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EXPLORING THE NEED FOR A POST-WTO FRAMEWORK

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I. ABSTRACT

“The World Trade Organization (WTO) strives for member states to adhere to comprehensive and non-discriminatory rules to facilitate global trade. While the United States played a significant role in the WTO's growth, the organization's ability to address manipulation of rules by certain nations is limited. This raises the hypothetical need for a successor to the WTO to effectively regulate global trade. Furthermore, the WTO's dependence on major economies and its lack of accessibility for private business entities have become apparent shortcomings. As a result, there is a growing scope for existing outside the WTO, considering its stagnant progress and the need for a more inclusive and responsive trade organization. Understanding the significance of this topic is crucial as it highlights the current challenges and limitations of the WTO, prompting the exploration of alternative frameworks for regulating international trade in a fair and equitable manner.”

II. INTRODUCTION

The World Trade Organization, its utopian vision is that of Member states coming together, binding themselves with a comprehensive set of permanent and non-discriminatory rules which they would all observe whilst practising trade on a global scale. Unlike several other international organisation who have their clear prejudice over superpowers and allow for their operations to be influenced by the “elected” few. The WTO has been pre-dominantly led by the United States, even though they share their status of “Founding-Members,” it is the opportunities and ability they provided to import/export goods from other nations on an equal platform by joining it themselves. Both of these factors heavily contributed towards attracting more and more nations to opt into the organisation. But it does not take away from the fact that in the starting stages, US fostered WTO up until it reached the required stature to sustain itself.

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It became the global trade body today which handles international commerce, observes trade agreements between developed, developing and under-developed countries, and settles disputes between its current 164 members. Through their strict implementation and nations following in-suit, to enjoy a regulated trade environment which enabled every member nation to not only maintain but grow their economy and help their citizens in terms of living standards and employment.

The WTO dives into every imaginable tangent related to Trade Agreements with policies like the Most-Favoured Nation & National Treatment acting as the two big guns. They even have overseeing provisions for Globalization of Value Chains, which picked up relevancy again after the Covid-era, even though GVCs now have the potential to gain enough momentum to render trade agreements obsolete. Instead of suppressing the spike in their usage or deny its benefits insisting on the same old practises, they welcomed the newer adaptation of building better economy. All in all, WTO by no means can be referred to as an institute of just “big talk”, it regulates about 98% of world trade, a dispute settlement body which has adjudicated over 500 cases with more or less impartiality, and most of whoever is not a part of it are already queued in to become one in the near future.

But in recent times, as far as one can observe, one of two things happened with the upward growth WTO had displayed which since then appears to be stunted.

One, is that WTO finally ran out of its depth in terms of keeping up with their own success, making them stagnant;

OR

Two, Member Nations in almost 6 decades of its inception have finally learned how to play the rules which were meant to be equal for all in a way that benefits them over others. And WTO has little to no countermeasures for it.

In any case, what could possibly strike out to a layman is that this organisation much like its predecessor (GATT) now needs a successor to combat the new challenges it faces.

For this paper to work, a hypothetical must be put forward to theorize the rationality of existing outside the WTO. The Hypothesis follows the assumption that, say the organisation does crumble to dust in the future, it would leave member nations with the task of coming with a far better equipped body to soon take its place. Now, WTO itself was a result of negotiations spanning over 50 years before being finalized. Going by this trend, it would mean that for a sizeable bracket of time, trade around the globe would be unencumbered by any international provisions to regulate tariffs, customs duty, import/export duty, etc.

It is this bracket of time where the question of existing outside the WTO would be answered and subsequently showcase the importance of a governing body.

III. WHAT WENT WRONG?

In the simplest of terms, a good trade environment is supposed to have acceptable deficiencies and imbalances. And by treading along the lines of a theoretical approach one can see why a large, persistent, well-managed, open trading system would have its rare instances of such imbalances.

For example, it is expected that within a rapidly developing country with its economy growing exponentially (due to, well the WTO), one would understand them facing moderate deficits. That is because to keep their economy growing and to create jobs, they have to keep their investments high. How that creates a deficit, is that owing to their status of a developing country they would not have enough domestic savings to invest it back in the market, which naturally asks for more capital, and to fill that demand the surplus gained from trade is cycled back into it. Which would mean that to sustain their capital flow a developing country would have to deal with a much more developed country whose ROIs are relatively smaller to what the former would be getting on their investments.

This can be taken as a very boiled down version of how the claims of WTO to improve global economy should work. Eventually by taking moderate to low trade deficits a

developing country would attain the balance and then the surplus required in its own economy to help the next developing country in line.

IV. WHAT IS ACTUALLY HAPPENING?

Along the same lines of logic as above, it is quite obvious that majority of the developed economies would always enjoy a surplus in their economies, allowing them to invest capital with other nations. While sane, the issue is that on the world map, these surpluses are quite unevenly divided among the “advanced” economies.

For example, while Germany showed a tremendous trade surplus since 2005², France in that same duration faced trade deficits³. even our logic with the developing countries and their moderate trade deficit in the above paragraph seemed to not be the case for several rapidly growing countries in Asia all because they are in one way or another grouped together with China.

From a look at the numbers alone on revenue brought in as “Global Savings⁴”, what’s causing this phenomenon of the Rich getting richer and Poor getting poorer, is because only 20-30% of its excess goes towards the rapidly developing countries. While the rest find its way back to the same one specific group of advanced economies⁵ like the United States, United Kingdom, etc.

So not only do they enjoy their returns from investing in developing economies, they also hold enough revenue to acquire assets in those nations who are already gambling by importing their savings while the big dogs have enough surplus to match whatever wager they propose.

As we analyse further, it is evident that the global trading system was never intended to operate in such a manner. If one has enough excess savings left over after maintaining a respectable lifestyle for their citizens, the priority should be given to

² MacroTrends, 'Germany Trade Balance Deficit,' <https://www.macrotrends.net/countries/DEU/germany/trade-balance-deficit>, accessed 8th March'2023.

³ MacroTrends, 'France Trade Balance Deficit,' <https://www.macrotrends.net/countries/FRA/france/trade-balance-deficit>, accessed 14th March'2023.

⁴ Lance Taylor, "Savings Glut Fables and International Trade Theory: An Autopsy," Institute for New Economic Thinking (INET) (29 April 2019), <https://www.ineteconomics.org/perspectives/blog/savings-glut-fables-and-international-trade-theory-an-autopsy>, accessed on 14th March'2023.

⁵ Benn Steil and Benjamin Della Rocca, "Global Imbalances Tracker," Greenberg Center for Geoeconomic Studies, Council on Foreign Relations, <https://www.cfr.org/report/global-imbalances-tracker>, accessed 26th February'2023.

benefitting the global economy and not their own. But as the case would be with any implicit bias, it is not expected from those nations, this is a lapse in terms of overlooking, recognising, and taking actions on part of the WTO.

And even if part of us would want to believe a country's trade surplus is because their working class is better in terms of working and efficiency, a look at any working class individual would show that while the economy benefits their own living standards stay the same. Meaning, these workers are paid the same, even if their work now has a higher contribution to the economy. Understandably, the "living standards" of people may not fall within the ambit of the WTO but is this not the simplest form of $1 + 1$ must equal 2.

As a developing country, there is not much which one can do, nor would any actions taken would affect this global network of trade. Just as stated before, nations have over time found a work around to keep them segregated from the ones trying to be of their stature in a global standing. And what choice could the former have? Leave the WTO? Its as if throwing a rock in the ocean and expecting a tidal wave. Regrettably majority of these nations and their attempt to flout are like that rock. Regardless of whatever economic depravity they might be facing right now, it would be nothing compared to if they left the WTO, allowing all nations with whom they trade to inflate charges of tariffs or customs duty to whatever they feel like. And have no one to tell them otherwise.

This is the reality of being part of the WTO or in a broader sense to be part of any international organization. Other member nations can easily discriminate against the leaving party while the standing of the organisation remains unaffected.

Contrary to this norm, it was the WTO who were subjected to the possibility of a paradigm shift in 2017 when Donald Trump issued statements cuing US's exit from the organisation. It obviously was a goldmine for analyst and economist to form opinions for both parties. On one side, the entirety of USA's global trade market would have taken an irreparable hit, since their FTA's could barely help them sustain their economy and standard of living. On the other side, it would have meant that the leadership of Global trade would have fallen under China's regime. Making China the

largest contributor to global GDP while still claiming to be a “Developing Country”, to claim advantages set aside for the actual ones. China has also been called out for their preferential treatments to state provinces, inadequate enforcement of IPR and other unfair trade practises. But with US out of the picture, there would not be much to prevent China from dominating Global Trade for a long time.

V. CONCLUSION

All of this to say, that there is more than a scope to exist outside the WTO, all of its success which it saw, were in the past, of late it has been more than just a stagnant ship in still water. It is becoming dependant on the 5 major nations which contribute the most to global GDP while most other nations are left out of their depth to handle bullies in the market while observing the rules which seem to be applicable on just them.

One other important angle which seemingly has been overlooked by the WTO, is providing accessibility to private business entities. On a global scale, this may seem frivolous, but think about it, when a nation agrees to any norm or signs any agreements with other nations who takes the actual hit from those deals? The government of a nation is a mere representative of all those who work in their economy, they themselves merely do the dealings while the work is performed by these entities. Even if they have a concern, the DSS of WTO only permits member nations to bring in a case of disputes, leaving said entities in the hopes that their government eventually notices them and take their issues up.

My final remarks are this, if of late the WTO was unable to resolve the issues of a superpower with unfair trade policies what hope should the remaining 163 members have for themselves?