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Q4(b)

The return of trade barriers and economic sanctions has diminished the spirit of GATT. In this context, discuss the factors contributing to the decline of WTO in recent times.

UPSC Civil Services Mains 2024 · PSIR GS 2 · 15 marks · Comparative Politics

Comparative Politics: Nature and major approaches; political economy and political sociology perspectives; limitations of the comparative method.

Core demand of the question

- **Recall GATT's spirit:** MFN, bindings, tariff cuts, non-discrimination
- Show how tariffs, sanctions and industrial policy diminish that spirit
- **Explain WTO decline:** Appellate Body, Doha, consensus, U.S.-China, developing-country conflict

Revision summary

GATT's spirit was MFN, bound tariff cuts and legal dispute settlement rather than bilateral retaliation.

Recent tariffs, export controls and economic sanctions treat trade as a security and industrial tool.

- **WTO decline factors:** blocked Appellate Body, failed **Doha round**, consensus among a huge membership, U.S.-China systemic clash, food-security and S&DT fights, and an outdated digital text.

Megaregionals and plurilaterals moved rule-making away from Geneva.

The WTO still functions as a forum; it has weakened as a binding constitution.

Introduction

The **General Agreement on Tariffs and Trade** was a political bet that trade should be **non-discriminatory**, tariffs should be bound and cut, and disputes should be legal rather than retaliatory. The **World Trade Organization** of 1995 gave that bet a court and a wider rule-book. The return of **trade barriers and economic sanctions** has diminished that spirit. The decline of the WTO in recent times has **several causes**, of which great-power unpolitics is only the loudest.

Body

GATT's spirit, diminished

Most-favoured-nation treatment and national treatment were the legal heart. Exceptions existed - regional trade agreements, security, safeguards - but they were meant to be narrow. **Tariffs** as ordinary industrial policy, **export controls** on technology, **green border taxes** that poorer exporters read as protection, and **sanctions** that cut whole economies out of finance sit badly with that heart. Weaponised interdependence after 2022 made trade a tool of

war policy. **NAFTA/USMCA** and other megaregionals moved rule-making out of Geneva. This is the deglobalisation of question 2(a), now named at the organisation that was supposed to prevent a 1930s repeat.

Factors in WTO decline

First, the **Appellate Body** was emptied by United States blocking of appointments. Members can appeal into the void. The policeman of the 1995 deal lost his court. Second, the **Doha Development Round** never closed. Agriculture, industrial tariffs and services could not be bargained into one package. Third, the **consensus rule** lets a few large members halt outcomes, while a much larger membership than 1947 GATT makes consensus harder. Fourth, **China's accession produced a systemic clash: subsidies, state enterprises and forced technology transfer claims that the old GATT text does not settle, and that Washington now prefers to fight with tariffs rather than with panels.** Fifth, **developing-country coalitions**, including India, refuse to treat special and differential treatment as a sunset slogan, especially on **public stockholding** for food security. That is clout, treated in Paper II's India questions; it is also gridlock if no bargain is offered. Sixth, **digital trade, e-commerce and investment** sit poorly in a 1994 text, so willing clubs write plurilaterals outside the single undertaking. Seventh, **domestic politics** in the United States turned the WTO into a symbol of lost factories, so compliance with adverse rulings became optional.

The organisation still notifies, still hosts talks, and still matters to states that cannot win a tariff war. It has declined as a **binding constitutional order of world trade**. That is the precise sense of decline.

Flow diagram

GATT spirit MFN bindings spirit MFN bindings -> WTO 1995 court 1995 court
 Tariffs sanctions industrial policy -> Decline
 Dead Appellate Body -> Decline
 Doha consensus US-China -> Decline

Conclusion

GATT's spirit was non-discrimination and legalised tariff politics. Sanctions, industrial tariffs and security controls have pushed that spirit aside. The WTO has declined because its court was disabled, Doha failed, consensus jammed, and the United States-China clash outgrew the 1994 text. The shell remains. The policeman does not.

Facts & figures

Appellate Body crisis

U.S. refusal to appoint members left the second-tier court without a quorum, allowing appeals into the void.

Doha Round

Launched 2001 as a development round; never concluded as a single undertaking.

China accession 2001

Brought a large state-capitalist trader into WTO rules written for a different mix of members.

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