

WTO Amidst Trade War

What is the issue?

\n\n

\n

- Countries are increasingly announcing new trade sanctions and imposing tariffs and retaliatory tariffs on imports.

\n

- The looming trade war raises serious concerns on the very role of the World Trade Organisation (WTO).

\n

\n\n

What are the recent developments?

\n\n

\n

- China, India and others have already filed complaints against the US in WTO.

\n

- This is in regards to imposing high [tariffs on steel and aluminium](#) imports, citing national security as the reason.

\n

- Adjudication starts after a mandatory 60-day waiting period.

\n

- Meanwhile, US President Trump describes WTO as a “catastrophe” and threatens to pull US out of it.

\n

- At present, WTO rules may prevent the break-out of a full-fledged trade war.

\n

\n\n

What are the concerns?

\n\n

\n

- Despite the rules in place, the risks remain, and WTO’s limitations are showing.

\n

- **Relevance** - WTO was unable to bring successful closure to the Doha Round of multilateral trade negotiations.
\n
- Most of the action in recent years has been outside the WTO's multilateral framework.
\n
- They had taken the form of bilateral or plurilateral discussions and agreements.
\n
- **Disputes** - WTO's appellate body for disputes may soon become non-operational.
\n
- It has 7 members, but 3 seats are vacant because the US has blocked fresh appointments.
\n
- Given this deterioration, WTO's function of dispute settlement is uncertain and less encouraging.
\n
- **Delay** - In any case, dispute settlement takes years to do.
\n
- By this time, non-compliant tariffs and retaliatory action prevail.
\n
- E.g. China has been imposing tariffs knowing well it would eventually be ruled out of court after a couple of years.
\n
- Nevertheless, it gains from the tariffs in the interim.
\n
- **Violation** - A country that files a successful trade complaint only earns the right to impose penal tariffs on the offending country.
\n
- The whole idea of dispute settlement seems baseless, given the fact that retaliatory tariffs are already being imposed.
\n
- Meanwhile, the US has imposed unilateral trade and other sanctions on countries like Russia, North Korea and Iran.
\n
- India's difficulty to buy oil from Iran, or missiles from Russia is continuing.
\n
- **Role** - WTO is supposed to set the rules for trade and deal with trade disputes.
\n
- But WTO cannot act on its own even in reacting to unfair trade practices.
\n
- It has to wait for member-nations to take the initiative.
\n

- The recent unwelcome developments call for a reform of WTO.

\n

\n\n

\n\n

Source: Business Standard

\n

