WTO State of Play

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Introduction

• In the past five years the World Trade Organization has been in the news a number of times, usually as the subject of complaints or harmful decisions by the previous US president.

• Then in 2020, the former Director General left the organization in the middle of his term.

• Unprecedented turmoil, dysfunction, and leadership vacuum.

• Now, the United States has a new President; and the WTO has a new Director General.

• Can we expect a renewal?
Framework of presentation

• To find out where the WTO might be heading, it’s important to know where it is, and why it ended up here.

• Structure of today’s presentation:
  1. How did we get here?
  2. What are the key challenges facing the organization?
  3. Where is it likely to be heading under new management and how will it affect small and medium-sized economies?

• Close with three concrete suggestions as to what smaller WTO Members can do to protect and advance their interests.
Where are we now?
Where are we now?

• 2021 is the 35th anniversary of the Punta del Este Declaration that launched the Uruguay Round of negotiations, which led to the creation of the WTO in 1995.

• The WTO has, in broad terms, three functions:
  • A negotiating forum
  • Peer-review (Trade Policy Review Mechanism)
  • Dispute settlement

• By 2019, two of these functions were effectively dead:
  • No major negotiating breakthroughs - too many conflicting interests
  • The Appellate Body stopped working because of US decision to stop appointing members
How did we get here?

• Over the years, three things happened:
  • A series of cases limited the trade remedy discretion of the US and expanded the EU’s policy space, creating an imbalance;
  • China joined the WTO; and
  • Developing countries found their voice.

• And over the years, three things did not happen:
  • Two negotiating rounds - Seattle and Doha - failed;
  • Members could not address other specific concerns - agriculture, Rules, safeguards, e-Commerce - through discrete negotiations; and
  • China’s economic model challenged the WTO.
A New Hope

In 2021, two major developments signalled a possible path forward for a deeply dysfunctional multilateral organization:

• The new US administration signaled a potential turning point for the WTO - and for the multilateral trading environment when it announced a willingness to return to multilateralism.

• As an early concrete gesture, it green-lighted the appointment of Dr Ngozi Okonjo-Iweala as the organization’s new Director General (DG).
  • The first woman and the first African
  • A development economist, and former Finance minister and World Bank official
The New DG’s Multilateral Priorities

An ambitious reform agenda. Ahead of the upcoming Ministerial Conference (MC12) in December 2021, three priorities:

1. agreement to curb harmful fisheries subsidies (initially aiming for end of July 2021);

2. outcomes on agriculture, with a focus on food security; and

3. a framework that would better equip the WTO to support efforts against the COVID-19 pandemic and future health crises.
The New DG’s Institutional Priorities

- Launched an institutional review of the WTO
- Active in public diplomacy, trying to make the WTO relevant
- As expected, outspoken on key development and health issues
- Identified senior official “deliverables”
  - Dispute settlement reform
  - Labour rights
What are the challenges facing the WTO and its Members?
New issues, same old problems

- The priorities of the DG are fish, agriculture, and vaccines.
- These are variations on problems affecting the WTO since the beginning:
  - subsidies,
  - developing countries, and
  - intellectual property.
- What are the challenges for Members in these “new” issues?
Fisheries negotiations

- Members already lined up along familiar developed/developing negotiating fronts.
- The United States proposed to bring labour rights into the mix.
- The DG had wanted to finish the fisheries negotiations by the end of July; that’s now been pushed back.
- The US is not the only reason why. Complications related to the DG’s third priority - vaccines - threaten to seriously affected the viability of fisheries negotiations.
Linkages: Fisheries, Intellectual Property, and Developing Countries

• Recall one of the things that happened over the last 25 years: developing countries found their voice and became negotiating powers.

• India and South Africa - especially India - exercise that power:
  • Size and economic leadership
  • Geopolitical position
  • Intellectual leadership - through delivering policy proposals
  • WTO has consensus-based decision-making

• Movement on fisheries in return for concessions on IP waivers.
Where are we heading?
Issues for the Ministerial Conference

- If there is movement in fisheries and waivers, could have key outcomes on these in December.
- Three other areas that will require attention before trade ministers gather:
  - institutional reform of the WTO
  - dispute settlement reform
  - China.
Institutional Reform

• The WTO is 25 years old and risks losing relevance.
• This is normal for international organizations: the IMF went through this during the Financial Crisis; the OECD is still finding its way.
• The DG has commissioned a report.
• Outcome uncertain in detail but predictable in general terms.
• Also uncertain: impact on small developing countries.
Dispute settlement reform

- Members will just want Appellate Body members to be appointed.
- The US will be looking for structural reforms to the AB, the Secretariat, and likely the process.
- Dispute settlement has only indirect effect on smaller Members.
- Requires careful involvement to ensure interests of smaller Members are not lost.
China

• Issue is both bigger *and* more specific than *China*:
  • industrial subsidies and overcapacity
  • certain types of state-owned enterprises

• China’s economic and political model very successful. *For China.*

• A cost to developing and less developed countries: China’s capacity and creativeness for industrial state support is outside the fiscal capacity of most countries.

• And if the situation continues, Treasuries will be under pressure to match and Central Banks will be asked to consider devaluation.
What can you do to protect your interests?

Three concrete suggestions for smaller developing countries in the coming months and years
Be involved in **institutional reform**

- What does the WTO do for you?
- As a centre of excellence, the WTO has expertise that is difficult to develop.
- Experts provide training, technical assistance, and a forum for development of developing countries officials.
- “Institutional Reform” is not just an internal issue to the WTO.
- Developing and less developed countries should pay close attention to the report, scrutinize it, provide constructive comments, engage with the DG, build alliances with developed countries, talk to experts, and ensure that reform does not come at their expense.
Dispute Settlement Reform

• All countries belong to different groupings in the WTO. Some - especially smaller countries - to more than one.

• The negotiating groupings have traditionally advanced positions in dispute settlement that have not helped small developing countries.

• Negotiating interests and positions of those countries routinely involved in formal dispute settlement are not the same as smaller countries.

• Work with experts and smaller developed countries for proposals on rigorous alternative dispute resolution and a commitment, on the part of the bigger players, to engage mediation and conciliation rather than costly formal dispute resolution.
China (and state-controlled entities)

• In most developing and least developed countries, Finance Ministries and Central Banks are not involved in trade issues.
• And yet, trade issues affect both. For example, subsidies by other countries, or the involvement of state-controlled entities in international commerce, puts pressure on Finance Ministries to subsidise and on Central Banks to devalue.
• Important, going forward, for Finance ministries and Central Banks to be more actively involved in setting trade policy and protecting economic interests internationally.
Concluding thoughts

• This a challenging, but also potentially productive, period in the life of the WTO.

• Trade policy is not just for trade diplomats or foreign ministries. Issues that are being negotiated in Geneva will affect Finance ministries and Central Banks alike.

• Positions developed in diplomatic groupings are not optimal for protecting the interests of smaller countries. Direct engagement is more effective.

• There are resources and experts that can be tapped to help you with developing concrete policies and proposals in respect of WTO issues.
Thank you

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