

The US hegemony and multilateral trading system

The ugly dance of the global hegemon continues to cause considerable turmoil in the multilateral trading system. After President Donald Trump vowed to slap 25% tariff on steel and 10% on aluminium, there is trepidation about a possible trade war. From neighbours Canada and Mexico to trans-Atlantic partner, the European Union (EU), and from close Pacific allies such as Japan and Korea to the emerging hegemon of the Middle Kingdom, there are subtle as well as open threats of tit-for-tat retaliatory measures. The EU had already signalled that it would impose trade retaliatory measures to the tune of more than €2.5 billion (\$3.5 billion).

Even though successive US administrations have resorted to protectionist measures since the days of Alexander Hamilton's grand plan to build a powerful America in the 19th century, Trump appears to have taken the issue to a crescendo of misery. Liberal pundits of the establishment, including the voice of the liberal trade order *The Economist*, described Trump's actions as a "threat to world trade" and "the rules-based system".

"For the first time in decades," it says in a leader on 10 March, the biggest foe of free traders "is the man in the Oval Office."

Despite the continued brouhaha over Trump's national security-driven safeguard actions, ostensibly for building robust domestic steel and aluminium industries, there was a quiet meeting of the EU trade commissioner Cecilia Malmstrom, Japan's trade and industry minister Hiroshige Seko and the US trade representative Robert Lighthizer in Brussels on 10 March. The three trade chiefs have chalked out "joint actions" for targeting a country that was not mentioned in their joint readout. That country is China which is now treated as the epicentre of "non-market oriented policies and practices".

Apparently, China's policies are causing severe overcapacity, and unfair competitive conditions for workers and businesses in the US, the EU, and Japan. Beijing is hindering, according to the US, the EU, and Japan, the development and use of innovative technologies. Worse still, it is undermining "the proper functioning of international trade, including where existing rules are not effective".

Against this backdrop, it is not clear whether there will ever be concerted opposition to Trump's trade measures. One day the EU, Japan, Canada, and even China, threaten retaliatory trade measures against Washington's unilateral and illegal actions; the following day, the EU and Japan join hands with the US to launch collective action against China. Such is the logic of fragmented alliances necessitated by free trade based on the mercantile dharma of what benefits a country most.

Moreover, for far too long, it has remained a theological practice to treat the actions and violations of the "global minotaur" on the trade front with utmost reverence at the organization which is supposed to be the fulcrum of the multilateral trading system. If the US, for example, single-handedly blocks any decision on unsustainable grounds, it is portrayed/projected as if "some" members have genuine concerns with the decision even after it was thoroughly negotiated.

There are umpteen cases when the US repeatedly blocked decisions, but the WTO Secretariat and its director general chose to remain silent. For example, when Washington blocked the reappointment of a sitting judge to the highest adjudicating body for a second term, which is normal practice followed at the Appellate Body, director general Roberto Azevedo turned a deaf ear. When the US blocked a truly developmental decision for fighting hunger at Buenos Aires two months ago, the spokesperson refused to name the country. When Trump called the WTO a

“catastrophe”, there was no attempt to counter such a baseless charge.

However, this godly treatment is not available for other members. When India raises serious concerns with other developing countries, then India is tainted on grounds that it is blocking an important decision that benefits the US and its allies.

So, today when the god of the liberal trade order is resorting to unusual measures such as the Section 232 national security-driven safeguard actions, the WTO Secretariat is clueless. Perhaps such a situation would not have arisen if it had adopted consistent positions of naming and shaming countries that deviate from rules as it does for others. That would have enabled countries to face the challenges arising from unilateral actions of one member who has shown a remarkable consistency in pursuing its national goals in different avatars since the General Agreement on Tariffs and Trade (GATT) came into existence 70 years ago. A new emerging hegemon is also going to do the same unless there is a rupture with the dog-bite-dog approach.

When trade ministers from three dozen countries congregate in New Delhi on Monday (19 March), they must address the existential life-and-death issues of the multilateral trading system with a genuinely developmental framework. Instead of focusing on “aspirational” new issues, trade ministers must alleviate the concerns of the poorest farmers, as witnessed in Mumbai.

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