



Challenges Faced By The WTO

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

- **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

- **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

In future, WTO members will have to strike a balance between moving forward with negotiations on 21st-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 21st-century issues and keep sight of the unresolved old trade issues. Comment.

This editorial is based on ["Keep a close watch on inflation figures"](#) which was published in The Hindustan Times on December 15th, 2020. Now watch this on our Youtube channel.

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