

## **What would happen to a world without the WTO?**

### **PSM's Speaking Note**

There is no doubt that the multilateral trading system is undergoing a crisis period. This is exacerbated by the fact that traditional trading powers are not taking enough interest in the functioning and progress of the WTO. This is evident at two levels:

- a) in all three - negotiating, deliberative and dispute settlement - functions of the WTO; and
- b) in a plethora of bilateral/regional free trade agreements.

It seems that most of them are more interested in taking forward their trade interests through non-multilateral means. This is also true for traditional middle powers as well as emerging powers.

Given this nonchalance to the functioning and progress of the WTO, since April this year, CUTS International has organised a series of webinars on “What would happen to a world without the WTO?” A number of eminent speakers such as Pascal Lamy, Supachai Panitchpakdi - former Director-Generals of the WTO - spoke at those webinars.

The following are some key points of conclusion and recommendations emerged from those webinars, which we need to ponder over:

1) As an aftermath of the Covid-19 pandemic, a new world is going to unfold and we don't know as yet how it would look like. Multilateralism *per se* and trade multilateralism in particular is under a very serious threat. The question is how to deal with this threat when it is needed most. The WTO is in a ventilator and it has to come out of it.

2) A more pertinent question may be that given the dysfunctional state that the WTO finds itself in today what would happen to the world as a whole, not just trade. We may witness a deep recession including a food crisis. We have to keep working on ending this pandemic including a Marshall Plan kind of an approach to particularly help poor countries.

3) From our experience of past disruptions, the world will recover when the global trading system recovers. Recent drop in imports to China is much more alarming than the decline in exports that they are witnessing. Should it not that the WTO brings back an order to a chaotic world?

4) As a result of COVID-induced disruptions, the rules-based and open multilateral trading system will be even more challenged. There has to be a balance between market access needs and regulations related to ensure safety and security for the consumers.

5) More importantly, as against policy-induced distortions to trade, we are now witnessing physical obstruction to trade. This calls for a new global initiative by recalling the genesis of the General Agreement on Tariffs and Trade. The traditional trading powers will have to take this initiative and middle and emerging powers like India will have to join it with full vigour. It is time for a new global compact.

6) In order to preserve global peace, we have to encourage trade. The fundamental threat to the global trading system comes from the fact that the United States has lost their confidence in various spheres of life, particularly cultural confidence. By contrast, China is much more confident than ever before. As a result, the more China supports anything the United States is expected to say no and there may be bi-partisan support in the United States for this approach.

7) It is also important to underline that this crisis of globalisation in general and international trade in particular is a result of inequalities as hyper-globalisation, as we witnessed since early 1990s, largely ignored the needs of the marginalised and the poor. This resulted in populism in various avatars with shifting power dynamics within and across countries. The COVID crisis exposed the inherent contradictions in the WTO-led trading system, which was already asymmetrical in nature. As a result, we are seeing increasing instances of export restrictions and also re-shoring. The impact of this shift on poor countries will be severe due to a double whammy of facing adverse terms of trade in respect to their commodity exports as well as increased imports due to food crisis in particular.

8) We really need to interrogate the whole process of the functioning of the WTO. That will help us have a better understanding of why there are so many systemic challenges. The rules-based multilateral trading system continues to be the best option, particularly for developing and small island economies. While the WTO is an improvement of its predecessor, the General Agreement on Tariffs and Trade, it is not a perfect system.

9) The WTO as an organisation had and continues to face some significant systemic challenges. Most importantly, the recent trade disputes between major members have put considerable pressure on the system to function in a better manner. Without the WTO, developing and small economies will face more challenges and it is this that forced them to call for reforms of the WTO by taking into account the current geo-political issues.

10) Furthermore, the Covid-induced crisis has challenged the confidence in cooperation, which underlines trade. Not just the decline in the volume of trade, we need to understand how that undermined the values of the multilateral trading system.

11) This lack of confidence in global cooperation is worrisome. This is expected to get reflected in future governance of the global health system including how the expected vaccine to prevent the Covid-19 is going to be administered. This is where the flexibility of the multilateral trading rules will be useful. We need to see how smoothly that is done.

12) We need to reinvent the WTO through structural transformation so as to derive better values out of it through a more balanced but faster decision-making process. This is an imperative in a post-Covid world. We need a better global leadership. Therefore, it is the responsibility of the middle and emerging powers including India to collectively provide a strong leadership for the resurrection of the multilateral trading system. They have done so in the past and it's time to do it again.

Therefore, other than debating the broader role of the WTO in under-writing peace, stability, security and prosperity, we need to have an immediate focus on the following three ‘doables’ for trade multilateralism under the aegis of the WTO to reinvest itself in a new avatar:

- revival of the built-in agenda of the existing WTO agreements by advocating for greater transparency in the functioning of the WTO’s Committees, particularly to deal with sudden disruptions to trade and supply chain such as those emanated from the COVID-19 pandemic;
- absorption of the values of the WTO Agreement on Trade Facilitation for future multilateral negotiations so that countries at various levels of development are more comfortable in making commitments as per their capabilities and needs; and
- reforming the WTO’s dispute settlement system, particularly the functioning of its Appellate Body as suggested by the U.S. trade representative Robert Lighthizer (a one-stage process with a review mechanism) but by also taking into account the concerns of other trading powers including middle and emerging powers and the poor countries.

Today’s webinar is the last of this series. Like before, we have an eminent panel of experts. I would particularly urge them to speak about possible way forward for the multilateral trading system to come out of its current, dysfunctional state.