



# The impact on developing economies of WTO dissolution

## A briefing for policymakers

April 2024

### Introduction

The International Chamber of Commerce (ICC) commissioned Oxford Economics to provide an independent assessment of the economic impact of a hypothetical dissolution of the World Trade Organization (WTO) on developing economies. The [report](#) details their complete findings and assumptions underpinning their analysis. This briefing sets out the key takeaways.

### Background information

The WTO remains the cornerstone of the global trading system with an estimated 75% of non-fuel goods traded under its rules. But as ICC highlighted in [How to fix the WTO: A holistic framework for reform](#), it is facing significant external and internal challenges, including rising protectionism, the breakdown of its dispute settlement function and its failure to negotiate updated trade rules. Despite the clear need for institutional reform, progress has been slow and remains elusive.

However, these challenges should not detract from the tremendous value of the WTO institutional and legal infrastructure, the likes of which would be extremely difficult to recreate in today's world of geopolitical tensions. It is precisely because of this that the WTO system must be preserved and updated to meet the challenges of the 21<sup>st</sup> century.

### Key findings

This groundbreaking study unequivocally demonstrates the vital importance of the WTO in fostering global economic growth and development.

The focus of the Oxford Economics analysis is on the potential long-term structural impacts of WTO dissolution on developing countries. This is reflected in the presentation of the results, with metrics reported in terms of how they compare to baseline (“status quo” with the WTO)

forecasts for 2030. According to Oxford Economics modelling, dissolution of the WTO system would lead to:

- A 33% drop in developing countries' merchandise trade relative to a baseline scenario with the multilateral system still in place
- A permanent GDP loss to developing countries of over 5% – driven in part by a 5% decline in FDI flows
- Acute export losses of 43% in low-income economies and 32% in middle-income countries
- At a regional level, significant export reductions in Sub-Saharan African (42%) and South Asia (41%).

The findings of this first-of-its-kind analysis demonstrate the vital importance of the WTO in fostering global economic growth and development – and, moreover, underscores the fundamental development safety-net provided by the WTO. Countries that do not currently enjoy high-levels of integration into global value chains and/or sophisticated networks of bilateral free trade deals are severely disadvantaged by any erosion of the multilateral trading system.

Viewed in this context, strengthening the WTO system must be viewed by the international community as a key development goal.

## **Conclusion**

Dissolution of the WTO would have severe impacts on trade in developing economies and undermine global sustainable development. That's why we are urgently calling on governments to reform and strengthen the multilateral trading system – as well as avoiding any further erosion of WTO rules.

## **Contact information**

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