

**Revitalizing the World Trading System:
A letter from Abu Dhabi on the Eve of MC13**

remarks of

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at the

WTO Ministerial Conference Venue

Abu Dhabi

February 25, 2024

My thanks to the WTO Secretariat for hosting this discussion of my book, *Revitalizing the World Trading System* (Cambridge University Press 2023), at WTO Ministerial Conference 13 which begins tomorrow.

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When I left the WTO on March 31st, 2021, I was intent on writing a guidebook to this institution that administers the multilateral trading system. That there is a multilateral trading system at all is remarkable. 164 nations and customs areas accounting for 98% of world trade have come together to cooperate on maintaining largely open global trade.

At one level, the system can be understood in terms of reciprocity. Each provides market access in return for receiving it. More is involved, however. The members voluntarily participate in the trading system because it has served their peoples well, facilitating economic growth and prosperity, and increasingly because it holds the promise of collectively meeting new challenges – challenges of climate change, pandemics, food security, disruptive new technologies, the need for continued economic development and, in conflict-affected countries, the need for stability as a pathway to peace.

The value of the trading system is sufficiently self-evident that almost all who are outside it seek entry. At this ministerial meeting, two more countries are planning to join, Timor Leste and Comoros. The number of participants in the multilateral trading system, from its founding with the General Agreement on Tariffs and Trade (the GATT) in 1948 has constantly expanded, starting with 23 at the outset, growing to 128 when the WTO was founded in 1995, with subsequent accessions bringing in an additional 36 members. Another two dozen countries are in varying stages of their accession negotiations, as the WTO moves toward universal coverage.

Despite trade being central to the lives of so many, with food for net food importing countries and essential goods among other necessities being supplied from overseas, for most people, little is known about the agreements that make trade possible. Few members of the public are aware of the WTO, if they have heard about it at all, and even senior trade officials are unlikely to be familiar with more than a few of the important aspects of the background and operations of the organization.

My book, *Revitalizing the World Trading System*,

published a few months ago by Cambridge University Press, sets out to answer questions for those who wish to know more about the global trading system and how it works: Where did the multilateral trading system come from? What were the circumstances of its creation? What are its practical effects? It was my feeling that if there were a current guidebook to the WTO, readers would come to value the institution even more.

We take trade for granted unless it is blocked. At present, Houthi drones are causing transit through the Red Sea to be perilous so we will learn through increased prices that the diversion of trade has costs. Similarly, when the flow of grain from the Black Sea region countries becomes curtailed, peoples in net food importing countries become more fully aware of their need for trade.

Trade has ancient roots, with the fossil record showing that obsidian for making weapons may have begun the process over 100,000 years ago, with trade serving our most distant forbears. In modern times, trade has been called upon to meet the urgent need for essential goods, such as face masks and personal protective equipment during COVID-19. Today, press stories highlight the search abroad for critical minerals with which to make batteries for electric vehicles.

Having discussed the origins of trade, the next turns to the story of the founding of the trading system. Franklin Roosevelt and Winston Churchill focused on the importance of trade when they met in August 1941 and announced their objectives for the peace that must follow the Second World War. They called for equal access to markets and equal access to supplies of goods for all countries supporting the peace. These two objectives that they articulated then were to shape the trading system that was created over three-quarters of a century ago.

The book then describes the core elements of the world trading system, first the contractual commitments to maintain tariff levels a no more than agreed levels, nondiscrimination and transparency. The trading system is more than about having a list of rules. Underlying them are values. Some are unspoken, but nevertheless central to the system, such as allowing market forces to determine competitive outcomes, working toward the convergence of economic systems, and creating stability through economic integration into the world economy. Some are limitations, such as valuing national sovereignty. Other values are listed in the WTO's agreements, such as fostering economic development of the non-industrialized countries, and increasingly, looking to sustainability.

I trace the evolution of the trading system through the last two great rounds of multilateral negotiations, the Tokyo and Uruguay Rounds, the former of which addressed for the first time nontariff barriers successfully, and the latter, which not only gave us the WTO as a formal institution which incorporated the GATT, but brought services and intellectual property into the trading system's rulebook for the first time, and provided real disciplines for agriculture, with limits established on domestic support (subsidies).

The book covers the 12 prior Ministerial Conferences of the WTO, bringing us to the eve of the 13th Ministerial Conference with its important agenda, including: a Fisheries Subsidies Disciplines Agreement to finish, binding dispute settlement to be re-established, and a means to deliver negotiated results as a more common occurrence (with a start made with potential adoption of the Agreement on Investment Facilitation for Development).

While rules and a functioning dispute settlement system are central to the contribution that the WTO makes to the world economy, they do not fully capture enough of what the WTO does to convey what it is about. For this, what I have done in the book is to try to give to the extent possible a hands-on feeling for how the organization functions. The reader is invited to be virtually present, (in a pre-internet use of the term "virtually") to participate in WTO committee meetings for a notional week at the WTO. There are about 25 standing committees, plus a group of negotiating committees "in special session" that mirror standing committees, and several affinity groups, such as the African Group. These are in turn supported by several dozen Secretariat divisions. You are invited to sit in on some of the more interesting meetings. The first is of the Trade Policy Review Body as it considers the policies and measures of the European Union, giving a decent idea of who Trade Policy Reviews take place of the largest and poorest countries. Next you visit a Committee on Technical Barriers to Trade, considering product standards. You might have been put off by the technical nature of what is discussed, but in fact it is fascinating, delving into how best to assure product safety, asking questions of regulators who discuss their proposed standards in draft, heading off in most cases any future complaints by their openness to comments. It is one of the most successful areas of the WTO's regular functions.

A visit with the Dispute Settlement Body gives insights into how members interact with specific disputes that have been adjudicated separately before panels of independent experts and trade practitioners. That is followed by a closer look into the accessions process, this time

considering the largest and most complex accession of them all, that of the Peoples Republic of China in 2001.

The next section of the book is devoted to essays on some of the most important substantive areas the WTO deals with agriculture, services, e-commerce, and development.

The last part of the book is devoted to WTO reform – how to approach reestablishing a dispute settlement system that is accepted by all WTO members, how to have a more robust negotiating function which is essential to governance, and the problem of the absence of an executive branch at the WTO, as the WTO is deficient in this respect as compared with its sister institutions -- the IMF, the World Bank and the OECD. In addition to the general question of having clear executive functions, there is a separate need for the WTO having much improved trade intelligence gathering and analysis and strategic foresight.

“Revitalizing the World Trading System” is both introduction to what is and what must be. It covers the aspirations of the least developed acceding countries, of the practical work, for example, of fostering development assistance for cotton growing least developed countries particularly in West Africa, and of the contribution of the trading system importantly to peace.

The 50th anniversary of the GATT was celebrated in 1998, three years after the WTO became the steward of the world trading system, by a gathering of 17 world leaders in Geneva – including Nelson Mandela, Bill Clinton, Tony Blair, and Jacques Santer, President of the European Commission -- each making eloquent statements about what had been achieved and his hopes for the future. There was much hope in the air then.

The WTO’s members are now meeting a year after the Diamond Jubilee, the 75th anniversary of the founding of the multilateral trading system, and we find that the ground has shifted under us. There was no celebration marked by a gathering of world leaders. Now there are substantial concerns about how deep and how widespread the commitment is to the global trading system. Judging from the last several ministerial conferences, the current WTO rulebook could not be recreated at present.

What has gone wrong? Leadership by the three largest trading members has fallen short. The United States, the progenitor and guarantor of the system, has stepped back, and increasingly acts in its own interests without apology or explanation if the existing rules do not seem to feature in its efforts in industrial policy. The European Union re-directed the largest part of its negotiating talents to formally WTO-consistent bilateral discriminatory trading arrangements. China, the most noteworthy beneficiary of the world trading system, has questioned what most other members take for granted as the basis for the system, that market forces, not state direction, will determine competitive outcomes in the marketplace. The forward leaning of the members, mid-sized countries and advanced developing countries, do their best to move individual subjects along to a successful conclusion. And there are some who seem, at best, insufficiently committed to the success of the project.

These are challenging times for multilateral trade governance. Populism, nativism, nationalism are still on the rise. As noted, trading rules, by no means confined to the use of industrial policy, are ignored without excuse -- questionable tariffs, prohibited subsidies. None of the largest trading members are without any guilt. The distinguishing feature of the WTO, binding dispute settlement, its pride, has been replaced for too many members by a fraud, to a body that does not exist, appeals filed into the void, in order to avoid a final judgment on the merits of their disputes. Now that practice has spread beyond the biggest players.

It is easy to see the problems instead of the possibilities for progress. The US election will be the most consequential ever for the global trading system. The former president and current candidate has pledged to put an across-the-board tariff on all imports, basically a declaration of a trade war, tantamount to US renunciation of its international trade obligations. The general election that will take place in November 2024 will determine whether the US has turned its back on the global trading system.

Polling data show that the chances of this happening are not negligible.

The need for and benefits of trade will endure regardless of the politics. Trade is a necessary part of the progress of civilization. It will continue. The question is one of its level, its growth, and its contribution to the world economy. Trade is necessary for the survival of our way of life in a time of climate change. Trade is often a key part of the solution to help us to meet current and future challenges.

We are meeting here in the Middle East at a time of serious challenges to peace, among the most prominent: one nearby in Gaza, one due to the Russian invasion of Ukraine, and a third the dangerous amount of friction between geopolitical rivals, the US and China. Trade can be a tool of war, such as in the Black Sea or a threat to peace such as in the attacks on shipping in the Red Sea. It can also play a role in creating the conditions for a durable peace among former adversaries or internally within a country in the case of the conflict affected least developing countries seeking to accede to the WTO or which have recently acceded. Creating the conditions for a durable peace was the reason for the creation of the trading system to begin with and will be an important factor in any peace process in this region.

In constructing this book, I added as a supplement a chapter on some of the lessons that I have learned through my life as a practitioner of trade negotiations on how to negotiate, a primer for those entering the field of trade negotiations and a refresher course for those who feel that they have too often have read statements of position from capitals, and too infrequently, listened intently to others and tried to find mutually acceptable answers. I hope it can be of use also to those who will try their hand at peace negotiations for the first time, for the principles of negotiation are applicable to that life and death effort as well.

As for these next few days in Abu Dhabi, I would ask that all who are involved or watching from the sidelines to focus not solely on what has not yet been achieved but on the very remarkable fact that the soon to be 166 countries accounting for 98% of world trade came

together to create a global trading system. While there are disagreements on how to move forward, there are also common challenges that cannot be avoided. I would hope that the members will accomplish that which can be accomplished this week.

I am fundamentally optimistic about the future of the WTO and the global trading system. In part this is faith-based, but it is also the product of long experience. I hope that this book, *Revitalizing the World Trading System*, contributes to that achieving that future. At stake is whether the members will agree by consensus whether the ban on the imposition of customs duties on e-commerce will be renewed, whether members can come together to agree to new rules governing subsidies to fisheries and put into place formally a WTO agreement on investment facilitation for development and agree that they will identify a way forward to re-establishing dispute settlement under the WTO's agreements that can once again result in final binding judgments.

Of course, even then the job will not be done. It is not done for agriculture, it is not done for e – commerce to replace policy space and uncertainty with rules, to open markets to services, for environmental goods, and for numerous other objectives not least of which is aiding development, particularly for the poorest countries.

If my book, *Revitalizing the World Trading System*, can contribute, it will be to increase awareness of the value of the system, to broaden the understanding of what it does and can yet do, and to frame major issues for reform. It will succeed if it helps to help dedicate future trade officials, and those dealing with trade policy issues in business and in civil society, to the work of improving the system.

Thank you. I will be happy to join in a discussion of the issues raised in the book, and then answer questions from the audience.