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Failure of WTO Ministerial Highlights Systemic Issues

By Evan Rogerson

SYNOPSIS

The 13th Ministerial Conference of the World Trade Organization concluded without any significant multilateral results. At a time when economic nationalism is on the rise and multilateralism is under siege, failure to make progress at Abu Dhabi risks further weakening the WTO as an element of stability and conciliation. It leaves WTO members and senior management with serious questions to answer about the direction and effectiveness of the multilateral trading system.

COMMENTARY

The World Trade Organization's 13th Ministerial Conference (MC13) in Abu Dhabi finished early on 2 March. Despite running well into extra time, it failed to achieve any substantive multilateral progress apart from the accessions of Timor-Leste and Comoros.

No Progress on Multilateral Agenda

On the key agenda items – agricultural trade, fisheries subsidies and reform of the WTO's dispute settlement mechanism – there were no tangible results. Ministers simply undertook to continue work and once more extended deadlines whose credibility lessens with each extension.

Even the limited fisheries subsidy agreement reached in 2022 has still not been ratified by enough WTO members to enter into force. The renewal of a moratorium on electronic commerce duties has been talked up, but it was not so much a success as the narrow avoidance of an additional failure, given that it has been extended regularly since 1998.

Strikingly, the relationship between climate change and trade, a growing challenge for the WTO system, was not mentioned in the concluding declaration.

Plurilateral Initiatives Advance

In contrast to the multilateral failure, there were some positive indications on the plurilateral side, where various groups of members are working outside the formal WTO framework on “joint initiatives” in order to avoid the roadblocks that are an inherent risk in a consensus-based system. They have reached agreement on investment facilitation for development and on domestic regulation of services, and there has been progress in other areas, such as E-commerce and trade and environmental sustainability.

WTO Weakened but Irreplaceable

Ministerial Conferences are intended to strengthen the multilateral trading system by providing political support and guidance. This Ministerial leaves the WTO further weakened, with entrenched divisions among key members starkly apparent. Multilateralism in trade and across the board is under siege from populist politicians and geopolitical tensions.

Battered as it is, the WTO provides an irreplaceable element of stability in the global economy. Its continuing capacity to do so depends on its members moving beyond platitudes and ritualistic positions. There is an urgent need for constructive engagement by governments with the present realities of the system.

This should include facing the fact that the WTO is now effectively a two-tier system. Plurilateral initiatives offer the only real prospect of responding to urgent challenges like the trade/climate change nexus, though they are resisted by a minority of governments who fear losing leverage. The multilateral level has almost ceased to be a forum for trade-opening negotiations, but it remains the systemic foundation, albeit one weakened by unilateral actions.

Negotiating in a Two-tier System

The WTO’s negotiating paradigm needs updating to reflect these new realities. The broad multilateral Rounds of the past are not likely to come back. The Doha Round has been dead for years, even if some members are reluctant to bury it. As far back as 2011, members agreed that parts of the agenda could move faster than others. This was presented as enabling an “early harvest” but was in fact a salvage operation. It set the scene for the agreements on Trade Facilitation in 2013 and Agricultural Export Subsidies in 2015, as well as the partial deal on Fishery Subsidies in 2022.

The abandonment of a broad “single undertaking” negotiating agenda has been followed by the movement towards plurilateral initiatives of governments who want to make progress on specific issues. In doing so they can also take a more calibrated and effective approach to issues such as special and differential treatment for developing countries, which has been a bone of contention in the WTO since the emergence of China, India and other big developing countries as major economic actors.

The relationship between plurilateral agreements and the multilateral rules remains contentious, however. A way to bring plurilateral agreements at least partially into the

WTO legal framework appears to have been found for domestic services regulation by including the agreement in the services commitments of individual members, but a more formal approach for investment facilitation, which has over 100 signatories, has been blocked by a few members led by India. This has set India against China, a major promoter of the agreement.

Reinforcing the Multilateral Foundation

Updating and reinforcing the multilateral tier – the bedrock of the system – needs to happen in parallel with the advance of the plurilateral agenda.

The dispute settlement system remains a fundamental element, and it urgently needs to be restored to full effectiveness. The US, which under the Trump administration shut down the appeals function, has to play a key part in finding a solution.

The long-running agriculture negotiations, whose mandate predates the Doha Round, have become an endless loop of frustration. Sharply differing priorities among the major players, exacerbated by domestic political pressures, keep consensus on key points out of reach, and India's insistence on weakening the existing subsidy disciplines in the name of public stockholding is an additional divisive factor. The time has come to ask whether the current negotiating model still makes sense.

The WTO also needs to think about how it does business. Are high-stakes travelling shows every two years really the best way to ensure productive political-level involvement? The WTO could perhaps learn from its sister organisations such as the World Bank, IMF and OECD, where ministerial involvement is more continuous and less dramatised.

Conclusion

The geopolitical outlook for the near future is gloomy. The global community cannot afford to waste any means of promoting stability and conciliation. The WTO is an asset ready to hand, but it needs to be better used. The setback of MC13 should give its members and its senior management cause to think seriously about how to do so.

Evan Rogerson held senior positions in the World Trade Organization until his retirement in 2017. He was a New Zealand diplomat until joining the GATT, now WTO, in 1986. Mr Rogerson is an Adjunct Senior Fellow in the Centre for Multilateralism Studies at S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (NTU), Singapore, and was the convener of the Singapore Trade Policy Forum in 2018 and 2019.
