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Holding Up a Mirror to the World Trade Organization: Lessons from the COVID-19 Pandemic

Amrita Narlikar



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Introduction

The devastating COVID-19 pandemic has thrown several aspects of global governance under challenge. The World Health Organization (WHO), as the nodal organisation mandated to deal with public health issues, has understandably attracted the greatest attention in the context of the pandemic, and has come under fire for a multitude of sins of both omission and commission.¹ But what of other cognate international institutions that govern the global political economy and thereby facilitate or hamper access to lifesaving medical equipment and drugs, provide a system of enforceable rules to encourage vaccine development and distribution, or ensure that populations already beleaguered by a potentially lethal contagion do not become casualties of new scarcities of essential goods and services? This article focuses on one such key organisation: the World Trade Organization (WTO), the primary regulator of trade multilateralism, which assists in the seamless workings of global supply chains among its member countries, and which has been indirectly and directly embroiled in the politics of the pandemic.

The article proceeds in three steps. First, it highlights the role of the WTO in the pandemic. The second section provides an explanation for the problematic role of the organisation in both contributing to the exacerbation of the pandemic-induced crisis and also failing to alleviate it. It argues that the pandemic has shed new light on the problems of trade multilateralism, which in its current form is ill-suited to operate effectively in a world where interdependence can be weaponised. The third section highlights possible directions for meaningful reform. The article thus explores the balance between a challenging trifecta of economic interdependence, its weaponisation, and reform measures. It further suggests why international political economy may be the ideal subdiscipline to study some of these challenges.

The WTO in the Pandemic

The WTO enters the global tragedy that has unfolded before the world in three important ways. First, when the pandemic struck, shortages of lifesaving medical equipment and drugs affected many countries. Evenett and Baldwin argue that these shortages “could not be met in full by domestic or foreign sources of supply.”² Instead, they suggest that the problems arose not because of a breakdown in global value chains but because of inadequate stockpiles of relevant supplies. But it is worth noting that the WTO’s model of globalisation is one that has emphasised the efficiencies of trade over stockpiling. This makes for a context that allowed—even encouraged—countries not to build stockpiles of essential or strategic products.³ Furthermore, faced with shortages of urgently needed products, many countries did put export restrictions in place.⁴ Excess supplies, in some cases, were used as bargaining chips.⁵ These developments were enabled in part by the fact that the WTO has traditionally paid greater attention to import controls and quantitative restrictions, and has weaker language on export restrictions.⁶

Second, the rapid and global spread of COVID-19 was facilitated by a model of globalisation that recognises merit in the free movement of people across borders. Although the WTO itself does not deal with issues of migration, its agreements do regulate certain aspects of this freedom of movement (for instance, via Mode 4 of the General Agreement on Trade in Services). Freedom of movement is often upheld as a core element of a liberal order, a key contributor to prosperity and peace (hence, for instance, the commitment to the four freedoms—of goods, services, capital, and people—across the European Union), and a goal to at least aspire to. An unintended adverse consequence of the normative commitment⁷ of various multilateral organisations (including the WTO) to these freedoms, along with economic incentives for countries and companies to keep travel and tourism sectors open as far as possible, may have been the creation of a context that made the spread of a highly contagious disease even easier.

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Third, the WTO's rules on Trade-Related Aspects of Intellectual Property Rights (TRIPS) directly impact upon the issue of the accessibility of the vaccine. India and South Africa have tabled a proposal at the WTO that seeks a temporary waiver of four provisions of the TRIPS agreement, which would allow multiple actors to start manufacturing vaccines and other pharmaceutical materials sooner.⁸ In making the case for such a waiver, the Indian

permanent representative has been very clear in identifying the duties of the WTO: “WTO has responsibility to ensure that any of its agreement including TRIPS do not become a barrier to accessing vaccines, treatments, or technologies in the global response to COVID-19”.⁹ The proposal enjoys the support of NGOs like *Medicins Sans Frontières* as well as the WHO and many developing countries. But it has been met with resistance from pharmaceutical companies as well as some developed countries thus far.

Explaining the Problematic Role of the WTO in Handling the COVID-19 Crisis

As the previous section illustrates, the WTO was able to play only a limited role in discouraging countries from imposing export restrictions, or in preventing the horse-trading that followed on desperately needed medical products. Its role has also not been particularly helpful in enhancing global capacity for timely vaccine production; countries in the Global South, even when they have the necessary production facilities, find themselves shackled by TRIPS. The WTO has perhaps indirectly even exacerbated the damage wreaked by COVID-19 by creating an enabling normative context that encourages intense cross-border exchanges, and thereby has become one of the several multilateral institutions that have inadvertently helped in the transmission of a highly contagious virus. What explains these sins of omission and commission?

The answer lies in a fundamental founding assumption of the WTO—and also its predecessor, the General Agreement on Tariffs and Trade or GATT—and indeed of the post-war multilateral order more broadly: that economic exchange and integration would contribute, almost automatically, to prosperity as well as peace. The European Union epitomised this logic, with its origins in the European Steel and Coal Community and its development into an economic and political union. The push for widening and deepening economic integration across multilateral institutions followed. The end of the Cold War seemed to reinforce this assumption of a liberal peace. The WTO welcomed new members like China and Russia, expecting increasing “socialisation” and progressive convergence. The organisation was ill-prepared (in terms of norms, narratives, or legal instruments) to manage a world where interdependence—those very ties that were supposed to bind diverse countries into a peaceful and prosperous global society—might be “weaponised.”

In their pathbreaking work on the subject, Farrell and Newman have identified the phenomenon of “weaponised interdependence.”¹⁰ In contrast to the “usual” variants of economic statecraft, weaponised interdependence derives from a fundamental change in production patterns that are increasingly reliant on heavily integrated global value chains. Resulting economic networks are not “flat” but hierarchical: only a few states hold political authority over network hubs and are able to (asymmetrically) harness economic interdependence for geostrategic advantage. They do this via two mechanisms that Farrell and Newman identify as “panopticon” and “choke point” effects.¹¹ In doing so, they can “discover and exploit vulnerabilities, compel policy change, and deter unwanted actions.” The preconditions that states occupy key positions and have the necessary domestic institutions to exploit their hub positions together lead Farrell and Newman to suggest that normally the weaponisation of interdependence is a strategy open only to a few key states (e.g., the United States and China).

That the weaponisation of interdependence was not just a theoretical possibility was becoming evident in the new millennium. Farrell and Newman pointed to the ability of the United States to control financial transactions and internet flows;¹² Goodman, Kim, and VerWey pointed to vulnerabilities in semiconductor manufacturing, which is one of the most globally integrated production supply chains.¹³ Within the purview of the WTO, states were also becoming aware of the possibilities and risks that the securitisation of trade posed. In 2009, for instance, the European Union, the United States, and Mexico launched the first in a series of complaints against China on its restrictions of certain strategic raw materials (including rare earth minerals) that are essential for key industries including smartphones and computers.¹⁴ State-owned enterprises and subsidies in China showed a mixing of public and private power that was an anomaly to the rules-based system of free and fair markets that the liberal order had envisaged; it was, however, a good illustration of the exercise of state power on and via the private sector, along the lines outlined by the model of weaponised interdependence.

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The WTO was able to do little to regulate these trends. The worldview that it embodied had assumed the virtues of interdependence; global value chains, from this perspective, were an achievement to be lauded and furthered, not resisted. The system also had an implicit assumption of some like-mindedness and shared goals among states. Recall that most countries of the Eastern bloc had not been contracting parties to the GATT. That new members would not converge with former members on liberal values was not a possibility that the WTO had envisaged when China joined it, let alone that the WTO framework could be gamed by a potential “systemic rival”.¹⁵

The pandemic shed a harsh new light on these preexisting vulnerabilities. The European Union, for instance, in the early months of the pandemic, put emergency export restrictions on hospital supplies to non-EU countries; China, in turn, was able to harness these shortages to enhance its own influence in Europe’s neighbourhood and beyond.¹⁶ Even as Western manufacturing companies (AstraZeneca and Pfizer-BioNTech) have struggled to fulfil contracted preorders in the Global North, countries in parts of the Global South have had to turn to Chinese and Russian suppliers (their alternatives constrained, in part, by the WTO’s rules on TRIPS). Amid mask shortages and bilateral deals to acquire desperately needed drugs and equipment, the pandemic has revealed that the weaponisation of interdependence can have life-or-death consequences. And the WTO has failed to keep up with these changing ground realities.

Directions for Meaningful Reform

How to cope with weaponised interdependence is not the only problem afflicting the beleaguered WTO; addressing it will not be a silver bullet to solve the organisation's many other problems, exemplified by the failed Doha negotiations, a hamstrung transparency mechanism, and a paralysed dispute settlement mechanism.¹⁷ But rebooting the WTO to manage weaponised interdependence may help clarify the organisation's purpose and develop tighter rules of membership; some resolution of these issues, in turn, could have a constructive impact on decision-making processes, redefining mandate and issue scope and encouraging compliance.

While developing a full-fledged reform agenda lies beyond the scope of this article, three steps will be integral to bringing about any meaningful reform.

First, those seeking to reform the WTO will need to fundamentally rethink prior assumptions—assumptions that had admittedly served the system well for almost 70 years. Under conditions of weaponised interdependence, the link between prosperity and peace loses its inevitability. If global value chains can be exploited for geostrategic purposes, then a reckless pursuit of prosperity may come at the cost of national security. Reform of the WTO simply in order to promote trade as a valuable goal in itself—isolated from geoeconomic considerations—will likely turn out to be counterproductive. This means a reconsideration of the very purpose of trade multilateralism, as well as the form of globalisation it espouses.


Second, reform proposals will need to take into account both the breadth and the depth of economic integration. Rather than a blanket call for more market opening among all members, more nuance may have to be built in, which allows for a variable geometry.¹⁸ Deeper levels of integration, with short and reliable supply chains, may be an option to be pursued with like-minded allies. Any such reform would require a rewriting of the WTO's most basic principle, most-favoured-nation status for all members; alternatively, membership criteria would have to be revised, which would transform the WTO from a universal body to a limited-membership one.¹⁹

Third, the priorities of the Global South will need to feature prominently in any efforts to reform the WTO. Parts of the Global South have managed the pandemic relatively well thus far—especially if one considers high population densities, limited medical infrastructure, and high levels of indebtedness. But the situation is not a sustainable one (as the extreme challenges confronting India during the second wave already illustrate) in countries where people must face the impossible choice of life versus livelihood; access to vaccines and medicines to limit future damage will be essential. The fact that there is a debate underway on the TRIPS waiver at all, at a time when millions around the world are dying from

COVID-19 (and ironically, inadequate supplies form a part of the problem), suggests that the WTO still has a long way to go as far as the Global South is concerned. And while one would hope that supporters of trade multilateralism would emphasise reform efforts in this direction for ethical reasons, there are also strong realpolitik reasons to do so: smaller and weaker actors can play a crucial role as allies for hub powers, and thereby have agency even when (and sometimes especially when) interdependence is being weaponised.²⁰

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International political economy may be the perfect intellectual terrain to conduct the out-of-the-box thinking that this section has called for, and that has been largely missing from reform debates. There is no dearth of fine proposals, advanced mainly by trade economists and lawyers, for how specific rules and measures might be reformed to update the WTO.²¹ But a more ambitious exchange on questions of purpose and grand design is yet to take off. Here, international political economy

offers its students a considerable advantage by encouraging and training them to engage with questions of both states and markets, and also power and wealth. And while the debate on weaponised interdependence is already rich and vibrant, there is much room to explore how governance mechanisms are managing/could manage this brave new world where economics and security studies collide. 

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Endnotes

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- 2 Simon Evenett and Richard Baldwin, eds, *Revitalising Multilateralism: New Ideas for the New WTO Director General* (CEPR e-book, 2020).
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- 4 The WTO reported in as early as April 2020 that “80 countries and separate customs territories have introduced export prohibitions or re-strictions as a result of the COVID-19 pandemic, including 46 WTO members (72 if EU member states are counted individually) and eight non-WTO members”. See World Trade Organization, *Export Prohibitions and Restrictions*. April 23, 2020, https://www.wto.org/english/tratop_e/covid19_e/export_prohibitions_report_e.pdf.
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- 7 Note that I refer here to “normative commitment” and not to actual practice; the latter shows significant inconsistencies and variation across regimes and countries.
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- 9 India, *India’s Statement delivered by Ambassador & PR to the WTO at the General Council Meeting held on 18 December, 2020 on Agenda Item No. 13B - Status Report on the Consideration by the TRIPS Council of the ‘Proposal for Waiver from Certain Provisions of the TRIPS Agreement for the Prevention, Containment and Treatment of COVID-19- Statement by the Chair of the Council for TRIPS General Council Meeting*, December 16-18, 2020, <https://pmindiaun.gov.in/statements/MjM2Mg>.
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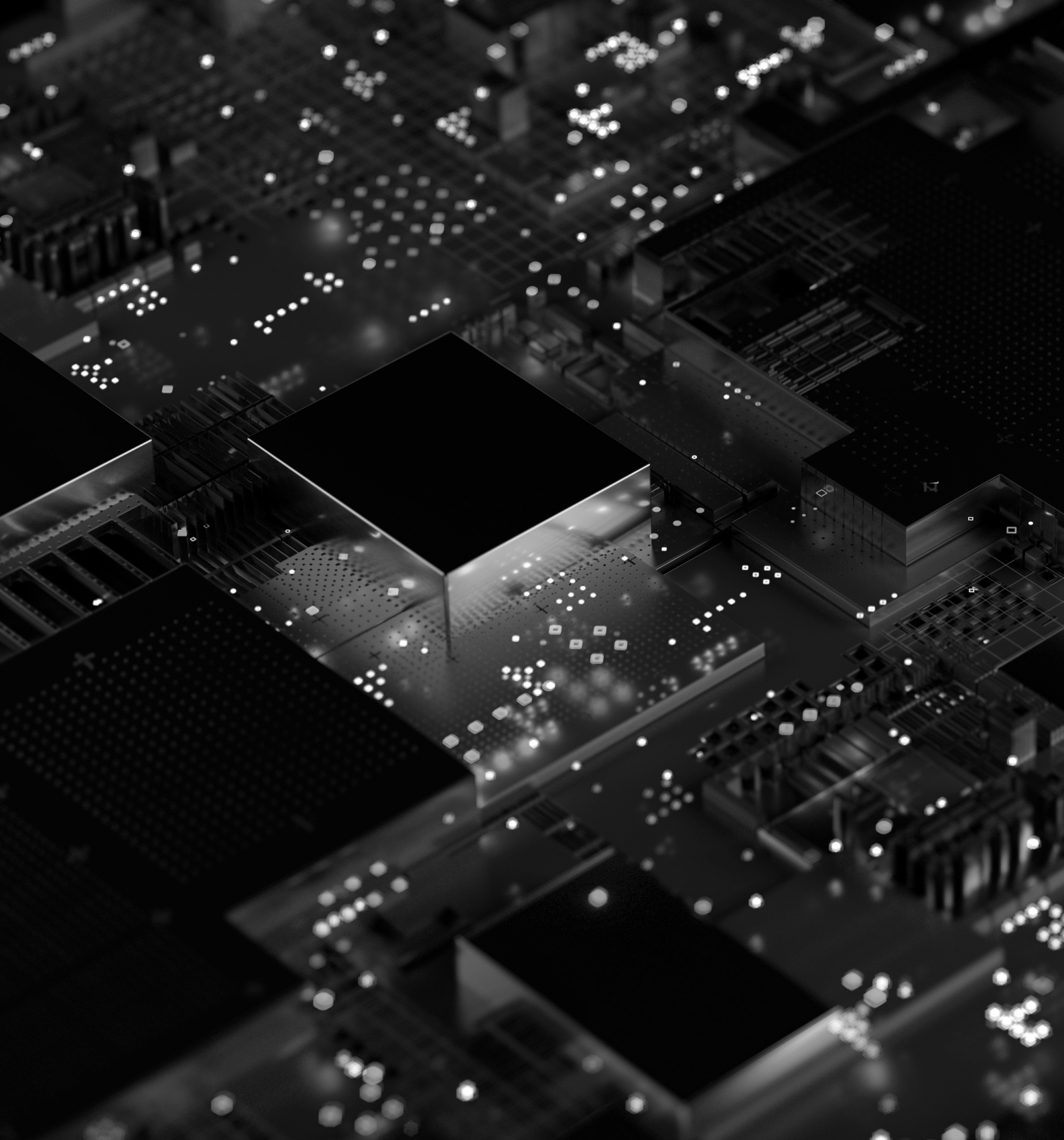
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- 16 Walker, “Coronavirus Diplomacy: How Russia, China and EU vie to win over Serbia”
- 17 While it is commonplace to attribute these problems entirely to the Trump administration, most predate Trump’s arrival on the scene. Trump’s invective and actions against multilateralism at large, and against the WTO in particular, exacerbated many preexisting problems. See Amrita Narlikar, *Poverty Narratives and Power Paradoxes in International Trade Negotiations and Beyond* (New York: Cambridge University Press, 2020).
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- 21 E.g., Evenett and Baldwin, *Revitalising Multilateralism: New Ideas for the New WTO Director General*

About the Author

Professor Amrita Narlikar is President of the German Institute for Global and Area Studies (GIGA), Honorary Fellow of Darwin College at the University of Cambridge, and Non-Resident Senior Fellow at the Observer Research Foundation.

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**20, Rouse Avenue Institutional Area,
New Delhi - 110 002, INDIA
Ph. : +91-11-35332000. Fax : +91-11-35332005
E-mail: contactus@orfonline.org
Website: www.orfonline.org**