



## WTO and the Future of Multilateral Trade

**For Prelims:** [World Trade Organization](#), [Free trade agreement](#), [General Agreement on Tariffs and Trade](#), [Special and Differential Treatment](#)

**For Mains:** Role and challenges of WTO in global trade governance, Multilateralism vs. protectionism in the 21st century

[Source:FE](#)

### Why in News?

The escalation of unilateral tariff measures by the US has renewed global discussions on the efficacy and future of the [World Trade Organization \(WTO\)](#), raising concerns over the diminishing role of the [multilateral trading system](#) in addressing trade disputes and ensuring fair competition.

### What Role does the WTO Play in Shaping Global Trade Dynamics?

- **About:** Established in 1995 under the **Marrakesh Agreement (1994)**, following the **Uruguay Round of negotiations (1986-94)**. It succeeded the GATT.
  - Headquartered in **Geneva, Switzerland**.
  - It covers trade in goods, services, and intellectual property (vs. GATT's focus on goods).
  - It has 166 members( representing 98% of world trade). India has been a WTO member since January 1995 and a member of GATT since July 1948.
  - Key agreements of the WTO are [TRIMS \(Trade-Related Investment Measures\)](#), [TRIPS \(Trade-Related Aspects of Intellectual Property Rights\)](#), and [AoA \(Agreement on Agriculture\)](#).
- **Role:**
  - **Rule-Making & Negotiation Platform:** Provides a multilateral forum to negotiate trade agreements (e.g., **Trade Facilitation Agreement 2013**)
  - **Trade Liberalization & Predictability:** Calls for reducing tariffs/barriers, promotes [Most-Favored-Nation principle](#), and builds a stable, rules-based global trading environment.
  - **Transparency & Monitoring:** Ensures accountability through **Trade Policy Reviews** and mandatory notifications of subsidies, tariffs, and regulations.
  - **Capacity Building & Technical Assistance:** Supports weaker economies in integrating into global trade (e.g., **WTO Aid-for-Trade initiative**, capacity programs for Least Developed Countries).
  - **Balancing Trade & Development Goals:** Attempts to align trade with sustainable development, food security, and climate goals (e.g., **fisheries subsidies linked to SDG 14**).
  - **Preventing Protectionism & Promoting Cooperation:** Acts as a global trade referee, especially during crises (e.g., during Covid-19, WTO monitored export restrictions on medical supplies).

# What Factors are Limiting the WTO's Effectiveness in Fostering Multilateral Trade?

- **Dispute Settlement Paralysis:** The [WTO's Appellate Body](#) has been non-functional since 2019, undermining credibility of the **multilateral dispute settlement system** and encouraging "appeals into the void."
  - The US has been blocking the appointment of new judges since 2017 on grounds of judicial activism.
- **Negotiation Deadlock:** The [Doha Development Round \(2001\)](#), aimed at fairer trade for developing nations, collapsed over agriculture, subsidies, and market access, exposing deep [North-South divide](#) in multilateral trade negotiations.
- **Rise of Regional Trade:** Proliferation of [Free Trade Agreements \(FTAs\)](#), bilateral **pacts**, and **regional blocs (EU, ASEAN)** weakens the WTO's **multilateral vision** by fragmenting global trade into smaller preferential arrangements.
- **Rise of Protectionism:** Increasing use of **General Agreement on Tariffs and Trade (GATT) Article XXI (security exception)** to impose unilateral tariffs, as in the US-China trade war, erodes faith in **multilateral trade rules**.
  - US-China tensions, Russia-Ukraine conflict, and mega regional trade deals ([Regional Comprehensive Economic Partnership](#)) further marginalise the WTO, threatening its role as the central pillar of **multilateralism in trade**.
- **Gaps in Addressing Evolving Trade Dimensions:** WTO struggles to address new issues like **digital trade, e-commerce, climate-linked trade barriers**, and green technologies, making it less relevant in today's **multilateral trade governance**.
  - For example, a **1998 moratorium on customs duties on e-commerce**, while continually extended, remains a temporary measure, with no permanent rules agreed upon.
- **Development Disparities and the Self-Designation Problem:** The **WTO's Special and Differential Treatment (S&DT)** allows developing nations trade flexibility, but the **absence of a clear definition of "developing country"** lets advanced economies like China self-designate and claim such benefits, causing disputes.

## What Reforms are Crucial for Strengthening the WTO's Role in an Evolving Trade Landscape?

- **Revitalize Rule-Based Dispute Resolution:** Revive the Appellate Body by addressing US concerns, setting strict timelines, and respecting domestic policy space.
- **Rebuilding Trust through Transparency:** Enhance the **Trade Policy Review Mechanism (TPRM) of WTO** to analyze spillover effects of national policies.
  - Encourage members to share data and undertake joint assessments to build a common understanding of impacts.
- **Partnership with Other Institutions:** Strengthen cooperation with **IMF, World Bank, UNCTAD**, and climate bodies to integrate trade with finance, development, and sustainability goals.
- **Institutionalize Reform Mechanisms:** Create a **permanent WTO Reform Council** with rotating leadership, ensuring reform momentum is sustained beyond individual ministerial meetings.
- **Towards Equitable Globalization:** WTO must evolve into a guardian of equitable globalization with rules on **digital trade, cross-border data, industrial policy, and green subsidies**.

## What Role can India Play in Strengthening Multilateral Trade Governance?

- **Champion of the Global South:** India can act as a voice for developing and least-developed countries in WTO negotiations, ensuring their concerns on food security, subsidies, and fair market access are addressed.
- **Balancing Between Protectionism and Liberalization:** India can advocate for **calibrated liberalization** that respects developmental needs while resisting unilateral tariff hikes and

protectionist tendencies of major economies.

- **Promoter of Sustainable and Inclusive Trade:** India can call to link trade with SDGs by advocating **climate-just frameworks**, resisting green protectionism (like EU CBAM), and showcasing India's Mission LiFE and renewable energy models.
- **Showcasing as a Model Economy:** With its growing manufacturing capacity ([PLI schemes](#)), digital economy ([UPI](#)), and services sector strength, India can project itself as an example of balancing development with global integration.

## What is Multilateralism?

- **About:** Multilateralism is a system of international cooperation where three or more states (or actors) work together on common issues, guided by shared rules, norms, and institutions.
- **Key Features:**
  - **Rule-Based Order:** Agreements and institutions create predictable frameworks (e.g., WTO rules).
  - **Inclusivity:** Brings together developed, developing, and least-developed countries.
  - **Shared Responsibility:** Burden-sharing in solving global issues (climate change, pandemics, terrorism).
  - **Global Public Goods:** Ensures cooperation on issues that transcend borders (oceans, cyberspace, environment).
- **Examples of Multilateralism:**
  - **Political & Security:** [United Nations \(UN\)](#).
  - **Economic:** WTO, [International Monetary Fund \(IMF\)](#), and [World Bank](#).
  - **Climate & Environment:** [Paris Agreement](#).
- **Importance:** It prevents chaos in global systems like air travel, shipping, communication, and trade by setting common standards.

## Conclusion

**Multilateral trade frameworks remain the cornerstone of global economic stability** by fostering cooperation, predictability, and equitable growth among nations. In this context, the WTO remains irreplaceable as the strongest platform for **rules-based global trade**. With timely reforms and renewed cooperation, it can evolve to **meet new-age trade realities** and reassert itself as the **anchor of multilateralism**.

### **Drishti Mains Question:**

Multilateralism in trade is increasingly being challenged in light of the declining role of the World Trade Organization. Suggest measures to revive multilateralism in global trade.

## UPSC Civil Services Examination, Previous Year Questions (PYQs)

### **Prelims:**

**Q1. The terms 'Agreement on Agriculture', 'Agreement on the Application of Sanitary and Phytosanitary Measures' and 'Peace Clause' appear in the news frequently in the context of the affairs of the (2015)**

- (a) Food and Agriculture Organization
- (b) United Nations Framework Conference on Climate Change
- (c) World Trade Organization

**(d)** United Nations Environment Programme

**Ans: C**

**Q2. In the context of which of the following do you sometimes find the terms 'amber box, blue box and green box' in the news? (2016)**

**(a)** WTO affairs

**(b)** SAARC affairs

**(c)** UNFCCC affairs

**(d)** India-EU negotiations on FTA

**Ans: A**

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**Mains:**

**Q1.** What are the key areas of reform if the WTO has to survive in the present context of 'Trade War', especially keeping in mind the interest of India? **(2018)**

**Q2.** "The broader aims and objectives of the WTO are to manage and promote international trade in the era of globalisation. But the Doha round of negotiations seem doomed due to differences between the developed and the developing countries." Discuss in the Indian perspective. **(2016)**

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