

August 1, 2014 7:32 pm

## WTO plunged into crisis as doubts grow over its future

By Shawn Donnan, World Trade Editor Author alerts



Vegetable traders at a market in Ahmedabad, India. New Delhi has put its foot down over farm subsidies to provide cheap food for poor people

Roberto Azevêdo, the new head of the World Trade Organisation, struck a triumphant tone in Bali last December when he announced that the body's 159 members had reached the first global agreement in its 18-year history.

"The WTO is back!" the visibly sleep-deprived Brazilian told delegates, drawing cheers from all around.

Mr Azevêdo, it turns out, was speaking too soon. Seven months later, the WTO has been plunged into an existential crisis, after India's new government this week blocked the centrepiece of the Bali deal: a seemingly benign arrangement to reduce customs red tape around the world.

As a result, Mr Azevêdo is now facing doubts about both the future of his organisation and, more broadly, the liberal vision of a multilateral trading system that has guided the postwar era in the global economy.

The WTO, which took over in 1995 from the General Agreement on Tariffs and Trade, has grown out of the agreements struck at Bretton Woods in the US in 1944, which sought to keep world leaders from repeating the protectionist mistakes of the 1930s.

There are bound to be efforts to revive negotiations. The government in New Delhi has already sought to play down the implications of its stand.

Announcing the failure to reach a compromise to members on Thursday, Mr Azevedo urged them to use the August break to ponder the future and return in September with ideas. However, the Bali agreement already amounted to a rescue operation and its failure bodes badly for the system.

"There is an element of significant dysfunction that you can't hide," said one senior official on Friday.

India had originally given its blessing to the deal. But that was before a new government, led by Narendra Modi, came to power two months ago.

New Delhi has in recent weeks insisted it wants to renegotiate deadlines set in Bali in order to bring forward negotiations to update the WTO rules that apply to subsidies it gives to farmers as part of a massive government programme to provide cheap food to poor people.

In an effort to get what it wanted, India carried out a threat this week to block a procedural measure to the trade facilitation agreement from making the July 31 deadline set in Bali for its implementation.

The failure to meet the deadline means the WTO's members are even less likely to meet another in December to come up with a plan to deliver the rest of the Doha round of negotiations for a global trade deal.

The Doha round was launched in 2001 and has since repeatedly broken down as a result of the failure of rich countries, such as the US, and emerging economies, like China and India, to narrow their differences. Putting it back on track would mean tackling much knottier issues such as agricultural subsidies in a new climate of distrust, say diplomats.

The irony is that India and other developing countries are likely to suffer most from any collapse of the Doha round, say trade analysts. The US, EU and other key players such as Japan all have big regional trade initiatives under way, and are likely to find moving on much easier than India or smaller and more vulnerable states.

Several members have threatened to enact the trade facilitation agreement as a "plurilateral" deal outside the WTO, a move that would

further marginalise the Geneva-based organisation. The text to do so has already been drafted and translated into three languages. Up to 60 countries have indicated they are keen to see it implemented.

But that is a narrower issue than what happens next at the WTO.

Negotiations such as those now under way between the EU and US or between the US and 11 other countries to create a Trans-Pacific Partnership are increasingly focused on more complex, non-tariff barriers to trade. In Brussels and Washington, negotiators are also starting to tackle how to guarantee the free flow of data across borders or ease the way for the global supply chains so vital to modern business. These are discussions that are years beyond what is on the agenda at the WTO.

The WTO will not come crashing down tomorrow, says Kimberly Elliott, a trade analyst at the Center for Global Development think-tank in Washington.

But its future looks bleak if the Doha negotiations go back into the coma that has been their dominant state in recent years.

While many celebrate the WTO's place as a venue for settling disputes, that function will be eroded if it is not updating its rules to reflect new issues. Without any progress in negotiations, "there are going to be more and more disputes that cannot be resolved [at the WTO]," said Ms Elliott.

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