

## **Multilateral cooperation is much more needed than before for the world to emerge out of the COVID crisis: CUTS**

New Delhi, 18<sup>th</sup> May, 2020: “Contrary to a popular belief, the World Trade Organisation is not facing any existential crisis. What we are witnessing today is a crisis in its leadership, said Pradeep Mehta, Secretary General, CUTS International and one of the leading thought leaders on trade and regulatory issues.

“It is the responsibility of the middle 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 to do it again,” he added.

He was moderating a webinar organised by CUTS International today on “COVID-19 and the Imperative of Resurrecting the Multilateral Trading System”. More than 250 participants from all over the world participated in a lively discussion.

Speaking on the occasion, Suresh Prabhu, a veteran parliamentarian, former Trade Minister of India and the Prime Minister of India’s Sherpa to the G20, said: “A new world is going to unfold and we don’t know as yet how it would look like. Multilateralism per se 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.”

Referring to India’s initiative following the Buenos Aires ministerial conference in December, 2017, which could not agree onto a consensus-based ministerial declaration, he added: “We have to find a solution. It can’t be one way or another. WTO’s reforms have to take into account the interests of all members. It has to come out with a forward-looking agenda in an inclusive manner.”

He urged CUTS to write a paper on “what would happen to a world without the WTO”. “We need to find a clear answer to this question. For India to grow, we need a body like the WTO to govern world trade,” he underlined.

According to Pascal Lamy, former Director General of the WTO: “A multilateral, rules-based and open trading system will be even more challenged in a post-COVID world. There has to be a balance between market access needs and regulations related to ensure safety and security for the consumers.”

“From open trade, the underlining doctrine of trade policies of various countries is becoming protectionism. We expect massive interventions in all economies and that will inevitably distort trade by stifling competition.”

“Also, it is expected that there will be a steep increase in precautionary measures, which will further harm cross-border trade. In sum, we will see a more fragmented trading system,” he argued.

“However, a good news is there will be further digitisation of trade and India will be in a position to take advantage of it” he added.

According to Mr Lamy, in the short-term, we have to take measures to address negative impacts of trade distortionary measures such as food restrictions. Unilateral trade liberalisation measures are needed in the medium-term and for that a coalition for open trade is needed. In the long-term, we need to re-negotiate the WTO’s rule book.

For that we need to focus on trade and environment, disciplines on state aid and give impetus to digital trade. Furthermore, we need some sort of global system to level the field for taking precautionary measures. We need a new coalition of trade people and other regulators dealing with safety and security of trade.

For the immediate need of the WTO, given that its Director General has resigned before his term to come to an end, he underlined the need to put a stop on food export restrictions. Along with it, we should take specific measures for facilitating trade finance including export credit so that trade can recover quickly from this shock.

Secondly, we need to closely monitor the trade measures that countries are taking as a response to the COVID-19 crisis. This requires close cooperation between the WTO and various bodies of the United Nations and also other multilateral agencies such as the World Bank. He recalled the initiative that he had taken along with the then United Nations Environment Programme (now UN Environment) as the head of the global trade body.

Echoing Mr Prabhu and Mr Lamy’s thoughts on necessary reforms of the WTO for the multilateral trading system to continue to underwrite security and peace, and for ensuring shared prosperity for all, Sanjaya Baru, Distinguished Fellow at the Institute for Defence Studies & Analysis, stated that “the problem of the multilateral trading system with the trans-Atlantic financial and economic crisis. The rise of China’s power fuelled it.”

However, he argued against the premise that the WTO is not facing an existential crisis. “When major economies including India are taking measures against the WTO’s principles, the world is becoming more protectionist and it means that the WTO itself is facing an existential crisis.”

According to him, “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 western powers will have to take this initiative and countries like India will have to join it with full vigour. It is time for a new global compact. A new equilibrium of accommodation of various interests has to emerge and that will depend on existing and emerging power relations among major players.”

More than 15 questions and clarifications were discussed between the speakers and participants. One of them was posed by Bernardo Calzadilla-Sarmiento, Director, Department of Trade, Investment and Innovation of the United Nations Industrial Development Organisation and he asked: “the fact that the multilateral trading system is in crisis, is there a positive role for regional trading systems and regional integration?”

Mr Lamy answered it by arguing that we need all possible measures at various levels - from unilateral to regional to plurilateral to multilateral - for trade to move in a positive direction. He added that the world needs a new kind of plurilateralism, which should include the private sector and civil society organisations like CUTS.

In his remarks as a co-moderator of this programme, C Raja Mohan, Director, Institute of South Asian Studies, National University of Singapore and one of the foremost thinkers on strategic affairs, posed a question: “given the current state of the Sino-U.S. relations, is it possible for the two powers to co-exist? We have to take into account the shifts in domestic politics in the United States, particularly in respect to its relations with China.”

“Can we rely on one factory for the entire world to depend upon? How can we harmonise domestic sovereign concerns including multiple interests within and between states?” he posed.

He reminded that audience that some of the assumptions made before 1990s may not hold good as they run into several obstacles. “Other than the fact that the state is very much alive and expanding, there is another problem of wretched domestic politics in almost every country.”

“Given these challenges, how do we organise multilateralism is a moot question,” he added. “As there is going to be competitive multilateralism as in the 20<sup>th</sup> Century, we need to find ideas for reconciliation,” he concluded.

In his concluding remarks and echoing Mr Lamy’s view, Mr Mehta underlined the importance of the WTO’s committees including its Trade Policy Review Mechanism for bringing more transparency and certainty into the system. Among other things, “there should be better disciplines for regulating exports,” he added.

With its headquarters in Jaipur, India, CUTS International ([www.cuts-international.org](http://www.cuts-international.org)) is a global think- and action-tank on trade, regulations and governance. It has resource and regional centres in Geneva, Washington DC, Hanoi, Accra, Nairobi and Lusaka. Over the last three and half decades it has shaped a number of local, national, regional and international debates on various public policy issues.

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