

COVID-19 and the Imperative of Resurrecting the Multilateral Trading System

Contrary to a popular belief, the World Trade Organisation (WTO) is not facing any existential crisis. This was proven by the deliberations at the World Economic Forum's 50th annual conference at Davos in January this year. Nearly 38 countries were present of which 18 agreed to pursue a multiparty appeals arrangement for settling trade dispute panel decisions until the WTO's Appellate Body is resuscitated. Other functions are equally important and they are alive and kicking including deliberations at its dispute settlement panels.

More importantly, they are to be looked at in the context that along with a huge number of losses of human lives and concomitant miseries, the on-going global pandemic as a result of novel Coronavirus (COVID-19) is creating havoc in all walks of life. Economic, social and political life across the world has got disrupted and is expected to unfold further in the coming weeks, months and may be years. It is having and will have serious ramifications across various sectors, international trade being a major one of them.

While global trade has already faced a stressful time over the last few years, the COVID-19 global pandemic is putting, and expected to put, further challenges to cross-border trade as well the system that governs it.

According to various estimates by the World Trade Organisation and many other bodies, as supply chains get hugely disrupted, in 2020, global trade will witness a massive negative growth, having huge implications on jobs and livelihoods.

Therefore, it is an imperative for the global trade community to see to it that the COVID-19-induced supply-side shocks do not get spilled over much to the demand-side. That can be done provided we adhere to multilaterally agreed rules and regulations governing global trade and its system. If there is a time for the World Trade Organisation to prevent the system from slipping into a slippery slope, it is now.

The WTO has three major functions and one of them is to ensure transparency in the system of governing the multilateral trading system as per its rules and regulations. This is done through various committees of the WTO. Unfortunately, over the years the functioning of these Committees has weakened, primarily because of an over-emphasis on the two other functions of the WTO, which are negotiations and dispute settlement.

Thus, the multilateral trading system under the aegis of the WTO is facing a number of challenges and they have to be addressed. This is not just for its full blooded revival but more importantly for highlighting its virtues of facilitating sustainable economic development including job creation as enshrined in its Preamble.

Much of these challenges are emanating from the absence of interest (political will) on the part of a majority of its members as they are unable to understand the values – shared security and prosperity – that it can bring to their trade as against bilateral/regional trade agreements.

Such values are to be analysed and understood in respect to their political economy dimensions, not just trade *per se*.

One of the major ones is the weakening of the WTO's Committees, which also had its effects on the functioning of its dispute settlement body (DSB). On many occasions, the WTO DSB panels and its Appellate Body's decisions went beyond their remit resulting in distorted interpretations of trade rules. Therefore, future reform of the WTO DSB should restrict the functioning of its Appellate Body in a time-bound manner and in respect to only those aspects of the relevant WTO agreements on which a dispute is raised.

Most importantly, the transparency function of the WTO should be strengthened by having some teeth—not just tongue—in its Committees. This will require a close review of the built-in agenda of various WTO agreements including the terms of references of the WTO Committees responsible for their implementation.

The current system of application of special and differential treatments (S&DTs) for developing and least developed countries for implementing various WTO agreements is not working. One of the future activities of the WTO's Committees should be the re-orientation of S&DTs for facilitating trade as per the Preamble of the Agreement establishing the WTO. This should include an agenda to discuss trade adjustment programmes vis-à-vis implementation outcomes of the WTO agreements.

Furthermore, there is the need for creating a better-informed political economy discourse in Geneva and in major capitals about the virtues of having a new kind of flexibilities in future trade agreements as per the needs and capacity of the WTO members. The WTO Agreement on Trade Facilitation is one such example as it has adopted a new kind of flexibilities for developing and least developed countries. They are required to implement various provisions and sub-provisions of this Agreement as per their needs and capacity, and, as a result, a useful instrument for regional integration, among other virtues.

In sum, while its existential crisis is not there, the WTO is experiencing a slippery slope, which may get abetted as a result of the COVID-19 global pandemic. That must be arrested and pushed upward. The Davos meeting was able to take steps in this direction. Nevertheless, it is time for the international trade community to reflect on the virtues of the multilateral trading system and including specific actions for reforming its various functions so as to get them re-aligned with the WTO's Preamble.

Among others, specific actions should include:

- Creation of a critical mass of support for the European Union-Canada proposal for reforming the WTO's dispute settlement system
- Revival of the built-in agenda of the existing WTO agreements by advocating for greater transparency in the functioning of the WTO's Committees
- Absorption of the values of the WTO Agreement on Trade Facilitation for future multilateral negotiations