



Mains Practice Question

Q. Assess the successes and limitations of the 13th Ministerial Conference of the World Trade Organization (WTO). Recommend reform strategies for the WTO to maintain its significance amid changing global dynamics. (250 words)

12 Mar, 2024 GS Paper 2 International Relations

Approach

- Start the answer with a brief introduction to the 13th Ministerial Conference of the World Trade Organization (WTO).
- Discuss the successes and limitations of the 13th Ministerial Conference of the World Trade Organization (WTO).
- Recommend Strategies for the WTO to maintain its significance amid changing global dynamics.
- Conclude suitably.

Introduction

Recently, the 13th Ministerial Conference (MC13) of the **World Trade Organization** took place in Abu Dhabi, UAE. Ministers from diverse levels of development and varying geopolitical perspectives convened to address a wide array of crucial subjects, including but not limited to food security, e-commerce, fisheries subsidies, WTO reform, domestic regulations of services, and investment facilitation.

Body

The Key Successes of WTO's 13th Ministerial Conference:

- **Accessions:**
 - MC13 endorsed **the accession to the WTO of two least-developed countries—Comoros and Timor-Leste**. This brings the organisation's Membership to 166, representing 98% of world trade.
- **Reform of the Deliberative and Negotiating Functions:**
 - At MC13, ministers welcomed the work already undertaken to:
 - Improve the functioning of WTO Councils, Committees, and Negotiating Groups,
 - Enhance the organisation's efficiency and effectiveness, and
 - Facilitate Members' participation in WTO work.
 - They instructed officials to continue their "**reform by doing**" process and to report progress to the 14th Ministerial Conference (MC14).
 - At MC13, ministers renewed their commitment to achieve **a fully functional dispute settlement system** accessible to all Members by 2024.
- **E-Commerce:**
 - At MC13, ministers decided to renew the e-commerce moratorium until MC14 or 31 March 2026, whichever is earlier.
- **TRIPS Non-Violation and Situation Complaints:**
 - In a decision that has often been linked to the e-commerce moratorium, ministers also decided to extend a moratorium on so-called "**non-violation**" and "**situation**" **complaints** under the **TRIPS Agreement**.

- **Special and Differential Treatment:**
 - Ministers adopted a decision to improve the use of **special and differential treatment (S&DT) provisions**, in particular those in the Agreement on Technical Barriers to Trade and the Agreement on **Sanitary and Phytosanitary Measures**.
- **Plurilateral Agreements and Initiatives:**
 - **WTO Plurilateral initiatives** are discussions at the WTO in which only a subset of Members are participating. They can aim to create new rules, secure mutual liberalisation of tariffs, create a new process or launch a conversation.
 - At MC13, several such plurilateral initiatives reached agreements or reported on the results of their work in important areas.
 - An important plurilateral initiative concerns **Investment Facilitation for Development (IFD)**.
- **Domestic Regulation of Services:**
 - A commercially significant outcome of MC13 was the agreement reached on implementing new disciplines for domestic regulation of services, integrating them into the WTO framework.
 - These disciplines are designed to facilitate trade in services by streamlining and simplifying regulatory procedures.
- **Sustainability-Related Initiatives:**
 - Members have also come together in different groupings to work on a series of sustainability-related initiatives.
 - **The Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade**, an initiative comprising 78 Members, identified trade and trade-related measures and policies to reduce plastics pollution.
 - Finally, 48 Members reported on progress toward **Fossil Fuel Subsidy Reform**.
- **Fisheries Subsidies:**
 - At MC12, members concluded an **Agreement on Fisheries Subsidies (AFS)** which prohibits the granting or maintaining of subsidies to entities involved in **illegal, unreported, and unregulated (IUU) fishing** or the fishing of overfished stocks.
 - At MC13, ministers welcomed the progress over the past 20 months towards the AFS's entry into force. As of 1 March 2024, 71 Members have ratified the agreement.

The Challenges currently undermining the WTO's effectiveness:

- **Erosion of Multilateralism:**
 - There has been a noticeable erosion of multilateralism in recent years, with **increasing trade disputes** and the **rise of unilateral trade actions**.
 - This trend undermines the effectiveness of the WTO as a forum for resolving trade conflicts and negotiating trade agreements.
 - The MC13 also failed to make progress on key issues like fisheries subsidies, reflecting serious divisions among 166 member countries.
- **Protectionism and Trade Wars:**
 - The proliferation of tariffs, quotas, and other trade barriers undermines the principles of free trade and poses a threat to the rules-based trading system.
 - For instance, the **trade dispute between the US and China** has strained the multilateral trading system and challenged the WTO's ability to mediate and resolve such conflicts.
- **Dispute Settlement Mechanism Crisis:**
 - The WTO's dispute settlement mechanism, often regarded as the crown jewel of the organisation, has faced a crisis in recent years.
 - The Appellate Body, responsible for adjudicating trade disputes, has been **rendered dysfunctional due to the US' blocking of new appointments** to the body.
 - The absence of a functioning dispute settlement mechanism erodes confidence in the multilateral trading system and encourages unilateralism.
- **Development Divide and Special and Differential Treatment:**
 - Despite the principle of **Special and Differential Treatment (S&D)** aimed at providing flexibility and support to developing nations, disparities persist in their capacity to participate effectively in trade negotiations and implement trade-related reforms.
 - **Least-developed countries (LDCs)** often lack the resources and technical assistance needed to capitalise on trade opportunities, perpetuating their marginalisation in the global

economy.

▪ **Digital Trade and E-commerce:**

- The rapid growth of digital trade and e-commerce presents both opportunities and challenges for the WTO. While digital technologies have the potential to enhance trade efficiency and facilitate economic growth, they also raise new **regulatory and policy issues that fall outside the scope of traditional trade agreements**.
- The WTO faces the challenge of adapting its rules and agreements to accommodate the evolving nature of digital trade while ensuring a level playing field for all member countries.

▪ **Environmental and Sustainability Concerns:**

- The WTO faces **growing pressure to incorporate environmental and sustainability considerations** into its trade rules and agreements. Climate change, biodiversity loss, and other environmental challenges have significant implications for global trade patterns and practices.
- **Balancing environmental objectives with trade liberalisation** goals requires innovative approaches and cooperation among WTO members to develop rules that promote both economic growth and environmental sustainability.

▪ **Public Health and Access to Medicines:**

- The Covid-19 pandemic has highlighted the importance of public health considerations in trade policy. **Access to affordable medicines and medical supplies has become a critical issue**, particularly for developing countries facing challenges in procuring essential healthcare products.
- The WTO faces the **challenge of reconciling intellectual property rights** with the need to ensure access to medicines for all, particularly during public health emergencies.

▪ **Agriculture and Food Security;**

- Although updating WTO disciplines on agriculture has been on the agenda of Members since 2000, little progress has been made. At MC13, members failed again to reach a consensus on the scope, balance, and timeline of agriculture negotiations.
- This failure resulted, in particular, from broad disagreement over the issue of “**public stockholding for food security purposes**”

Necessary Reforms in the World Trade Organization (WTO) :

▪ **Revitalising Dispute Settlement Mechanism:**

- Restoring the functionality of the Appellate Body is crucial to ensuring the timely and effective resolution of trade disputes.
- Immediate action is needed to address the deadlock in appointing new members to the Appellate Body and to uphold the integrity of the WTO's dispute settlement mechanism.

▪ **Suitable Provision For Punishment:**

- If a country has done something wrong, it should swiftly correct its faults. And if it continues to break an agreement, it should offer compensation or face a suitable response that has some remedy — although this is not actually a punishment: it's a “remedy”, the ultimate goal being for the country to comply with the ruling.
- Such countries can be mandated to submit mandatorily a particular amount to the **Green Climate Fund** if found on the wrong side.

▪ **Updating Trade Rules to Reflect Modern Realities:**

- The WTO's rules and agreements need to be updated to address emerging issues such as digital trade, e-commerce, and environmental sustainability.
- Immediate reforms should focus on modernising trade rules to accommodate new technologies, promote sustainable development, and facilitate inclusive economic growth.

▪ **Strengthening S&D Provisions:**

- Enhancing the effectiveness of S&D provisions is essential to support the development objectives of developing and least developed countries (LDCs).
- Immediate reforms should aim to make S&D provisions more operational and responsive to the specific needs and challenges faced by developing countries, particularly in areas such as agriculture, IPRs, and services trade.

▪ **Addressing Trade Distortions and Subsidies:**

- Urgent action is needed to address trade-distorting practices, including subsidies that distort market competition and undermine fair trade.

- Reforms should focus on strengthening disciplines on subsidies and other forms of government support to ensure a level playing field for all WTO members.
- **Promoting Inclusive Decision-Making:**
 - Ensuring inclusive decision-making processes within the WTO is essential to strengthen its legitimacy and effectiveness.
 - Immediate reforms should focus on promoting greater participation and representation of all member countries, including developing and LDCs, in WTO negotiations, committees, and decision-making bodies.

Conclusion

The World Trade Organization (WTO) must undertake visionary reforms to sustain its legitimacy and central role in the rapidly evolving global economy. This entails prioritising inclusivity to ensure the voices of all member countries are heard, adapting swiftly to emerging challenges and opportunities through modernisation and innovation, and upholding transparency and accountability to build trust among stakeholders.

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