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EDITORIAL ANALYSIS

The World Trade Organization is Flailing — MC14 Failure and Global Trade Fragmentation

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CONTEXT

The **WTO's 14th Ministerial Conference (MC14)** in **Yaounde, Cameroon** ended without consensus among **166 member countries**. The **e-commerce moratorium** — which had prevented countries from imposing customs duties on electronic transmissions since 1998 — lapsed. The **TRIPS non-violation complaint** safeguards also collapsed, exposing developing countries to potential intellectual property disputes without a multilateral safety net.

THE EDITORIAL ARGUMENT

The Hindu argues that the WTO is becoming increasingly irrelevant as:

- 1 **Bilateral deals replace multilateral rules** — the US-India interim trade deal (February 2026), EU-Mercosur agreement, and RCEP demonstrate that countries prefer negotiating directly rather than through the WTO's consensus-based system
- 2 **The e-commerce moratorium lapse** disproportionately hurts developing countries that cannot yet build digital trade infrastructure but will now face duties
- 3 **Dispute Settlement Body (DSB) paralysis** — the Appellate Body has been non-functional since December 2019 after the US blocked judge appointments, meaning WTO rulings have no enforcement
- 4 **US reciprocal tariffs** in 2026 violate MFN (Most Favoured Nation) principles — the foundation of GATT/WTO rules — without any effective WTO response



WTO — QUICK REFERENCE

PARAMETER	DETAILS
Established	January 1, 1995 (successor to GATT, 1948)
Members	166 (as of MC14)
Headquarters	Geneva, Switzerland
Director-General	Ngozi Okonjo-Iweala (Nigeria)
Highest decision body	Ministerial Conference (meets every 2 years)
Dispute mechanism	Dispute Settlement Body (DSB)
Key principles	MFN, National Treatment, Reciprocity, Transparency

E-COMMERCE MORATORIUM — WHY IT MATTERS

The moratorium (in place since 1998) prevented WTO members from imposing **customs duties on electronic transmissions** — covering digital services, software, streaming, cloud computing, and digital content. Its lapse means:

- Countries can now impose import duties on digital products
- This could fragment the digital economy into national tariff zones
- **India's position:** India had long argued for letting the moratorium expire, contending that it deprived developing countries of tariff revenue on rapidly growing digital trade
- **Estimated revenue loss** (for developing countries collectively): \$10-25 billion annually from the moratorium

TRIPS NON-VIOLATION COMPLAINTS

Under the TRIPS agreement, **non-violation complaints** allow a WTO member to challenge another's measures that — while not technically violating TRIPS — **nullify or impair expected benefits**. A moratorium on such complaints was renewed at each MC since 1995. Its collapse at MC14 means:

- Developed countries (US, EU) can now bring non-violation complaints against developing countries' IP policies



- This could challenge India's **compulsory licensing** practices (e.g., generic pharma)
- Developing countries lose a crucial shield that protected their policy space

INDIA AT THE WTO

INDIA'S WTO POSITION	DETAILS
WTO member since	January 1, 1995
Key concern	Agriculture subsidies (food security via MSP)
Public stockholding	India holds grain reserves through FCI — WTO rules treat this as trade-distorting
Peace Clause	Temporary protection for India's MSP from WTO challenges (agreed at Bali MC9, 2013)
Fisheries subsidies	MC12 (2022) agreement limits subsidies for IUU fishing
TRIPS and pharma	India's Patents Act allows compulsory licensing — pharmaceutical generics are a key export

UPSC RELEVANCE

GS Paper 2 — International Relations

- WTO: structure, Ministerial Conferences, DSB, Appellate Body crisis
- India's position at WTO: agriculture, e-commerce, TRIPS
- Bilateral vs multilateral trade governance

GS Paper 3 — Economy

- E-commerce moratorium and digital trade
- TRIPS, compulsory licensing, and India's pharma sector
- Public stockholding and food security



FACTS CORNER

- The **GATT** (General Agreement on Tariffs and Trade, 1948) was replaced by the **WTO** on January 1, 1995 after the **Uruguay Round** (1986-1994) — the most comprehensive trade negotiation in history
- The WTO **Appellate Body** has been non-functional since **December 2019** — the US under both Trump and Biden blocked judge appointments, paralysing the appeal mechanism
- India's **compulsory licensing** of Nexavar (Bayer's cancer drug) in **2012** by Natco Pharma was the first compulsory licence under India's Patents Act — the WTO has not challenged it, but TRIPS non-violation complaints could now target such policies
- The **Peace Clause** (Bali MC9, 2013) protects India's MSP-based public stockholding from WTO disputes — but it is temporary and India has been pushing for a permanent solution
- **MC13** was held in **Abu Dhabi** (February 2024); **MC14** in Yaounde, Cameroon — reflecting the WTO's effort to rotate conferences to developing countries

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