



## Challenges Faced By The WTO

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This article is based on **“The many challenges for WTO”** which was published in The Hindu on 17/12/2020. It talks about the issues related to the World Trade Organisation (WTO) in present times.

The **World Trade Organization (WTO)** has been the cornerstone of the multilateral rules-based global trading system since its inception in 1995.

However, even before the **Covid-19 pandemic**, all three of the organization’s functions – providing a negotiation forum to liberalize trade and establish new rules, monitoring trade policies, and resolving disputes between its 164 members are facing challenges.

Moreover, with trade tensions increasingly politicized and Covid-19 creating huge economic challenges, a modernized and fully functioning WTO is more essential than ever.

### Issues Related to WTO

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- **China’s State Capitalism:** The nature of China’s economic system, combined with the size and growth of its economy, has created tensions in the global trading system.
  - China’s state-owned enterprises present a major challenge to the free-market global trading system.
  - However, a critical part of the problem is that the rulebook of the WTO is inadequate for addressing the challenges that China presents in respect of intellectual property, state-owned enterprises and industrial subsidies.
  - It is due to this **US-China are engaged in Trade war.**
- **Institutional Issues:** The **Appellate Body’s operations** have effectively been suspended since December 2019, as the US’s blocking of appointments has left the body without a quorum of adjudicators needed to hear appeals.

The crisis with the dispute settlement function of the WTO is closely linked to the breakdown in its negotiation function.

- **Lack of Transparency:** There is a problem in WTO negotiations as there is no agreed definition of what constitutes a developed or developing country at the WTO.
  - Members can currently self-designate as developing countries to receive ‘special and differential treatment’ – a practice that is the subject of much contention.
- **E-commerce & Digital Trade:** While the global trade landscape has changed significantly over the past 25 years, WTO rules have not kept pace.
  - In 1998, realizing that **e-commerce** would play a growing role in the global economy, WTO members established a WTO e-commerce moratorium to examine all trade-related issues relating to global electronic commerce.
  - Recently, however, the moratorium has been called into question by developing countries because of its implications for collecting revenue.
  - Moreover, as the Covid-19 pandemic accelerates the shift to e-commerce, rules to regulate online trade will be more important than ever. But in contrast to trade in goods and services, few international rules govern cross-border e-commerce.
- **Agriculture and Development:** The WTO **Agreement on Agriculture**, which came into force in 1995, was an important milestone.
  - Agreement on Agriculture targets reform of subsidies and high trade barriers, which distort agricultural trade.
  - However, agreement on agriculture is facing issues due to food security and development requirements for developing countries like India.

## Way Forward

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- **New Set of Rules:** Modernizing the WTO will necessitate the development of a new set of rules for dealing with digital trade and e-commerce.
  - WTO members will also have to deal more effectively with China’s trade policies and practices, including how to better handle state-owned enterprises and industrial subsidies.
- **Environmental Sustainability:** Given the pressing issues around climate change, increased efforts to align trade and environmental sustainability could help to both tackle climate change and reinvigorate the WTO.
  - Trade and the WTO have key roles to play in efforts to achieve the UN **Sustainable Development Goals (SDGs)** and the **Paris Agreement climate goals**.
  - Also, the WTO can play a role in reforming fossil fuel subsidies.
  - For example, at the Buenos Aires Ministerial Conference in 2017, a coalition of 12 WTO members led by New Zealand called on the WTO ‘to achieve ambitious and effective disciplines on inefficient fossil fuel subsidies that encourage wasteful consumption’.

## Conclusion

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In future, WTO members will have to strike a balance between moving forward with negotiations on 21<sup>st</sup>-century issues and keeping sight of the unresolved 'old trade issues' such as agriculture and development.

***Drishti Mains Question***

In order to stay relevant, World Trade Organization (WTO) members should engage in negotiations on 21<sup>st</sup>-century issues and keep sight of the unresolved old trade issues. Comment.



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<https://youtu.be/rQKN7u4SFrk>

This editorial is based on **“Keep a close watch on inflation figures”** which was published in The Hindustan Times on December 15<sup>th</sup>, 2020. Now watch this on our Youtube channel.