

## WTO's Role in the 21<sup>st</sup> Century

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Recent developments in Geneva have highlighted the depth of the Doha Round quagmire. The failure of the Members of the World Trade Organisation to agree on an “early harvest” package raises a number of questions not only about the fate of the Doha Round, but also about the future of the WTO itself. Questions will inevitably be raised about the WTO's continued centrality in the global trading system in the context of the paralysis in its negotiating function which prevents it from raising its game to address the rapid changes in the global trading system.

The lively debate we have witnessed in the CUTS Internet Forum on the Doha Round and the WTO has remained inconclusive. Some contributors have argued that the only way to rescue the WTO is to allow it to discard the Doha baggage or to delink it from the other functions of the WTO. Others remain unconvinced that it is possible to extract the Doha tooth from the WTO mouth painlessly, because in their view, the source of the infection is not in the tooth, but deep in the gums of the WTO. Doubts have also been raised about the practicalities of separation or abandonment as there does not appear to be a large constituency among WTO members for such a step.

The Doha impasse has prevented the WTO from focusing its attention on much needed institutional reform and new issues in the global trade agenda. In view of the deep structural changes taking place in the global economy and the multifarious rules being written into regional trading arrangements, further delay in addressing such issues will increasingly call to question the WTO's centrality.

The Ministerial Conference of the WTO to be held in December this year (MC8) provides an opportunity for Ministers to address all these issues. A clearer understanding, through a public debate, on the substantive issues Ministers should be addressing in MC8, would be useful in focusing Ministerial minds. The purpose of this note is to flag off such a debate.

Perhaps the most fundamental issue the WTO needs to confront is about its role in the 21<sup>st</sup> Century – is its central function about trade liberalisation *per se*, or is to provide a canopy of rules, disciplines and other mechanisms to capture trade liberalisation around the world and to manage global economic interdependence?

There are at least three contexts for such a discussion:

First, the structural changes we are witnessing in global manufacturing and commerce – the unbundling of manufacturing and its dispersal along regional/global value chains, a similar process in a growing range of services leading in many cases, to their off shoring, the spurt in innovation throughout the value chain, etc. RTAs are better geared to providing a framework for liberalisation in such a dynamic trading environment.

Second, the uneven spread of benefits of globalisation among geographies, which threatens to marginalise a large number of poor countries and is spurring calls for “*demandialisation*” and fuelling protectionist policies in several developed economies.

Third, a number of global challenges which have a bearing on the global trading system are either outside the purview of the WTO or are being inadequately dealt with. These include issues like climate change, food security, energy security, etc.

The real task, therefore, is to equip the WTO with the tools it needs to address current and future challenges in a way that responds to the needs of all players, big and small, and furthers the goal of sustainable globalisation. For this it needs forward looking mandates, institutional capacity and agile processes. Mega Rounds under the debilitating cover of the Single Undertaking are clearly not the answer.

As far as the prospects of the Doha Round in the short term are concerned, it is important to understand the politics behind the wrangling about the “early harvest” package for December. A minimalist LDC package requires the US to approach its Congress without any sweeteners. It is difficult to envisage a positive consideration of such a minimalist package in the US Congress given its ambivalence on issues of international trade and the deep polarisation within it on a range of issues. Apart from this, a LDC package alone will do little to assure other constituencies that the remaining part of the Doha mandate can be successfully negotiated. The challenge before Members is to agree on something beyond the LDC package without conceding too much negotiating leverage required for the final push. At the end of the day though, even an agreement on a package may be a case of “too little, too late”.

In this broad framework, the questions which need to be debated are:

- Is the Doha Round dead for all practical purposes or is it possible to breathe fresh life into it? Will the successful completion of the Round have any significance for the global trading system?
- If it is possible and necessary to revive the Doha Round, what concrete steps do Ministers need to take in MC8?
- What are the key challenges before the WTO? Does it need to reboot itself to address these challenges?
- Is it possible to develop synergy and complementarity between regional liberalisation and the multilateral process? If so, what should the WTO be doing?
- What initiatives should the Ministers launch in MC8 towards institutional reform?

It is essential that the preparation for MC8 moves along the triple tracks of decisive steps (either way) on the Doha Round, a mandate to take up new issues and institutional reform. MC8 has to move out of the sterile script of its predecessor. Another listless, expensive Conference which produces little of significance, will only serve to highlight the organisation's plight.