Can Azevedo Rescue the WTO? Part I

Gary Clyde Hufbauer assesses the prospects for reviving global trade talks with the installation of the new WTO director-general Roberto Carvalho de Azevedo.

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Steve Weisman: Will the new head of the World Trade Organization [WTO] bring that institution back to life and revive global trade talks? Who better to answer that than Gary Hufbauer of the Peterson Institute for International Economics? This is Steve Weisman with Gary for a two-part interview. Gary, first, the new head of the World Trade Organization is an experienced diplomat from Brazil, Roberto Azevedo. What do we know about him?

Gary Hufbauer: As you said, he certainly is experienced. If you’ve seen his picture in the paper, you know he’s very handsome. I don’t know him personally, but I know people who do know him personally, and they say he’s a very agreeable, everything the word “diplomat” says. That is, he can present a position which is exactly opposite to yours, the U.S. or Europe, and do it in a pleasant and even persuasive way.

He apparently has excellent memory, almost a steel-trap mind, and he knows the details of the WTO. He knows all the kind of principal ambassadors there. And there are 158, so he probably doesn’t know all of them, but he knows all the big country ambassadors. He knows their positions. In that sense, in terms of being an insider’s insider and an accomplished diplomat, he has a lot of talent for this new position as Director General.

Steve Weisman: But the global trade talks that have been overseen by the World Trade Organization for more than a decade are moribund, which might even be the polite way of saying it. What prospect is there for him to bring his talents to reviving those talks?

Gary Hufbauer: This is a defining moment for the WTO in my view. It’s a defining moment to determine whether the World Trade Organization remains a central forum for negotiation on important trade issues, of which there are a great many, or whether it just surrenders the field to the giant mega-regional groups, which have formed or are forming, notably the Transpacific Partnership [TPP], the so-called TTIP (the Transatlantic Trade and Investment Initiative), and then there’s the RCEP [Regional Comprehensive Economic Partnership – in East Asia]. And there are others as well.

And if the WTO retreats from negotiations, it will be like many other international organizations, which had a glory day and then faded. Seldom do they go out of business. The WTO has a dispute settlement function which really has done admirably well in settling commercial disputes and all that. But the negotiations are its central activity, and it may very well fade. And so that’s the challenge for Azevedo.

He has got a major challenge there because the WTO is a member-driven organization to a much greater extent than the International Monetary Fund or the World Bank, which means that the director general is a lot less powerful for the WTO than, let’s say, the managing director of the International Monetary Fund.
Steve Weisman: He’s from Brazil. Countries in the West, the United States and some of the poorer countries involved in the negotiations say [Brazil] has been part of the problem in the so-called Doha development round [trade negotiations]. Not by itself, but in alliance with other major emerging market countries that didn’t want to reciprocate, allegedly, on some of the openings that the Europeans and the United States were proposing. Do you think it’s fair to criticize Brazil in that way? If the criticism is fair, would he be able to transcend these problems?

Gary Hufbauer: I think the criticism is very fair. Brazil and India led the naysayer party at the Cancun ministerial meeting several years ago when Robert Zoellick was still U.S. Trade Representative. That goes back quite a while. But that was a killer meeting. Brazil has consistently taken a negative position towards lowering its so-called “bound” tariff rates. They’re all in the 20 percent range. The applied tariffs are down at 10 percent. It doesn’t want to lower those either. On a lot of other issues, Brazil is not in favor of liberalization.

And it has as allies in this kind of “naysayer club”: India, which is more strident than Brazil, and South Africa, which is equally if not more strident. But there are a lot of other countries which subscribe to that position. So Brazil has been a leader of, you could say, the anti-liberalization hub for the last decade or more.

Now, possibly, that’s a springboard for change. Because as I say, Azevedo represented Brazil during all this period, so he knows the position, but he has a new position now. His position is no longer to represent Brazil; it’s to represent the world. And he’s a very smart person obviously. And he knows that if he doesn’t do things in the WTO to bring the United States, the European Union, Japan, Korea, the other industrial countries back to the negotiating table, his term will be a flop. And that’s a pretty concentrating message.

Steve Weisman: Gary, I’m going to stop there and we’ll pick it up in part two.

Gary Hufbauer: Thank you.