

At WTO, growing disregard for trade rules shows world is fragmenting

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Nothing illustrates the crisis at the World Trade Organisation more than the piling up of unresolved disputes and the growing list of what it terms the “trade concerns” of its members.

Since late 2019, after the US blocked the appointment of new judges to the WTO’s Appellate Body due to complaints over judicial overreach, 29 cases have been left in limbo, delivering a heavy blow to the dispute settlement system.

Those depositing cases include China, Dominican Republic, India, Indonesia, Morocco, Pakistan, South

Korea and the United States.

“No more fraud, no more pretending you’re appealing, former deputy director-general Alan Wolff told a WTO conference last month, urging countries to hold off on fresh appeals from 2024, when WTO members have pledged to address the issue.

The WTO has warned a “polycrisis” of pandemic, war in Ukraine and inflation is sapping faith in globalisation. The result is a growing disregard for global trading rules among WTO members.

Last month it warned that a surge of unilateral measures, if unchecked, would fragment the world economy, stripping 5 per cent of global income.

Import restrictions have eased since 2018, when then US.

President Donald Trump was slapping tariffs on goods from China and elsewhere, but export curbs have more than offset their decline.

Such curbs averaged 21 per year between 2016 and 2019, but rose to 139 last year.

This has triggered a surge in the number of “concerns” raised at the WTO. These have targeted export restrictions such as for Indian rice and the subsidies the clean tech push has unleashed, such as the US Inflation Reduction Act, with a bias for production in North America, or those for electric cars in China that the EU is investigating.

US local content requirements are also set to be raised under the Buy American Act, while the European Union, which still preaches adherence to WTO rules, has subsidies and targets to boost home supply of critical minerals and green production.

Keith Rockwell, senior fellow at the Hinrich Foundation, says the WTO is “teetering on the abyss of irrelevance”.

“People are not feeling in any way constrained by their obligations to the WTO when it comes to policy and that was not the case a decade ago,” he said, adding that for Washington, the driving force behind the creation of the rules-based trading system, the WTO was now “not on the radar screen”.

THE DIVIDE

■ US continues to block appointments to WTO appeals chamber

■ Rise in exports curbs outweighs fall in import restrictions; this has triggered a surge in the number of “concerns” raised at the WTO

■ There is a growing disregard for global trading rules among WTO members that would fragment the world economy, stripping 5 per cent of global income

