

Editorial

Are Global Trade and WTO in Doldrums?

Iqbal BA*

School of Business, Kentucky State University, USA

*Corresponding author: Badar Alam Iqbal, Fulbright Scholar-in-Residence (SIR), School of Business, Kentucky State University, Frankfort (KY), USA, Email: badar.iqbal@fulbrightmail.org/badar.iqbal@ksu.edu

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It is firmly believed by the trade economists that developed countries must realize that the world trade issues especially WTO issues cannot be solved amicably without taking into confidence the emerging economies particularly BRICS nations.

The transformation of General Agreement on Tariffs and Trade (GATT) of 1947 into World Trade Organization (WTO) on January 1, 1995, the historic date in the global trade history. The main purpose of this historic effort was to accelerate the existing growth rate of world trade so that the gains arising out from this acceleration would be shared by all member countries. This could have been achieved by promoting multilateral trade instead of bilateral trade.

The most unfortunate thing that has come up is that due to complete failure of Doha Development Round (DDR) of 2001, the number of Free Trade Agreements (FTAs) have gone up considerably and as a result, the very aim of creating WTO has been defeated and multilateral trading system has gone into doldrums. Accordingly, a new concept namely- “New Regionalism” has been surfaced and again the degree of “Protectionism” has been on the rise.

In the year 2014, world trade recorded an increase of 2.4 per cent as against the projection of 4.7 per cent. The figure of 2.4 of 2014 has remained below the revised target of 3.1 per cent in 2014. In the year 2015, the first projection was at 5.3 per cent growth and this figure was later revised to 4 per cent. But actual growth rate was registered at 3.3 per cent. This was a meager rise over the figure of 2014.

Global trade growth rate averaged 2.4 per cent during the last three years as against with an annual average of 6 per cent between 1990 and 2008 with the fact that global financial crises was witnessed in 2008. In 2016, the WTO has revised global trade estimates with a margin of 1 percentage point. In the last September i.e. 2016, the WTO had given projection that world trade will be rising by 3.9 per cent. Contrary to this, the projection was revised further at 2.8 per cent. The revision was a compulsion due to the fact that the emerging economies especially China experienced slow growth.

World merchandise trade volume was projected to rise by 2.8 per cent during 2016 this figure as same as of 2015. It is estimated that world trade may go up by a margin of 3.6 per cent in 2017. The most dispersing thing is that the projected rise of 3.6 per cent is still below the average of 5 per cent registered since 1990.

Global exports

Exports of developed economies lagged behind developing nations during 2015, with a figure 2.6 per cent volume growth in respect of developed countries and 3.3 per cent in case of developing nations. There are certain very interesting trends. First, the world exports went up marginally and witnessed the lowest growth rate. Secondly, China has recorded the largest rise in volume of exports as much as 6 per cent which is many times more than the rise in global exports. Thirdly, Germany, the power house of EU recorded an increase of 3.4 per cent and this figure was much higher than the rise witnessed in case of the USA and India. This means Asian power house China performed much better than the major developed countries of the world.

World imports

Developed economies imports witnessed a rise in 2016 whereas the developing nation’s imports remained almost stagnant. The growth rate of imports in case of developed countries was 4.5 per cent as compared to marginal rise of 0.2 per cent in respect of developing economies.

The noteworthy trend is that except India, all other major importing countries have registered increase in their respective imports. The largest increase was registered in case of the USA followed by Germany and China in 2015. In the year 2016, the annual average change in the global imports was negative and biggest annual change was witnessed in respect of India followed by China, Germany and the globe. The lowest negative growth was registered in regard to USA. South American region recorded the weakest import growth and this was due to the persisting recession in Brazil.

Balance of trade

As far as global balance of trade is concerned, India and USA have negative balance of trade whereas, China and Germany has positive balance of trade. The largest balanced of trade has been in case of China and the biggest trade deficit has been in case of USA.

Failure of DDR

The most persisting and depressing issue affecting the role of and future of WTO is the complete failure of Doha Development Round/ Doha Development Agenda (DDA) of 2001. It is an undisputed fact that, the developed economies had already shown an indifferent attitude towards DDR and these nations are of the opinion that the 15 year old DDR must close down. While developing countries are having constant pressure on developed nations to implement the decisions taken during DDR of 2001. There has been a conflict of interest between developed and developing nations.

The Cancun Ministerial conference was collapsed, wherein the African countries walked out of the green room on Singapore issues namely-investment, competition, transparency in government procurement and trade facilitations. The most surprising thing was that out of four Singapore issues, trade facilitation was retained and

wrapped up for the then Bali Ministerial Conference during 2013. The most unfortunate thing is that Nairobi Declaration explicitly has indicated that there is no consensus on the continuation of DDR/DDA and hence, the stage is set for introducing of new issues of developed nations interest. This may implies that a new battle ground is being created for developing and least developing countries in coming ministerial conferences.

10th Summit at Nairobi

At the time of last ministerial conference i.e. 10th Ministerial Summit at Nairobi organized/ called by the WTO, the most critical and strategic issue having far reaching implications, consequences and impact on is the future role of WTO in promoting multilateral trading system for which the organization was created or established. Global trading community is of the firm belief that the role and contribution of WTO is uncertain and in doldrums. Accordingly, 160 member nations are facing a serious existential crisis. This feeling has been persisting due to the fact that since inception of the WTO on January 1, 1995, the WTO has been failing to fulfil its aims, objectives and functions.

The continuation of existential crisis among member countries with which the WTO has been confronting with has become more delicate and more venerable is the rapid increase in the Free Trade Agreements (FTAs) particularly the new one known as Trans Pacific Trade Agreement (TPTA), which is basically against the philosophy/basic principle of the WTO and the soul of WTO is Most Favored Nation (MFN) clause. The Nairobi Summit was concluded with a greatest disappointment due to the fact that USA had opposed the revival of DDR/DDA which is sin-quo-non for developing economies and least developing countries. The developing world in one voice had attempted to hold on strongly to their ground of reality by refusing to allow any pact that does not come under the spirit of

DDR/DDA. Accordingly, the developing nations remained away from a deal on 'export competition' for removing export subsidies and farm subsidies.

Nairobi and thereafter, the deliberations on number of critical issues such as market access to industrial goods, agricultural products and reduction in farm subsidies which are based on the "less than full reciprocity" rule that make least developing nations net gainers. The most conspicuous facet in Nairobi Declaration is implicit recognition of the fact that many economies have started to show less interest in DDR/DDA of 2001.

Rethinking on WTO

It is firmly believed that WTO is the only multilateral forum wherein smaller and developing nations always made out the concerted efforts in regard to the integration of trade and development "the two faces of the same coin". If DDR/DDA is not completed as originally intended, the loss is that of the WTO as whole.

The biggest challenge before WTO is to deal with labor and environment issues wherein developing world is at disadvantageous position. The developing countries along with least developing economies must work for preserving the issues at all costs. These nations must seek a discussion on the survival of multilateral trading system and strengthening the WTO to make it more relevant. A proactive role, in keeping with present political and economic interest could serve the interest of developing and least developing nations. A comprehensive conclusion of the DDA/DDR with economically meaningful and balanced outcome may provide impetus to global trade which is the need of the hour.