

Rebooting the WTO...

Trade multilateralism has been a force for good for more than 70 years. The General Agreement on Tariffs and Trade (GATT) and subsequently the World Trade Organization (WTO) since 1995 have provided the indispensable framework to promote international trade. This rules-based system has served as an engine for growth and development, and has helped lift millions of people out of abject poverty. In supporting livelihoods and improving lifestyles across the world, having a reliable rules-based system to govern global commerce has been key. Were the WTO to break down, we would all have reason to be greatly dismayed. Except that this is no longer a ‘what if...’ scenario: trade multilateralism is unravelling before our very eyes.

All major functions of the WTO – negotiation, transparency and dispute settlement – are in a state of breakdown. The Doha Development Agenda, the first trade round to be launched after the creation of the WTO, was meant to be completed in 2005. Today, 15 years later, the negotiations have limped their way to an unmarked grave. The organization’s Trade Policy Review Mechanism finds itself deeply hamstrung, unable to report on egregious actions by members. Its once admired Dispute Settlement Mechanism has been in paralysis since December 2019, caused most immediately by the decision of the United States to



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block the (re-)appointment of members to the Appellate Body.

Recognizing that the WTO faces an existential crisis, some reform efforts are underway. For example, under the leadership of the European Union, a multi-party interim arbitration appeal arrangement has been set up as a temporary measure for dispute settlement until the WTO’s Appellate Body is in functioning order again. Across countries, especially in the global North but also some in the global South, there is recognition that Special and Differential Treatment needs an urgent

update; practitioners and academics are coming up with useful proposals towards this. Negotiation business also continues, for instance on the important issue of fisheries subsidies.

All such well-intentioned efforts to reform and advance the system deserve credit. But they will not suffice. An ambitious reform agenda needs to be put in place if the WTO is to start functioning meaningfully again.

A fundamental rethink on trade multilateralism has been elusive thus far in most policy-making circles. One reason for this may lie in President Donald Trump's crude and vitriolic critique of the system and readiness to launch trade wars ('Trade wars are good and easy to win'). Such a blanket dismissal of the rules often prompts a knee-jerk reaction amongst most multilateralists to support the status quo and – at best – conservative reform. The assumption seems to be that a change in the administration will prompt a return to business as usual. But this is a dangerous assumption to make. Many of the problems that the WTO faces today pre-date the arrival of President Trump on the scene, and not all the critique that his administration has advanced against the WTO is wrong. The most serious of these is the misuse of multilateral trade rules for geostrategic purposes by systemic rivals and adversaries.

The multilateral trade regime – as embodied in the WTO – was built on the assumption that peace and prosperity were inextricably linked. It was not built for a world where the very ties of interdependence – which were supposed to contribute to the emergence of a liberal peace – could be weapon-

ized. We have seen the devastating effect in recent months: when COVID-19 struck and countries chose to weaponize global health value chains, sometimes with life-and-death consequences. And the WTO stood by and watched helplessly.

There is much concern today on how to facilitate a global recovery from the pandemic, leading some to emphasize the importance of preserving trade flows. There is no doubt that nationalist turns inwards would be disastrous for most countries. But it is also important to remember that any attempt to preserve the international trading system for its own sake is unlikely to have a long-lasting or positive effect. In a world where economic ties can be weaponised, multilateral trade rules are in need of a major reboot.¹ This would require a tightening of rules on subsidies, state-owned enterprises, intellectual property rights, export controls and more. Some careful and gradual decoupling might be necessary, which could work in parallel with more closely integrated global value chains among like-minded allies.

Restructuring the WTO to manage geo-economic realities is an urgent task, but not an easy one. Without such a restructuring, we will be left with a WTO of universal membership shallow integration, and meaningless rules. It will be a shadow of the organization that it once was, or could still become. 

1 Narlikar, Amrita 'Rebooting Multilateralism? Lessons Still to be Learnt', Observer Research Foundation, September 2020 <https://www.orfonline.org/research/rebooting-the-world-six-months-of-covid-19/>



**...to prevent the unravelling
of trade multilateralism**