6. Reforming WTO- International Relation / Economy

The US push to redefine the WTO. The US has proposed significant WTO reforms, advocating for a shift from consensus-based decision-making to plurilateral agreements and restricting Special & Differential Treatment (S&DT) to only Least Developed Countries (LDCs). These proposals, which also question the relevance of the Most-Favoured-Nation (MFN) principle, threaten to undermine the multilateral trading framework and disadvantage developing nations like India.

Introduction

The United States has articulated a new vision for reforming the World Trade Organization (WTO), arguing that the current framework is outdated and ineffective.[1] The proposal seeks to fundamentally alter how global trade rules are made and enforced, moving away from consensus-based decision-making towards more flexible, interest-based coalitions.

Major Highlights of the US Suggested Reforms

1. Decision-Making- The Shift to Plurilateralism

Critique of Consensus- The US argues that achieving consensus among all 166 members is unrealistic and creates a bottleneck for implementing new trade rules.[2]

Proposed Solution- It advocates for Plurilateral Agreements—initiatives involving only a limited group of willing members who share specific interests—as the future model for WTO rule-making.[3]

Significance- This offers a flexible pathway to advance cooperation in specific sectors without being held back by members who disagree.[4]

2. Special & Differential Treatment (S&DT)

Restriction- The US proposes restricting Special & Differential Treatment (S&DT) benefits largely to Least Developed Countries (LDCs) only.

Uniformity- It advocates for uniform rules for all other developing nations, regardless of their economic development gaps.[5]

Justification- Any deviation from common obligations would require strict justification, effectively removing the automatic flexibility currently enjoyed by developing nations like India or China.[6]

3. Level Playing Field & Non-Market Policies

Trade Distortions- The US highlights significant trade distortions caused by non-market policies (e.g., state subsidies, industrial overcapacity).

Erosion of Trust- It links the global erosion of trust in the WTO directly to state intervention and overcapacity in certain economies.

Remedies- Proposes stricter transparency norms and rigorous notification compliance to expose and check these distortions.

4. Most-Favoured-Nation (MFN) Principle

Challenge to MFN- The US questions the relevance of the Most-Favoured-Nation (MFN) principle in an era of widely divergent economic systems.[7]

Critique- It argues that MFN enforces a "one-size-fits-all" liberalization that fails to account for unfair practices by some members.

Proposal- It supports wider departures from MFN to allow for differentiated trade relationships (i.e., treating allies better than rivals).

5. Role of the WTO Secretariat

Criticism- The US strongly criticizes the current functioning of the WTO Secretariat.[8]

Administrative vs. Substantive- It views the Secretariat's role as strictly administrative. It accuses the body of overstepping its mandate by Expanding monitoring and commentary on members' trade measures. Undertaking unauthorized research projects.

Concerns and Implications for India

1. Erosion of the MFN Principle

Predictability- The MFN principle requires members to treat all trade partners equally.[9] Its dilution would destroy the predictability of global trade.

Power Dynamics- Moving away from MFN would entrench power-based trade relations, leaving weaker nations vulnerable to discrimination by powerful economies.
India's Stance- India must strongly oppose this dilution to protect its market access and strategic autonomy.[10]
2. Narrowing Special & Differential Treatment (S&DT)
Rigidity- Limiting S&DT solely to LDCs is considered excessively rigid.
Alternative Approach- A differentiated approach based on income levels or specific development metrics would offer a more balanced solution than a blanket removal of benefits for developing nations.
3. Trade Imbalances & Policy
Focus- While trade imbalances require attention, they should not dominate trade policy.
Structural Factors- Policymakers must acknowledge macroeconomic and structural factors (like savings rates or currency valuation) rather than reducing the WTO to a mere "balance-of-trade enforcement forum."
4. Economic Security
Multilateral Solutions- Economic security concerns (e.g., supply chain resilience) should be addressed multilaterally within the WTO framework to prevent unilateral protectionism.
Safeguards Agreement- There is potential to expand the existing Safeguards Agreement to formally include strategic vulnerabilities, providing a legal basis for protective measures.

Comparison- Current WTO Framework vs. US Proposal

Feature	**Current WTO Framework**	**US Proposed Reform**
Decision Making	Consensus-based (Requires agreement of all 166 members).	Plurilateralism (Agreements among willing coalitions).
Trade Treatment	MFN Principle (Treat all partners equally).	Differentiated ties (Departures from MFN allowed).
Developing Nations	Broad S&DT available to self-declared developing countries.	S&DT restricted to Least Developed Countries (LDCs) only.
Secretariat Role	Active in monitoring and research.	Strictly administrative; reduced monitoring powers.

Source- https-//www.thehindubusinessline.com/opinion/the-us-push-to-redefine-the-wto/article70450299.ece