

A Less Relevant WTO: Implications for South Asia

Rahul Choudhury

Summary

There is an increasing fear among nations about the waning relevance of the World Trade Organization (WTO). A group of nations also fears the possible collapse of the WTO. Many past incidences have created uncertainty about the future of the WTO. In this context, this paper attempts to examine if the WTO is losing its relevance in the present world order and the possible implications for the South Asian region.

In the last couple of years, the capacity of the World Trade Organization (WTO) as the supreme body of trade rules has come under question on [several occasions](#). There is an increasing debate about the WTO losing its relevance in addressing many of the current trade issues and resolve disputes among its members. A growing number of members like the United States (US) and the European Union (EU) have started questioning the ability of the trade body to resolve matters which have [dragged](#) for a [long time](#). It is also criticised [by](#) developing countries like China and Turkey for being largely dominated by traditional economic powers, such as [the US](#) and the EU. Members, especially from the developing world, like India, South Africa and China feel that the WTO has largely failed in protecting their [interests](#). The position of the WTO as the supranational caretaker of the rules-based trading system and an arbiter of disputes among members has declined in the last few years. At this juncture, let us look into some of the reasons that have possibly weakened the WTO and its possible implications for the developing countries of South Asia.

The WTO suffered a major setback through the failure of the Doha round of talks in 2015. The ambitious Doha Development Agenda was launched in 2001 with the aim of substantially lowering trade barriers, supporting poor nations and resolving difficult issues like agricultural subsidies. The failure of this initiative in not being able to achieve what it set out to do seriously undermined the credibility of the multilateral trading system and put the developing nations into peril. The members have, thus far, failed to reach a consensus on vital issues like agricultural subsidies, food security, banning of subsidies for illegal fishing, intellectual property and trade in services, among others.

Frustrated at the lack of progress in finding a solution on e-commerce, 76 [member-countries](#) agreed on 25 January 2019 to start informal discussions on the issue. They have accused another group of nations, led by India, South Africa and several others, for the impasse. The action by these 76 member-countries seriously undermines the relevance of the WTO as the informal discussions are being held outside the aegis of the WTO. It also reflects the WTO's inability to bring consensus among its members.

The definition of a 'developing country' has also created a roadblock in the WTO as the developed countries no longer find it necessary for large economies like Brazil, India and China to be classified as developing economies and avail preferential treatment. China is

often criticised for hollowing out the US manufacturing industry by expanding its exports and misusing the status of the most favoured nation it acquired with its WTO membership. The US opted out of the Transpacific Partnership Pact (TPP) on President Donald Trump's first day in office. The US imposed higher tariffs on Chinese imports, and the latter retaliated with its own tariffs on American imports, resulting in a trade war between the two sides. The White House's discontent with the dispute settlement mechanism of the WTO, which manifested in its refusal to appoint judges to the Appellate Body, has brought about extreme uncertainty to the WTO's future. If the judges are not appointed by December 2019, the dispute settlement body can no longer remain functional.

The failure of the WTO will have serious consequences for the developing countries, including those in South Asia. Along with trade negotiations, the WTO helps its members resolve disputes among them. It offers them redress rather than forcing them to opt for a trade war by undertaking retaliatory actions. The absence a dispute resolution mechanism, could lead to undesirable consequences. There is a high possibility of the interests of developing countries being side-stepped or ignored the more powerful developed countries. The developed countries are likely to dictate the terms of trade, possibly going against the interest of the developing countries. Big powers like India can find solutions leveraging their size and economic strength, but smaller nations in the region will have a difficult time in any negotiation process. In the absence of a caretaking or a dispute resolving body, smaller nations will face a challenge in protecting their national interests.

The WTO, through its policy of special and differential treatment, helps the developing countries expand trade and enjoy its benefits. It encourages the developed countries to offer special treatment and help the economic growth of the developing countries. Furthermore, the WTO administers the tariff rate of all its members by devising a mechanism to cater for higher benefits for the developing nations. The South Asian countries have largely benefitted from this. Availing duty free quota free tariff and subsidies in agricultural produce are major examples in this regard. Preserving the values of the multilateral trading system is of utmost importance, particularly for the developing countries, considering the current uncertain world order. It is the multilateral trading system that helped prevent the great recession in 2008 from turning into a great depression. The countries of the South Asia region which have a very poor share (less than five per cent) of world trade will face further difficulties. The collapse of the [multilateral system](#) will negatively affect their trade volumes resulting in a decrease in the economic growth of the South Asian region.

It is crucial for the members to unite and adopt corrective measures and stop the WTO from further losing its relevance. The members should immediately strike a deal on the vital issue of the dispute settlement mechanism, thereby averting the acute danger of the WTO falling apart. They members should also check rising protectionism. The failure of the WTO would deal a severe blow to not only the multilateral trading system, but also the global economy.

.....

Dr Rahul Choudhury is a Visiting Research Fellow at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS). He can be contacted at rahulchoudhury@nus.edu.sg. The author bears full responsibility for the facts cited and opinions expressed in this paper.