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Can the World Trade Organization Survive a Polarizing World?

THREE POSSIBLE FUTURES FOR THE GLOBAL TRADE AND INVESTMENT REGIME

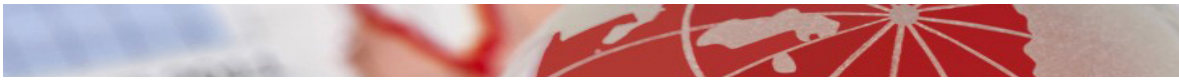
BY SANDRA POLASKI, RACHEL THRASHER, VERONIKA J. WIRTZ & WARREN KAPLAN

EXECUTIVE SUMMARY

In June 2022, trade ministers representing the 164-member countries of the World Trade Organization (WTO) met for the first time in four years amid an ongoing global pandemic and geopolitical forces threatening to separate the global economy into blocs.

Following two postponements, a key issue for the WTO 12th Ministerial Conference (MC12) was a waiver of certain provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights for COVID-19 products (TRIPS waiver). Initially proposed by India and South Africa in October 2020, they argued such a waiver could increase production and affordability of essential health products in low- and middle-income countries (LMICs), but the proposal languished, opposed by key countries at the WTO while vaccine inequality—of particular concern for LMICs—skyrocketed. After more than two years, WTO members finally reached a compromise on the waiver proposal, though it was not as expansive as many countries and advocates hoped.

The TRIPS waiver stalemate, and COVID-19 more broadly, have shown a spotlight on existing cracks in the WTO's foundation, calling into question the future of an institution struggling to meet the



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demands of a world facing the overlapping crises of pandemic, climate change and global economic disruption.

After a tepid MC12, where does the WTO stand today? Can an organization that was both a reflection and an engine of global economic integration survive the deglobalizing forces of pandemic-induced border closures, broken supply chains, geostrategic rivalry and a war pitting Group of 20 (G20) countries against each other? Does the TRIPS waiver compromise and other limited agreements from MC12 indicate potential forward movement? Should the WTO be systematically transformed to address shifting economic weights and differing economic systems among major powers?

This policy brief seeks to answer these questions first by examining the historical context in which the WTO was created and how that context has changed over the intervening three decades. It then turns to the pandemic-induced "stress test" for international trade, specifically exploring the constraints that WTO rules placed on the member states' policy space as governments struggled with a severe public health crisis and economic disruptions. Next, we look at the specific issues that were on the negotiating table at the June 2022 trade ministerial and evaluate the outcomes, both on their merits and for clues about the ability of the WTO member states to find compromise in a highly charged global atmosphere. Ultimately, we assess possible future pathways for the WTO as a key multilateral institution, including a muddling through without major change; a fracturing into blocs within the shell of the WTO or outside of it; or a more profound transformation that allows countries with differing economic systems and priorities to continue to trade with each other while respecting their domestic policy priorities. We evaluate the consequences of each, including their potential impacts on global economic stability and peace.

INTRODUCTION

In June 2022, trade ministers representing the 164-member countries of the World Trade Organization (WTO) met for the first time in four years amid an ongoing global pandemic, and geopolitical forces that threaten to pull the global economy into separate blocs.

Following two postponements, a key issue for the WTO's 12th Ministerial Conference (MC12) was a waiver of certain provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS waiver). Initially proposed by India and South Africa in October 2020 (WTO 2020a), they argued such a waiver could increase production and affordability of essential health products in low- and middle-income countries (LMICs), but the proposal languished, opposed by key countries while vaccine inequality—of particular concern for LMICs—skyrocketed (Our World in Data 2022). Now, after more than two years, WTO members finally reached a compromise on the waiver proposal (WTO 2022a), though it was far narrower than many countries and advocates hoped (MSF 2022).

The TRIPS waiver stalemate, and COVID-19 more broadly, spotlighted the existing cracks in the WTO's foundation, calling into question the future of an institution struggling in the face of a rapidly polarizing world facing the overlapping crises of pandemic, climate change and global economic disruption. The WTO's inefficacy was visible not only in the TRIPS waiver negotiations, but also in the limited scope of the other ministerial accomplishments. Beyond this agreement and another (similarly controversial) one regarding overfishing (WTO 2022b, Sharpless 2022, McVeigh 2022), WTO ministers extended two moratoria that effectively recognized the deadlock in related negotiations—one allowing public food stockholdings and one prohibiting customs duties on electronic transmissions (WTO 2022c).

After a tepid MC12 outcome, where does the WTO stand today? Can an organization that was both a reflection and an engine of global economic integration survive the deglobalizing forces of pandemic-induced border closures, broken supply chains, mounting geostrategic rivalry and a war pitting Group of 20 (G20) countries against each other? Does the TRIPS waiver compromise and other limited agreements from MC12 indicate potential forward movement? Should the WTO be systematically transformed to address shifting economic weights and differing economic systems among major powers?

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A CONTESTED FOUNDATION AND SHIFTING FORCES

In the late 1980s and early 1990s, the WTO emerged out of the eighth round of negotiations to update the General Agreement on Tariffs and Trade (GATT 1947), the 50-year-old trade regime that governed trade among capitalist countries in the geopolitical context of the Cold War. These negotiations, termed the Uruguay Round, took place in a rapidly evolving world: the socialist bloc collapsed, China opened its economy and the Western and US economic model emerged as the dominant global economic system. At the same time, Western governments were moving away from a Keynesian macroeconomic policy approach in which they assumed the responsibility for ensuring sufficient incomes and demand, towards a more neoliberal view in which markets were seen as the most efficient way to allocate resources, discouraging government intervention (Williamson 2004; Irwin and Ward 2021).

With strong US influence, the WTO rules were written in the spirit of this new neoliberal consensus, expanding the rights of private firms and investors, reining in numerous aspects of government intervention and imposing discipline on regulation of many domestic issues, such as protections for intellectual property and rules regarding services and investment. Perhaps most importantly, the WTO created a binding dispute settlement system to replace the weaker mechanisms of the GATT (WTO 2021a), a move that was considered by some to reflect a movement from a power-based to a rules-based system and from big power dominance to something more equitable (Pauwelyn 2005).

An Institution Contested from Its Inception

From the beginning, many LMICs, which constitute the majority of WTO members and that are grouped as "developing" and "least developed countries", considered the rules to have been written in favor of high-income countries (Ismail 2020). The low-and middle-income countries sought access to the world's largest and most lucrative markets, but many found that the overall balance of rules in the WTO was not favorable to their own development interests. For example, a widespread

criticism by such countries related to the rules on agricultural trade, which they believed favored high-income countries' commercial agriculture that benefited from subsidies, export support and other measures (Ritchie & Dawkins 2000, Yigzaw 2015). Given that many developing countries depended heavily on agriculture both for exports and for domestic subsistence, they sought reform of the sector and formed their own negotiating alliances (WTO 2021b; Polaski 2005).[1]

The tension between the developed and developing blocs contributed to the breakdown of the intended launch of a new round of WTO negotiations in Seattle, Washington in 1999, as well as the ultimate failure of the Doha Round, launched in 2001 (WTO 2021c). In particular, the attempt to create an agenda for further liberalization of agriculture, services and increased protection of intellectual property did not represent a consensus of the member states (Raghavan 2000). The "battle in Seattle" also reflected the early and on-going challenges against the WTO from civil society, in which a large, diverse coalition of labor, environmental and other social justice groups helped bring WTO negotiations to a halt (Tizon 1999; Edelman 1999).

A Shifting Geopolitical Landscape

Despite these problems, the WTO continued to attract new members. The largest addition was China, which joined in 2001 following years of intense bilateral negotiations where China made significant commitments to liberalization (WTO 2001a).

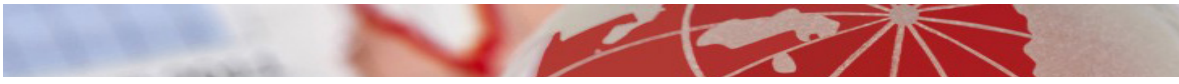
Its accession was quantitatively and qualitatively different from that of other developing countries that had joined the GATT and the WTO over the years. China was the most populous country in the world and at the time of its accession, the majority (63 percent) of its population was still rural, meaning that it had a huge body of labor available to be drawn from agriculture into manufacturing (World Bank 2021). WTO accession and the corresponding greater certainty of market access to other members' markets led to accelerated foreign direct investment flows. Together with its low-wage labor force and investments in infrastructure and connectivity, this led to a rapid expansion of Chinese manufacturing for export. This structural transformation allowed China to absorb several hundred million workers out of agriculture into employment in higher productivity manufacturing, resulting in China being able to eliminate extreme poverty (Li et al 2021). Moreover, because of the country's size, the growth in employment and incomes led to a reduction of inequality at the global level (Lakner and Milanovic 2013).

Some of China's direct competitors, however, experienced a decrease in manufacturing employment and investment described in the US as the "China Shock" (Autor et al 2016). Mexico, a key competitor to China in many industries, was wary of China's WTO accession and experienced manufacturing losses in its wake (WTO 2001b; Hernández 2012; Trachtenberg 2019).[2] China's economy grew quickly, leading to absorption of its surplus labor and rising labor costs (International Labour Organization 2020). As a result, the "China shock" is considered to have plateaued in 2010 (Brandt and Kim 2020; Autor et al 2021).

However, the sharp losses experienced by the most affected communities in the US proved to be long-lasting, persisting a decade or more after the initial shock (Autor et al 2021). The experience hardened into a narrative of unfair competition and rising anti-Chinese sentiment (Tan 2011; Huang

[1] For example, the G33, also known as the "Friends of Special Products" in agriculture, is a coalition of developing countries pressing for flexibility for developing countries to undertake limited market opening in agriculture to protect small-scale farmers.

[2] Mexico concluded bilateral negotiations on market access with China on September 13, 2001, days in advance of the final meeting of the WTO Working Party on China's Accession on September 17, 2001.



et al 2021). In 2016, that narrative was used by then-presidential candidate Donald Trump, contributing to his electoral victory (Corasaniti et al 2016; Cerrato et al 2016). In historical perspective, the "China shock" to employment in the US and elsewhere represented a transitory period. However, the impacts have endured in political and policy discourse and have been codified in national laws (Huang et al 2021).

China's accession and powerful economic growth represented a shift in the geopolitical landscape of the WTO, previously dominated by advanced, Global North economies.

Member States and Their Discontent

The shifting landscape caused by China's economic advances had repercussions beyond US economic losses. The US also came to resent the constraints that the binding WTO dispute settlement mechanism placed on its own behavior with regard to China and competitors in the West and sought to weaken it (Hart and Murrill 2021). The WTO had created a standing Appellate Body, able to decide disputes between member states when the losing member contested an outcome from an arbitral panel formed under the organization's basic dispute settlement mechanism. A decision by the Appellate Body stands unless *all* members of the WTO collectively decide against it.

Beginning with the Obama administration and continuing in the Trump administration, the US vetoed the appointment of members to the Appellate Body, finally de-staffing and incapacitating it in 2019. As China grew into a major trading power, the European Union (EU), Japan and others also began to press for changes in WTO rules to constrain the Chinese model of state capitalism (European Commission 2020a). Developing country members continue to be discontented, and the reforms they have sought are often quite different from those sought by their high-income counterparts (Ismail 2020). High-income countries, for example, seek to weaken provisions on special and differential treatment (SDT) for self-identified "developing" countries within the WTO, while LMICs seek to expand policy space for their own economic development, including SDT (Hegde and Wouters 2021). In the face of ongoing disagreements, some countries have sought further trade liberalization through plurilateral agreements, involving some but not all WTO members, such as the Joint Statement Initiatives on domestic regulation (WTO 2021e, WTO 2021f), investment facilitation and others, although these agreements have struggled to reach conclusion.

A GLOBAL PANDEMIC SPOTLIGHTS FAILURES AND CREATES NEW TENSIONS

When the COVID-19 pandemic hit in 2020, governments scrambled to protect public health and stabilize their economies from severe disruptions. Many of the actions taken were in tension with WTO rules, such as those governing subsidies, investment measures and import and export restrictions. This tension raises further questions about the viability of the trade regime as a whole, beyond the failures of the Doha Round negotiations and blockage of the Appellate Body.

In a December 2021 report, we studied the extent to which governments chose policies that diverged from or violated trade rules by examining the steps taken by a sample group of six large countries—the United States, Germany, France, China, South Africa and India (Thrasher et al 2021). We reviewed publicly available data collected in a number of databases, relying primarily on the respected Global Trade Alert (GTA) database which catalogues actions taken and categorizes them as either "harmful/discriminating", "likely harmful/discriminating" or "liberalizing" toward trade openness or foreign products and services (Global Trade Alert Database 2021, Evenett 2019).

Widespread divergence from trade rules during the first COVID-19 wave

During the period covered by our study—March 1, 2020 to August 31, 2021—the six countries adopted over 1,100 policies that often diverged from WTO constraints on subsidies, tariffs and other border measures, investment rules or public procurement commitments. All the countries used subsidies and tariffs or import or export constraints (Table 1). The high-income countries used subsidies most extensively, including specific subsidies to domestic producers, capital injections into private firms, government advance purchase agreements for vaccines and treatments, tax breaks to incentivize new domestic production and government investment in research and development. China, South Africa and India used subsidies less often, perhaps reflecting more limited fiscal capacity, and relied more on border measures. As column five of Table 1 shows, all countries targeted most of their interventions toward non-health sectors, with only a minority of interventions dealing directly with the health challenges posed by COVID-19.

Table 1: Policy Interventions in Response to COVID-19

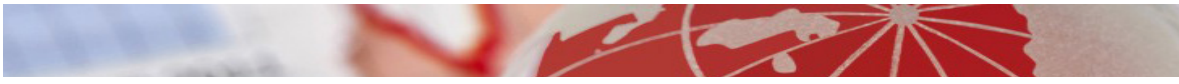
Country (by nominal GDP per capita) [1]	#of Interventions Enacted[2] [2]	# of Sectors Affected [3]	#of Countries Affected [4]	# of Health Sector Interventions (as % of total interventions) [5]	# of Subsidies [6]	# of Tariff and QR[3] policies [7]	#of Investment Measures [8]	# of Public Procurement Measures [9]
USA	476	132	156	70 (14.7%)	319	81	10	66
Germany	263	131	157	27 (10.3%)	161	32	70	0
France	160	183	151	38 (23.8%)	123	31	6	0
China	32	131	171	7 (21.9%)	10	19	3	0
South Africa	33	83	107	5 (15.2%)	15	18	0	0
India	170	117	171	56 (32.9%)	51	87	17	15

Sources: GTA 2021; Thrasher et al 2021, authors' calculation.

The actions reflect tensions and trade-offs faced by governments as they confronted the health crisis and resulting economic shock. There were tensions between national and global health needs, as well as trade-offs between public interests in broad-based access to diagnostics, treatment and vaccines and private sector interests in profits and expansion of market share. Despite the fact that the US, EU and Japan had advocated for WTO reforms constraining subsidies and other state aid before the pandemic, some of those same countries adopted huge increases in state aid and took government equity stakes in private firms, as well as supporting re-shoring of key industries and building national champion firms (Thrasher et al 2021). The decisions made show that in the face of serious challenges, governments are willing to ignore the constraints of trade rules, even those they have sought and negotiated. It is important to note that the countries taking such measures could still be challenged by other governments, investors or property rights holders under the WTO and other trade and investment agreements.

Continued adherence to intellectual property protections

By contrast, we initially found that none of the governments in our report chose to issue compulsory licenses (CLs) that, in principle, would have allowed their own firms to produce vaccines that



involved patents without the permission of those holding the intellectual property rights. The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), as expanded by the 2001 Doha Declaration on the TRIPS Agreement and public health, allows countries to issue CLs for production of essential medicines, products and treatments (WTO 2001c). Given the widely documented inequity in the availability and distribution of vaccines and treatments for COVID-19, and the life-and-death consequences, compulsory licensing might have seemed an obvious first step for a country attempting to manage a pandemic.

Indeed, recent research has uncovered the fact that the US was privately issuing CLs to dozens of domestic pharmaceutical companies in its research and development contracts, allowing them to bypass the usual licensing required to use patent-protected technologies and innovations in their vaccine development (Fang 2022, KEI 2022). LMICs, however, often face obstacles to using CLs. COVID-19 products, for example, are often covered by many different patents, filed in a number of different countries and as such, CLs are not a simple way to quickly expand production (Gaviria and Kilic 2021). What is more, despite the US apparent reliance on CLs to secure its own supplies during the pandemic, pharmaceutical companies in the US and Europe have routinely pressured their governments to punish countries for issuing CLs on their products, with US pressure on India and Malaysia, as well as Swiss pressure on Colombia, among the examples (MSF 2018, Goldman and Balasubramaniam 2015, New 2019).

In response to the urgency of the situation and the severely unequal access of developing countries to vaccines and treatments for COVID-19, India and South Africa proposed a broad waiver of the WTO's intellectual property rules covering four categories of rights covered by TRIPS–copyright, industrial designs, patents and undisclosed information—to increase production of vaccines and medical supplies until the majority of the world population had received vaccines and developed immunity to COVID-19 (WTO 2020a, Médecins Sans Frontières 2020). The proposal was later amended and co-sponsored by an additional 87 mainly developing countries and the concept received some support from the US and China (WTO 2021d, US Trade Representative 2021, Schwegman et al 2021). The EU, Japan, Norway, Singapore, South Korea, Switzerland, Taiwan and the UK opposed or expressed reservations (Titievskaia 2021), and the proposal did not move forward until the eve of the 2022 Ministerial Conference.

LACKLUSTER RESULTS

MC12 was delayed twice by the pandemic and related border closures (IISD 2021). When it went forward in June 2022, expectations were low, given the repeated failures of negotiations and deadlock on the dispute settlement mechanism (Thrasher et al. 2022).

The US, EU, India and South Africa worked on a compromise TRIPS waiver text that was presented to the ministers for negotiations, and a modified version of their draft was agreed in the last hours of the June meeting (WTO 2022b). The final agreement was far narrower than the original waiver proposed by India and South Africa, in that it applies to COVID-19 vaccines but not to non-vaccine therapeutics and diagnostic tools for the disease; it is also not available to all countries (WTO 2022a). It essentially allows countries to issue CLs (or compulsory-license-type permissions) only for patent-protected vaccines and vaccine ingredients to meet their own domestic demand or to export to countries lacking manufacturing capacity for a period of five years. It barely expanded (if at all) on the existing flexibilities present in Article 31*bis* and the Doha Declaration on the TRIPS Agreement and Public Health (Doha Declaration; TRIPS Article 31*bis*; Hassan 2022). The agreement calls for a decision within six months on whether to extend the waiver to the production and supply of COVID-19 diagnostics and therapeutics.

The practical utility of the compromise measure has been hotly debated. Public health and development advocates were disappointed by the compromise and criticized its limited scope and the delay in reaching it while the pandemic continued to claim many additional lives (MSF 2022, South Centre 2022). At the same time, the international pharmaceutical industry criticized the outcome for different reasons, calling it "a dangerous signal" and asserting that intellectual property was not a barrier to scale-up of vaccine manufacturing (International Federation of Pharmaceutical Manufacturers and Associations 2022).

Given the limited and carefully circumscribed language of the agreement, it is not clear that developing countries will be able to use it to effectively ramp up vaccine supply in a reasonable timeframe. The long delays in addressing vaccine inequity have undermined trust in the promises of Western governments. While vaccine production has accelerated over time, with 12 billion doses administered globally (Bloomberg Vaccine Tracker 2022), the distribution of those doses has been highly uneven. In most high- and middle-income countries, over 200 doses were administered per 100 people, while fewer than 50 doses per 100 people were administered in most African countries and fewer than ten in some. As a result, most higher-income countries had adequate supplies to fully vaccinate their populations while more than half of African countries did not have enough vaccine to provide even one shot to most people (Ritchie et al 2020). A recent modeling exercise published in *The Lancet* estimated the number of deaths averted by vaccinations in 2021 for different country income groups, finding that in high-income countries, 66.2 deaths were averted per 10,000 people, while in LMICs, the deaths averted fell to 22.2 and in low-income countries only 2.7 deaths per 10,000 people were averted by vaccination (Watson et al 2022).

There continues to be a strong argument for building production capacity in developing countries and regions, given the highly unequal distribution of vaccines, the long delays in getting doses to developing countries, the high prices charged by pharmaceutical firms based in wealthy countries and the likely need for ongoing booster doses as the coronavirus continues to mutate (Labonte 2022). The slightly expanded flexibility provided by the ministerial decision on the TRIPS Agreement could marginally support this effort regarding vaccines, but if the agreement is extended to treatments and diagnostics within six months, the impact could be more substantial.

The WTO's inefficacy is visible not only in the lackluster TRIPS waiver negotiations, but also in the limited scope of the other accomplishments of the ministerial. Beyond this agreement and another (similarly controversial) one regarding overfishing (WTO 2022b, Sharpless 2022, McVeigh 2022), WTO ministers extended two moratoria that in effect recognize the deadlock in related negotiations—one allowing public food stockholdings and one prohibiting customs duties on electronic transmissions (WTO 2022c).

POSSIBLE FUTURES FOR THE WTO

The sharpening tensions between the US, China and others and now Russia's war in Ukraine may shift the tectonic plates of geopolitical relations in ways that force deeper ruptures at the trade body and determine its prospects. At a minimum, the organization will be caught in the heightened uncertainty and unpredictability that are roiling international relations more generally.

Reinforcing this geostrategic uncertainty is the shift in domestic political incentives seen during the pandemic. In the face of COVID-19, governments, including the US, that previously hewed closely to liberal market policies and disdained intervention in the economy, adopted wide-ranging and sometimes radical interventions to protect their own economies and their population's health (see Table 1). The changes in priorities during an acute crisis like the pandemic show that the commitment to the rules and principles of the current global trade regime is not immutable. The shift toward state

economic intervention during the crisis has persisted in some countries and sectors, with implications for trade and investment. Another indication that the current trade rules are not suitable for dealing with current crises is the struggle governments faced in securing essential health products for their populations using existing mechanisms like CLs.

The climate crisis is also likely to pose an even larger challenge to the WTO going forward. Proposals by some countries for border measures, such as carbon taxes, could require new approaches to rules on non-discrimination, while support for green transitions could potentially run afoul of current disciplines on state aid. The proper governance of digital issues in global trade is yet another area in which there is wide divergence of views and practices among member states.

Three possible pathways for the WTO

Given the complex current conjuncture in international relations and domestic policy preoccupations, three very different pathways are possible for the WTO.

Figure 1: Three Possible Pathways for the WTO

Source: Compiled by authors.

1. PATCHWORK SOLUTIONS WITH NO STRATEGIC CHANGE

First, the WTO may continue to muddle through without serious reform. It still provides the basic rules of trade for most bilateral trading relationships, and many countries will be reluctant to let go of this fixed reference point in a global economy upended by snarled supply chains and continuing trade uncertainties.

Patchwork solutions have been attempted, notably with regard to the incapacitation of the WTO Appellate Body by the US, which may leave some trade disputes suspended without the possibility of final resolution. As an interim measure, the EU and 24 other countries including China have set up a "multi-party interim appeal arrangement" (MPIA) to hear appeals of WTO panel reports as long as the Appellate Body is not functional (European Commission 2020b). The arrangement was notified to the WTO, stating that it is intended to operate under the organization's overall umbrella and is

available to any members willing to join (WTO 2020b). As of mid-2022, 12 cases had been brought to the MPIA of which three were settled or withdrawn, and nine are ongoing (Geneva Trade Platform 2022). Most WTO members, including the US, have not yet joined, and it remains to be seen if it will function as intended (Starshinova 2021).

The tepid decisions out of MC12 suggest that the patchwork approach is the chosen path, at least for the short term. In particular, a TRIPS waiver that does not fundamentally waive the TRIPS rules and the further extension of several long-extended moratoria indicates that there is little consensus or even appetite for large-scale change at the institution.

2. INCREASING POLARIZATION IN A MULTI-POLAR WORLD

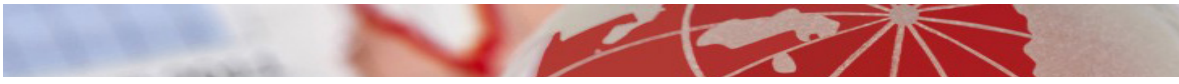
In a second plausible scenario, the organization may be buffeted more strongly by the growing strategic rivalry between the US and China in ways that undermine even the current suboptimal global equilibrium and further destabilize the WTO. Prior to the COVID-19 pandemic, the US and some allies had been pressing for stronger disciplines against China's state-led economic practices as their priority agenda for WTO reform (European Commission 2020a). This included efforts to create plurilateral agreements within the WTO that did not involve all members and that could amount to a *de facto* division into economic blocs, even if it occurred within the shell of the organization.

Today, by contrast, it appears that the building of trading blocs is proceeding largely outside of the WTO through mechanisms such as the US-led Indo-Pacific Economic Framework and the US-EU Trade and Technology Council. This shift in strategy may be due in part to the widespread adoption of subsidies, state aid, government equity stakes in private businesses and other industrial policy measures by the US and many European governments during the pandemic (see Table 1). The recent announcements of support by many governments for building national capacity in semiconductors, electric vehicles, batteries, clean energy and other sectors may have led to second thoughts on attempting to tighten rules on non-market practices within the WTO. Instead, the effort may be to rebuild global supply chains through preferential rules for trade among economic clubs of countries that exclude China.

3. STRUCTURAL TRANSFORMATION

A third possible pathway for the WTO would include a more systemic transformation that opens the door for a more stable global economy and potentially less antagonistic trade relationships. This pathway involves recalibrating WTO rules to face the challenges of the 21st century and moving away from the neo-liberal, pro-market rules that launched the organization. In the first place, WTO rules could be revised to protect the rights of states to pursue their own national development strategies, carving out policy space for industrial policies aimed at structural transformation (Shaffer 2021). Second, WTO rules could be revised to recognize the "common but differentiated responsibilities" of its membership in protecting the global commons (Gallagher & Kozul-Wright 2022). This means the rules would encourage collective action toward meeting larger crises—like the pandemic and climate crisis—as well as coordinating that action so that unilateral measures by some members do not create an obstacle to the goals of others (e.g., US-China Trade Policy Working Group Joint Statement 2019).

A pessimistic view might consider that the current geopolitical realities would make negotiations for such a transformation even more difficult than the failed Doha Round. A more optimistic view, however, would see the active government economic interventions in response to the pandemic and current supply chain failures as having the potential to lead toward gradual convergence of views on some of the policies that had polarized east and west, north and south.



To follow this pathway, the WTO must remain accountable to all its members. The push by some high-income members to expand the scope of WTO disciplines and introduce new rules that further constrain government policy space, while pushing plurilateral negotiating initiatives among like-minded, mostly high-income states, is a move away from multilateralism, inclusivity and accountability.

CONCLUSION

The WTO was born at a time when market-led capitalism was the dominant system and the organization's rules propagated the existing ideological preferences and advantages of the developed world. The argument was that developing countries would grow by liberalizing their economies and abandoning statist models and that China would converge toward the Western model of capitalism. Instead, recent practice in the West has converged toward a more interventionist state.

As domestic policies of Western governments shift and a multi-polar world emerges, it is possible to envision a revised global trading system that maintains the benefits of a largely open world economy, while allowing countries ample domestic policy space to address their public's economic and social preferences (Thrasher 2021). If instead the geopolitical tensions lead to decoupling into separate trading blocs, there will be no solution at the WTO. This will produce slower growth, including for the West, as China's huge market will be out of reach and it will require the dismantling of global supply chains, producing further sharp supply shocks. It will diminish mechanisms for engagement and dispute settlement and reinforce rivalries that can lead to even more dire conflicts.

Finding a new pathway that prioritizes coexistence is an enormous challenge. But it is more likely to achieve economic stability and peace than the alternative of discordant trade blocs.

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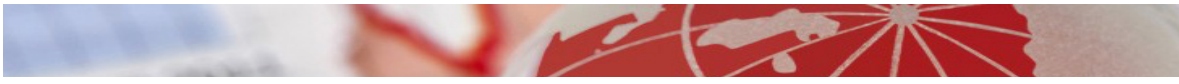

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