental goods, bypassing the WTO framework.

5. Marginalization of the Global South

- Developing countries argue that their developmental priorities are sidelined at the WTO.
- Special and Differential Treatment (S&DT) provisions, which offer flexibility to poorer nations, are increasingly under threat from developed country proposals.
- Agenda-setting and negotiation priorities often reflect the interests of advanced economies, creating a sense of exclusion among the Global South.

India's Position and Concerns

1. Support for Multilateralism

- India strongly supports a multilateral, rules-based trading system but insists that it must respect the policy space needed for development.

2. Opposition to Premature Liberalization

- India has resisted binding commitments in areas like e-commerce rules, investment facilitation, and the continuation of the moratorium on customs duties for electronic transmissions.
- India emphasizes caution to protect domestic industries and preserve regulatory autonomy.

3. Protection of Agricultural Interests



- India is a vocal advocate for safeguarding its Public Stockholding Program, vital for food security and farmer welfare.
- It demands a permanent solution at the WTO, rather than relying on temporary "peace clauses" that provide limited protection.

4. Demands for WTO Reform

- India pushes for democratizing the WTO's functioning by giving developing countries a stronger voice in negotiations and agenda-setting.
- Calls for reforming S&DT provisions to ensure they are not diluted under pressure from developed nations.

Implications for the Global Trade Order

1. Risk of WTO Becoming Redundant

- If the dispute settlement system remains paralyzed, trade rules become unenforceable, and the WTO's institutional authority further diminishes.

2. Rise of Regional and Plurilateral Trade Blocs

- Free Trade Agreements (FTAs) like the Regional Comprehensive Economic Partnership (RCEP) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) are increasingly bypassing the WTO.
- Digital economy agreements and climate-related trade blocs threaten to fragment global trade governance.

3. Loss of Equity and Development Focus

- Without WTO's balancing role, developing countries risk facing unfair and asymmetric trade practices.
- Critical issues like climate justice, intellectual property (IP) waivers for medicines, and equitable market access for poorer nations may remain unresolved.

Way Forward: Making WTO Relevant Again

1. Revive the Dispute Settlement Mechanism

- Immediate consensus is needed among members to fill Appellate Body vacancies and restore the DSM's credibility.
- Procedural reforms should be introduced to improve efficiency and transparency in dispute resolution.

2. Modernize the Negotiation Agenda



- WTO must include contemporary trade issues such as digital trade, artificial intelligence (AI) governance, green goods, carbon border taxes, and climate-linked trade measures.

3. Protect and Reform S&DT Clauses

- Special and Differential Treatment must be preserved, allowing developing countries the policy space to pursue their development goals.
- Innovative models like "graduated obligations" (differentiated commitments based on development status) could be explored.

4. Enhance Inclusivity and Transparency

- Smaller economies must be empowered to participate meaningfully in agenda-setting and rule-making processes.
- Technical assistance and capacity-building for Least Developed Countries (LDCs) and low-income nations should be strengthened.

5. Leverage India's Leadership Role in the Global South

- India can use platforms like G20, BRICS, and WTO coalitions (such as G33 and G90) to lead initiatives for reforming the WTO towards a more development-oriented framework.
- India's leadership could help realign WTO's priorities with the needs of the majority of the global population.

Source: <https://www.thehindu.com/opinion/op-ed/is-the-world-trade-organization-still-relevant/article69488005.ece#:~:text=The%20difference%20between%20the%201930s,in%20need%20of%20massive%20reforms.>