

The Role of WTO in Trade war

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1- Abstract

The WTO deals with regulation of trade in goods, services and intellectual property between participating countries by providing a frame work for negotiating trade agreement and a dispute resolution process aimed at enforcing participants adherence to WTO agreements, which are signed by representative of member governments are ratified by their parliaments.

The recent spat and open trade war between the US and china with several other heavyweights stepping in to the fray, has indeed been” interesting’ Rather than judging wither either or both players are right or wrong, or assessing whether the tariff increases are breach of international commitments at the world Trade organization (WTO), the one specific aspect of the topic, I focus on here is the inherent design flow in enforcing global trade rules within the WTO.

Key words- penetrated, global, blogs, challenges, ignored.



2- Introduction

The world Trade organization (WTO) is the only global international organization dealing with the rules of trade between nation. At its heart are the WTO agreements, negotiated and signed by the bulk of the world’s trading nations and ratified in their parliaments. The goal is to ensure that trade flows as smoothly, predictably and freely as possible.

The world trade organization (WTO) might be the first victim of trade war between china, the united state, and the European Union. Today, each is flagrant violation as the protector of a rules-based trading system is in serious doubt.

US President Donald Trump initiated the trade war in march 2018 when he announced the imposition of a 25 percent tariff on steel imports and 10 percent tariff on Aluminum imports from most countries. In may he expanded the duty to included imports from Canada, Mexico and the EU. in

a move that surprised few, China reacted by imposing tariff of own on a equivalent volume of steel and Aluminum imports from the united states. Chanda, Mexico and the ED eventually joined China in retaliating too. As legal cover for its decision, the United state invoked a rarely used WTO clause that allows member to suspend some trade concession on national security grounds. Trumps Tariff undoubtedly violated the spirit of the clause-it is hard to see how steel and Aluminum imports that mostly come from friendly nations endanger US national security. But WTO scholars agree that Trump did not violate the letter of the law, which means that he will probably get a pass. Even so, several WTO members, including Canada, China, Mexico Norway, Russia, Turkey and the EU, have requested that the organization establish a dispute pane to review the United States' new trade barriers, Washington's defense has been quite clear. According to the national security clause, WTO cannot prevent only contraction, party from taking any action which it consider necessary for the protection of its essential security interest. WTO rules require that whenever one member country believes that another has violated its trading right, It must brings the matter to the WTO dispute settlements body. Only this body can authorize retaliation, since these countries acted wholly unilaterally in retaliating to trump's gambit, there is no question that they broke the rules. Unsurprisingly, the united states has already formally asked WTO for a review.



3 - Objectives of study-

- 1- Is the world Trade organization (WTO) most powerful legislative and judicial body in the world?
- 2- Is the world Trade organization (WTO) in trouble?
- 3- Can any member of Trade organization (WTO) impose heavy tariffs on others members taking ground of national security?

4 - Methodology-

The data turned in to amassed from excellent web sites, information papers, Journals and research papers and is secondary, for the purpose of gathering the latest information on the topic internet sources were also glanced.

5- Literature Review-

The birth of the world Trade organization (WTO) market the end of an era in which international trade was governed by the 1947 General Agreement on Tariff and Trade (GATT 1947). with the refusal of the united states congress to ratify the charter of the international Trade organization (Havana Charter) GATT 1947 was the only means left for the regulation of international trade relations. It was originally conceived as a provisional multilateral agreement for tariff reduction without any reference to a specific institutional umbrella, In spite of its many shortcomings. GATT 1947 gradually evolved into a de facto international organization which helped establish a strong and prosperous multilateral trading system through many rounds of trade negotiations. Although GATT 1947 is now reduced to its original status as a multilateral agreement, its history of decisions, procedures and customary practices still form as element for the interpretation and understanding of The WTO and its provisions. The world trade organization is the only global international organization dealing with the rules of Trade between nations. at its heart are the WTO agreement negotiated and signed by the bulk of the world's Trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters and importers conduct their business. The world trade organization is a central player in international trade regulation. The rights and duties that form WTO law are not created in a vacuum, however, and there exists a complex network of domestic, regional and international influences on the developments of WTO law that go beyond the disciplines found in the covered agreements or the interpretations given by panels and the appellate body, As such understanding the development of WTO law in a wider institutional context is critical to comprehending WTO law in a new age of legal globalization.

More worrying are Washington's actions before the WTO which can affect the efficiency and capacity of its robust Dispute settlement mechanism. This could undermine the relevance of the WTO as an organization, and diminish the stability of the entire multilateral trading system.

In early 2018, the US introduced tariff on imports of steel, aluminum and various Chinese goods. The objective of this move was to protect America's "national security" and to sanction China's Unfair trade practices". India and other countries, including longtime US allies like Canada and the EU, were also not spared from the increased steel and aluminum tariffs. In response to these unjustifiable measures, affected countries quickly hit back with retaliatory tariffs against American goods This tit-for-tat isolation in trade measures has now culminated in to the well know "Trade War".

The Cumulative impact of increased tariff on global trade and economy is difficult to quantify However, it can have a debilitating impact on nation on economies by increasing costs for domestic consumer industries and companies and by adversely affecting exporting entities .Aggrieved by these measures, complaints have been filled before the WTO stating that US' action are inconsistent with established trade rules and obligations. the US' in response, has filed complaints against retaliatory

tariffs imposed against its on products. Presently, the WTO has many as 17 pending cases in relation to these measures.

The US has imposed tariffs on steel and aluminum imports (25% and 10% respectively) from all countries except Brazil Argentina, Australia and Korea. This action was based on the recommendation of a government report under section 232 of trade Expansion Act (1962), which suggested the use of increased tariffs to protect America's "national security". The report argues that cheap and increased imports could weaken US industries and economy, and thereby shrink its ability to meet national security production requirements in emergency. Taking measures to protect "essential security interest" is a recognized exception to WTO obligation under the General agreement on Tariffs and Trade) GATT). However the GATT does not define the term, thereby allowing each country to be the sole judge of the scope, meaning and extent of national security interests. How-ever, given the wide definition of national security and the self judging nature of the provision, it remains to be seen whether the WTO will utilize this opportunity to suitable interpret this provision and prohibit the use of disguised protectionist measures.

Concerns regarding china's unfair trade practices, such as intellectual property theft and technology transfers are shared among most countries. None the less they all agree that the appropriate means for enforcing any action against china should be through the WTO and not otherwise .

WTO(world trade organization)

Location	-	Geneva, Switzerland
Established	-	1January 1995
Created by	-	Uruguay Round negotiations (1986-94)
Membership	-	164 member representing 98%of the world trade
Budget	-	197 million swiss francs for 2018

FUNCTION:

- **Administering WTO trade Agreements**
- **Forum for trade negotiations**
- **Handling trade disputes**
- **Monitoring national trade policies**
- **Technical assistance and training for developing countries**
- **Cooperation with other international organizations**

6- WTO Membership benefits

There are 164 member of the world trade organization .that is 81% of the202 countries in the world .they joined to enjoy the benefits of greater of greater international trade conferred by the WTO.

- 1- The WTO helps trade throughout the world flows smoothly through its trade agreements. Members of the WTO know what the rules are. They understand the penalties for breaking the rules. They know how to play the global trade game. As such, its creates a safer trading arena for everyone.
- 2- The WTO also provides its members with a fair method to resolve trade disputes. They do not have to resort to violence or war. How the WTO resolves trade disputes is important. It prevents trade protectionism, a practice that retards economic growth. The WTO negotiates improved trade arrangements the WTO negotiates improved trade arrangements among its members.
- 3- Membership also lowers the cost of doing business by removing volatility. These general benefits extended to all membes.

Three specific benefits:

- First, the WTO grants each member MOST favored Nation Status. Which means that WTO members must treat each other the same. They give no prudential rade benefit to any one member without giving it to all.
- Second, WTO members have lower trade barriers with each other. That includes tariffs, import quotas, and regulatios.
- Third, around two-thirds of WTO members are developing countries. Their membership gives them immediate access to developed markets at the lower tariffs rate.

7- The Role of WTO in present scenario-

The world trade organization (WTO) is the most powerful legislative and judicial body in the world. By promoting the free trade agenda of multinational corporations above the interests of local communities, working families and the environment, the WTO has systematically undermined democracy around the world. Unlike United nation treaties the international labour organization conventions or multilateral environmental agreements, WTO rules can be enforced through sanctions.

A - Success-

- 1- The WTO has not only enchained the value and quality of trade but has also helped in eradicated trade and non trade barriers.

- 2- It has emerged as greater institution that GATT and further helped in settlement of disputes and improved monitoring by introducing the Trade policy review and the world trade report.
- 3- WTO also encouraged sustainable trade developments.
- 4- The fact that there is a single set of rules applying to all members greatly simplifies the entire trade regime.
- 5- WTO members are now reducing the subsidies and the trade barriers which give consumers more choices, and a broader range of qualities to choose from.
- 6- The system shields governments from narrow interests the GATT-WTO system which evolved in the second half of the 20th century helps governments take a more balanced view of trade policy.
- 7- The WTO has been so successful that numerous groups have petitioned to use the WTO to enforce a range of nontrade rules affecting labour, the environment and competition policy.
- 8- The WTO is the world's only international organization that supervises 95% of the world's global trade.
- 9- Provide WTO members to safeguard the interests of developing countries against antidumping.
- 10- The least developed countries receive extra attention in the WTO.
- 11- MFN Treatment: Non discrimination between countries- the most favoured nation principle is one of the most fundamental principles of the WTO.

B- Failures-

- 1- The foremost failure of WTO is its failure to uphold the principle of democracy WTO is fundamentally undemocratic.
- 2- The WTO tramples labour and human Rights, its rules put the "rights" of corporation to profit over human and labour rights.
- 3- WTO is seeking to privatize essential public services such as education, healthcare, energy and water.
- 4- The WTO is also destroying the environment to a great extent. The organization is being used by corporations to dismantle national environmental protections, which are attacked as "**barriers to trade**".
- 5- The WTO's fierce defense of Trade Related Intellectual property rights (**TRIPS**).
 - patents, copyrights and Trademarks- comes at the expense of health and human lives.
- 6- Free trade is not working for the majority of the world. During the most recent period of rapid growth in global trade and investment inequality and within countries.

- 7- In developing countries, as many as four out of every five people make their living from the land. WTO policies have allowed dumping of heavily subsidized industrially produced food in to poor countries, undermining local production and increasing hunger.
- 8- WTO supposedly operates on a consensus basis, with equal decision- making power for all enrolment of poor countries is less in the decision making process and they have less bargaining power.
- 9- The WTO's Most Favored National" provision requires all WTO member countries to treat each other equally and to treat all corporations from these countries equally regard less or their track record.
- 10- WTO tekes too long to arbitrate and settle disputes -it can teke over **five years** from the initial receipt of a complaint from one member to the final panel ruling.
- 11- For over 30 years , developed countries ignored GATT principles and restricted developing - country exports of textiles and clothing WTO rules on dumping safeguards and subsidies have been misused liberalization of trade in services have achieved little so for

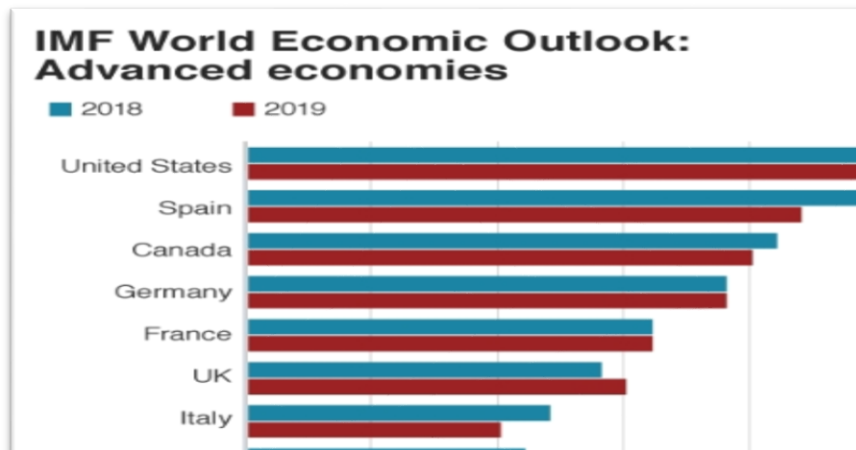
8- **Global Impact**

Global merchandise growth is expected to slow to 2.6% in volume terms in 2019 from 3% in 2018, as US-China trade war contntinved to generate uncertainty in the world economy, (WTO).

The renewed momentum of 4.6% growth in international trade witnessed during 2017 has evaporated because of rising restrictive trade measures of more than \$ 480 billion in which the US and china accounted for around \$ 350 billion, WTO director general Roberto Azevedo said at a press conference.

Amid a technological revolution, accompanied by rising unemployment across the world, countries are increasingly experiencing an investment drought and consequently, weak trade performance.

Never the less, WTO expects trade growth to increase to 3% in volume terms in 2020 if trade tensions subside in the coming months. In commercial services, India fared relatively better by recording a surplus of \$ 31 billion. Importers in US-and China have been sourcing for the same products from alternative locations not targeted by tariffs, the economist said in a report outlining their findings. **Vietman** has so far emerged as the largest beneficiary of the diversion in trade flow gaining an estimated 7.9% of its gross domestic product from those new business, according to Nomura other mojour beneficiaries from the trade war are Taiwan, **Chile, Malaysia and Argentina,** the Japanese investment Bank says.



9- Suggestion .

Is the world trade organization (WTO) in trouble ? It certainly seems so , since US president Donald trump has described the institution as a "catastrophe" and a "disaster" on 30 August ,he went farther and declared that WTO is "single worst trade deal ever made " and if they do not shape up I would withdraw from the WTO Previous US administration have had their problems with the WTO, especially with its negotiating process which is based on consensus ,and can prevent trade negotiations from moving for word if even one one country objects.

1. Improve the WTO's Dispute resolution mechanism
2. Monitoring the Transparency of member country trade practices
3. Reinvigorating the WTO negotiating process
4. G-20 should play an important role
5. Improve Hchnical assistance to developing countries as wee as other measures to faciletete their full participation .
6. Improve external transparencyat national and international level is needed to improve the quality and legitimacy of WTO rules .
7. Adopt a realistic agenda and work schedule that is fair for smaller delegation

10 - CONCLUSION

More worrying are Washington's action before the WTO, Which can affect the efficiency and capacity of etc so bust dispute settlement mechanism this could undermine the relevance of the WTO as an organization, and diminish the stability of the entire multilateral trading system

If there are not enough judges "disputes go into limbo "If the WTO is unable to rule on trump imposed tariffs policies cannot be deemed to be illegal and could continue with impunity. The US government has slapped tariffs on US \$ 250 billion of Chinese goods to force concessions that would change the term of change between the world 's two largest economies However, some trade analysts

believe that china's emollient attitude reflect that fact that it is rapidly running out of US goods to target given the imbalance in trade between the two countries.

In sum, WTO dispute procedures work to enforce existing US rights under the world trade rules . But US-China problems fall outside the WTO rulebook , so there is strong need to update international trade obligations to address current disputes over investment intellectual property rights , and other issues.

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