ARTNeT

ASIA-PACIFIC RESEARCH AND TRAINING NETWORK ON TRADE

POLICY BRIEF

BRIEF NO. 51 | January 2018

Can the Sustainable Development Goals offer a new lease on life for the World Trade Organization?

BISWAJIT DHAR*

Over the past few years, there has hardly been any doubt that the multilateral trading system being governed by the World Trade Organization (WTO) has been facing an existential crisis. This rather uneasy feeling was reinforced in Buenos Aires in December 2017, after the 11th Ministerial Conference (MC11) ended without taking decisions on any of the issues on which members of the organisation were engaged for the past several months. What is perhaps more problematic is that MC11 did not provide the organization its future work programme.

The failure of MC11 is more striking since this is the second consecutive Ministerial Conference in which the Trade Ministers have not delivered a work programme, which is a first for this 23 year organization. In 2015, the Nairobi Ministerial Conference had ended with the members differing on how to deal with the future of the Doha Round, undoubtedly the most substantive issue the WTO was mandated to address. For the first time in the history of the organization, consensus-based decision-making, which has been its guiding spirit, was put aside as Ministers agreed to disagree on whether

* Biswajit Dhar (bisjit@gmail.com), ARTNeT advisor and Professor, Centre for Economic Studies and Planning, School of Social Sciences, Jawaharlal Nehru University, India

UNITED NATIONS ESCAP
Economic and Social Commission for Asia and the Pacific

the WTO should have any further discussions on the Doha Development Agenda. If the Ministerial Declaration of the Nairobi Ministerial (2015) had shown the deep divisions among the members, the inability of the Ministers to produce a Declaration in Buenos Aires can only be interpreted as widening differences among the membership.

There are reasons to argue that the recent setbacks for the organization are far more serious than those seen in the past. WTO Ministerial Conferences have ended without any decision on the future work programme on two occasions: the Third Ministerial Conference in Seattle Ministerial (1999) and the Fifth Ministerial Conference in Cancun (2003). However, in both instances, WTO Members were quick to get back to the negotiating table to take the mandate of the organization forward. But, at the present juncture, when the members have serious differences over their approaches to take the mandate of the organization forward, finding a common ground to effectively re-engage is clearly the most daunting challenge for the multilateral trading system.

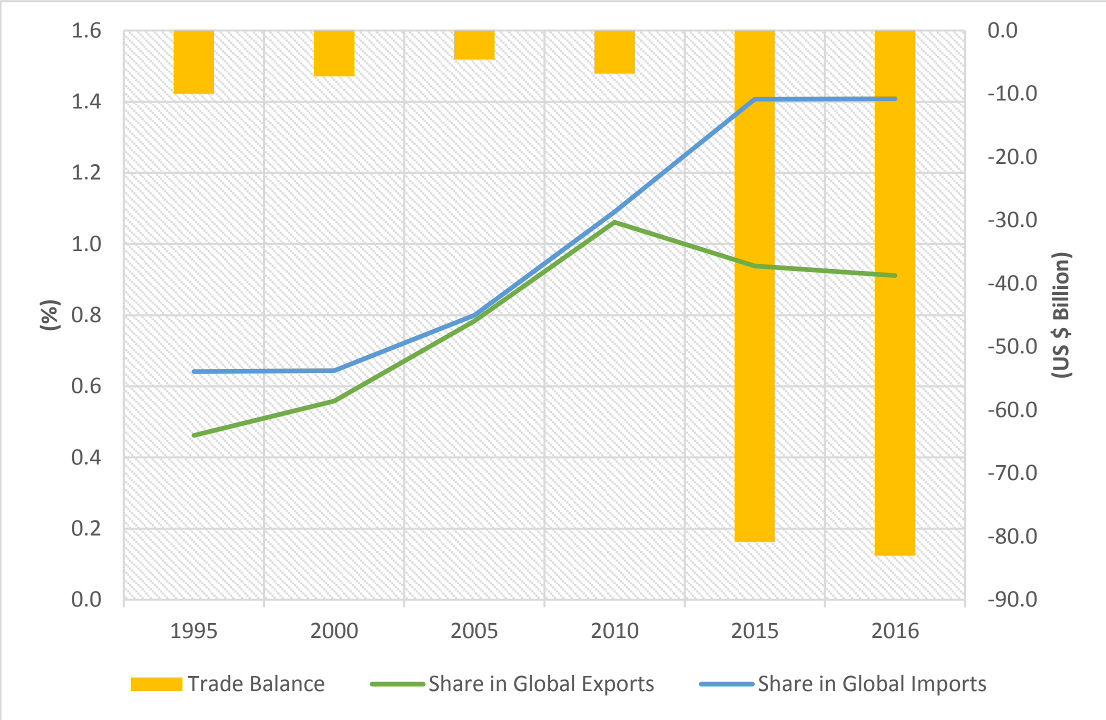
From a larger perspective, the troubled functioning of the WTO is not a good augury since the global community is running the serious risk of losing the primary forum for formulating trade rules. This risk must be avoided for at least two reasons. First, the multilateral trading system remains as a significant global public good, whose real value has been understood and appreciated only when the global economy has faced catastrophic uncertainties. Its value was first understood by the founding fathers of the General Agreement on Tariffs and Trade (GATT) who had established the framework of a rules-based system in 1947 essentially to prevent the recurrence of the trade wars of the 1930s. Again, in the recent decades, when the economic downturns loomed large, the global community had collectively reiterated the importance of multilateral trading system as a bulwark against trade protectionism.

The second reason for nurturing multilateralism in trade is that rule-making through the Free Trade Agreements would always remain the “second best” option, especially for the fact that these agreements do not remove serious trade distortions like subsidies. Moreover, these agreements have not yet been designed to deliver outcomes that can address the specific needs of the least developed countries, which the WTO can through the provisions of special and differential treatment.

Despite its inherent weaknesses in delivering outcomes, the WTO remains as the only forum that can contribute to inclusive trade because it is mandated to do so. The organization is expected to bridge the yawning gaps that exist in the capacities of countries to participate in global trade by adopting rules that address the needs of countries at different levels of development. Through the implementation of the Doha Development Agenda, which, as the WTO members had agreed should be the core of the Doha Round negotiations, efforts were being made to negotiate rules that would allow the least developed countries to improve their presence in global markets. This focus on the least developed countries has become even more relevant in light of the evidence that share of these countries in global exports has shown very little change over the past two decades - it has increased from 0.5% in 1995 to 0.9% in 2016.[1]

[1] WTO.

Figure 1: Share of LDCs in global trade



Source: WTO

Not surprisingly therefore, the Sustainable Development Goals (SDGs) had repeatedly emphasised the need to address the adverse situation faced by the least developed countries by implementing the "Doha Development Agenda",[2] the "duty-free and quota-free market access on a lasting basis"[3] and the "principle of special and differential treatment ... in accordance with World Trade Organization agreements".[4] The SDGs also spoke of significantly increasing "the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020."[5]

The lack of consensus on how to take the next steps, in particular deal with the Doha

[2] SDG 17, Target 17.10
[3] SDG 17, Target 17.12
[4] SDG 10, Target 10.a
[5] SDG 10, Target 17.11

Development Agenda is, quite clearly, the stumbling block that the organization is unable to overcome. But while the collective has been unable to define the work programme of the WTO, an entirely new dynamic emerged in the run-up to MC11. A small group of countries, no more than a fifth of the total membership of the organisation, brought a number of issues on the table, including proposals for developing rules on e-commerce and investment facilitation. For instance, the proponents of e-commerce argued for the establishment of a working group that would discuss, among other things, the possibilities of a permanent moratorium on customs duties on "electronic transmissions", disciplines ensuring cross-border data flows and localisation (local presence – including of computer servers, local content) and addressing the transfer of and/or access to source code. With the focus on the new issues, development-friendly issues, especially the one on providing better market access to the least developed countries in both goods and services, were, for all practical purposes, sidelined as preparations were made for MC11.

That there are serious risks of "cherry picking" was seen especially on the issue of e-commerce. The African Group contested the inclusion of this issue in the WTO, arguing that their small and medium enterprises would face adverse conditions if they were forced to compete on the e-commerce platform. This intervention by the African Group was yet another reminder that introduction of issues that lack the support of a critical mass of countries can drive further wedges within an already fragmented house.

Past two Ministerial Conferences have given a powerful message to the WTO