

A new trading system? A conversation with Ngozi Okonjo-Iweala

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[00:21:02.06] - Cecilia Malmström

Good afternoon, ladies and gentlemen, all of you who are in the room, and also good afternoon or good morning or good evening wherever you are, those of you who are logging in virtually. Very welcome to this episode of Trade Winds. We are live from Public Forum in Geneva. There's a lot of people in the room and there's a lot of people in the building. And I think that is typical because everybody wants to talk about trade. I am extremely honored to have no one less than the DG, the Director-General of WTO, Dr. Ngozi Okonjo-Iweala. Very warm welcome. I know that your schedule is extremely busy these days, so thank you for taking time to be with us. So, Dr. Ngozi, maybe tariff is not the most beautiful word in the dictionary, but it is certainly the most, the word I used most the last month. And I think we are many who are in that category. Quick challenges. Many people have announced the death of the WTO and the trading system, but many others, of course, here as well, see it as a chance to build something stronger with the actual turbulence going on. So how would you describe the current global trade situation and what are the short-term and long-term effects for WTO?

[00:22:24.01]

Easy question.

[00:22:25.03] - Ngozi Okonjo-Iweala

First of all, good afternoon, everyone, both here and online. And thank you, Cecilia. Well, you know, the death of the WTO has been announced many times over, over the years. Certainly before I joined the organization, I had read that many times. So I think that over the years, the history of the WTO negotiations has led to many people pronouncing its untimely demise. And I just want to say that far from that, The WTO is alive. It is true that the world's trading system has been heavily disrupted in a way it has not been for the past 80 years. So let's not minimize the challenge that the entire trading system is facing at the moment. It's a significant one. And I think it is that challenge that has led us, we, you know, I don't like to talk outside of evidence-

based and analysis, maybe it's the economist in me or whatever it is. But I like to wait till I see evidence and then I talk. And what we've seen so far, when we analyze what actually has been the impact of the unilateral actions on the world trading system, on the MFN-based principles of the WTO, we found, yes, there has been an impact.

[00:23:39.11]

Prior to the tariffs, the WTO trade, world's goods trades was 80% MFN, trade on WTO terms. We now find it's gone down to 72%. Um, so there has been an impact. The system has been what I call dented. But what is amazing or surprising is what we found, the resilience within the system, that almost 75% of world's goods trade is still taking place on WTO terms. So that led me to answer your question, to look very deeply at what is actually happening. And what we see is a stable core of trade, of global trade on WTO terms, but in a sea of instability and uncertainty. And I think that that uncertainty and instability will continue for some time. But what we need to dwell on is the existence of this core. So the trading system is going on. And what we need to ask ourselves is, How do we maintain this core? What do we need to do to make sure that we do continue to have the majority of trade going on on WTO terms?

[00:24:57.15] - Cecilia Malmström

Well, these days a lot of people are discussing different proposals. There are academics, there are, of course, a lot of ambassadors here. There's the civil society sector. We had several discussions with the private sector as well. So you get the impression that despite the crisis or because of the crisis, there is a sort of momentum coming out here. What would you say? Do you notice this momentum as well when you talk with the ambassadors on the more daily basis?

[00:25:26.27] - Ngozi Okonjo-Iweala

Oh yes, I do. I think what had happened is that trade has never been a sexy topic.

[00:25:32.25] - Cecilia Malmström

Now it is.

[00:25:33.23] - Ngozi Okonjo-Iweala

You know, trade was sort of taken for granted. It's something that happens on some rules in some strange place called the WTO. And you just walk into your stores or you do whatever you're doing, if it's services, and it works. And what has happened now is that the disruption has actually made trade center stage in terms of the people, even ordinary people's cognizance.

And I think that has also brought a momentum. It's brought some, a great deal of worries. But on the other hand, it's made WTO members, from what I can see, say, wow, this is something we really value and we know we need it. Some of the economies have a trade-to-GDP ratio north of 80%. You know, they are very open economies that are members of the WTO, and they're saying this is really important, it's an existential issue for us. And that has created a momentum to maybe ask the right questions about what is it we need to do. Now, saying that 72% of world trade goes on on MFN terms. It's not a call for any complacency whatsoever, quite the opposite, because I believe that if we do not listen to the reasons why what happened happened with respect to the unilateral actions and the reasons why many members have complaints about the system and try to fix those issues, then we risk the core being damaged.

[00:27:05.18]

So far from being complacent, I think the ambassadors are engaging and trying to see what are the real reforms. We've always talked about reforms at the WTO to a point where sometimes the word WTO reform has become trite, you know, and I want to get away from it to repositioning the organization, reimagining with the organization, any of the good words, imaginative words. But there's a momentum to say, how do we preserve the good that we have? How do we look at those issues that don't work and actually try to solve them and be honest and candid with each other? And then how do we look towards the future? I'm giving you the agenda of my second term. Preserve what works, reform what doesn't, and look to the future so you can make rules, new rules and agreements to actually help the world benefit better from trade. So that's the momentum I see. The ambassadors going into. Now, to do this, we need political will. It's easy to sit here and talk about reform and repositioning. It's rolling off my tongue. But some of the things we have to do are major. And I do not believe the ambassadors, much as they might wish to, have all the political will to get it done.

[00:28:18.08]

So ministers and leaders have to absolutely get involved.

[00:28:24.19] - Cecilia Malmström

From my time as EU Trade Commissioner, that is also my impression, that there are so many very knowledgeable and engaged people in this house. But if you really want to get things done, you need the ministers involved. And of course, the long list of troubles in the world today may be causes that WTO is not at the top of the agenda. But I also see a movement by ministers to look at this because they are realizing, as you said, that you don't know what you have until you are about to lose it. And we have taken many of these rules for granted. And for instance, only

this week there was the entry into force of the multilateral agreement on fisheries. This came, you know, as I think as a surprise for many people who hasn't followed the daily thing. But this is quite big. It's the first time in 7 years, 8 years?

[00:29:18.15] - Ngozi Okonjo-Iweala

In 8 years. It's the first time in 8 years, Cecilia, that we have an agreement entering into force at the WTO, a multilateral agreement, I should say. And the reason why this agreement is particularly important and personally very meaningful to me is because it's about the future. It's about sustainability. It's about what you leave for the generations to come. And I'm very, very proud of our members. Many of them work so hard, and I can see many ambassadors in this room. It wasn't easy convincing people in the capitals that we need to work hard on this. But 114 members came forward and ratified this agreement, meaning then that it could go into force and that we could begin to work on the \$22 billion in harmful subsidies, harmful fisheries subsidies that are leading to illegal, unreported and unregulated fishing of our oceans. So it's a big moment for the organization.

[00:30:20.08] - Cecilia Malmström

This is really big and it's worth remembering and highlighting. And then there are a lot of more plurilateral initiatives going on as well where there are progress, some, not all member states, but a big group of members in the e-commerce, I think. And then there are a few initiatives in plastic and in the greening of trade. Can you tell us a little bit where where we are.

[00:30:40.24] - Ngozi Okonjo-Iweala

Yes, I think what you're mentioning also, Cecilia, is one of the things we need to look at in the reform, which is willing coalitions of members coming together under the umbrella of the WTO to deliver on issues. It could be on issues related to greening our world and climate change. It could be on other aspects of sustainability, such as plastics, as you mentioned. We have a group of members members who are working on this under the Committee on Trade and Environment. It could be on so many other issues that members believe in. So on e-commerce, it's very important since we— AI, we're all talking about AI, but there are also other frontier technologies like quantum computing that will come into being that we really need to think forward. And I'm actually very proud that today we launched the World Trade Report. On AI and trade, which is forward-looking and actually even looking at what does this mean globally? Is this going to help? Will it increase inequalities? How do we get inclusiveness so some don't get left behind? So we have these— we need to think about making the basic rules that will support

the direction that trade is moving in: digital services, green, These are the exciting new areas, digitally delivered services, and coalitions of members could come together to do that.

[00:32:07.18]

These are the plurilaterals. Many members who come together to do that would like to do it in a way that can be multilateralized so that any member who wants to join at any point in time can do so. But we have to make this not a struggle within the organization, which is it— it's a little bit of that now because there are some members who find that plurilaterals, well, they worry that if we continue to do that, it may undermine multilaterals. But I don't think we should be afraid of that. We need a basket of instruments to make this organization more agile. And so, yes, we have that. We have the Investment Facilitation for Development Agreement, which I think is critical. Because now we see FDI 11% drop, according to UNCTAD figures, within the last year globally. And for developing countries, it's even harder sometimes to attract investment. So what do you have to do if developed countries are working so hard to attract investment? What do poor or small developing countries do? They need whatever instrument they can muster. And this plurilateral with 127 members, 90 of them from developing countries, 31 from Africa, they, they— this is an instrument that can help them facilitate investment.

[00:33:35.29]

So this is another plurilateral I think we— it's good and we need to try and deliver. And I could go on. So you have the e-commerce one, you have the IFDA, you have others. That may be in the making.

[00:33:48.13] - Cecilia Malmström

This morning we heard from business leaders and they were also calling for more flexibility, more agility and plurilaterals, and notably for many of them, of course, in the digital era, because so many things are happening there and they are lacking the rules. So they want to comply with the rules, but there needs to be rules as well. You said there are lots of member states who are taking initiatives. They're actually popping up quite a lot of smaller groups right now. I think yesterday there was the launch of a new acronym, I think it's FITP.

[00:34:18.23] - Ngozi Okonjo-Iweala

Oh yeah, the FITP.

[00:34:20.06] - Cecilia Malmström

Yes, with New Zealand, Singapore, Chile, Costa Rica, Iceland, Norway, Panama, Rwanda, Uruguay, around 14 countries, smaller countries, but who want to work towards sustaining the rules but also facilitating investments. And then you had the other, a couple of months ago, you heard the President of the Commissioners of and say that the EU and the CPTPP countries could work together to strengthen WTO rules and so on. Do you think this is— do you think this risk of being, being counterproductive to the other plurilateral, or is this a complement to what's happening?

[00:34:59.17] - Ngozi Okonjo-Iweala

I think it's complementary and I want to welcome it and make very clear the FITPIA was— they invited me to participate because their intention, and I really want to to thank the co-conveners: Singapore, Switzerland, Singapore, Switzerland. I'm missing the other two countries. New Zealand and, and, and UAE. So, yes, I was with them yesterday. So those four co-conveners, we are very grateful to them and the 14 countries, members of the— they're all members of the WTO that participated in this. And the fact that they had me there demonstrated that their intent is to form a willing coalition within the WTO to deliver on issues of importance to them on investment facilitation, on the digital era, whilst trying to also help support and lead reforms at the WTO. And that's the way it should be. So these coalitions is what I was referring to, the coalitions of members who want to come together and deliver on issues of interest are welcome. More, even more than that, if they want to come together and work on regional trade agreements or free trade agreements, if EU wants to join CPTPP, it's not an issue. We don't see it as competition.

[00:36:27.08]

They're not creating a parallel system. I try to reassure people. They are creating a complementary system because they recognize there's this core of the trading system, and then they make these agreements. And let me say something else. Most of them are based on a WTO platform. If you look at the rules that many of them are working from, from, for those who are actually negotiated agreements, you see that the WTO platform provides the base. So they're not a competition. Secondly, the reason I welcome them is what I said in my Financial Times op-ed. This system, the global trading system, was created for interdependence. The idea was that countries should be— if they depend on each other and can trade in that way, it will bring peace, it will bring prosperity, it will make everybody better off. And largely, the system has delivered, not perfectly, but, but over the past 80 years, rich countries have prospered. It has lifted 1.5 billion people out of absolute poverty.

[00:37:32.13] - Cecilia Malmström

It has—

[00:37:32.26] - Ngozi Okonjo-Iweala

some people have also been left behind, let's say that. Not everybody has benefited as much, but largely it's worked. And so, you know, this system, when it becomes overdependence, and we are beginning to see elements of that creeping in, the US itself has said some members are overdependent on its market. Or demand. And it's, it's the case. And there's overdependence sometimes on China for critical supplies. So I think we need to look at that. That's not taking away from the US and China, but it's saying perhaps we also need to build better interdependence. Even those two countries, the big trading partners, they need to reach out, they need to decentralize, they need to explore new markets, they need to build new trading partners. And the world needs to build better resilience by being— not being overdependent for certain supplies and certain value chains. And I strongly believe in that. So if you're forming alliances to create interdependence and not overdependence, if you're forming alliances to decentralize supply chains, what we call re-globalization, and you're doing it in countries that were at the margin, of trade or in poor regions in rich countries, and you're bringing them into the mainstream.

[00:38:54.04]

Why not? We support that.

[00:38:56.28] - Cecilia Malmström

My only problem with these initiatives is that the acronyms are totally hopeless. So if you keep on having those meetings, could you ask them to have something more catchy and more simple? Because, you know, you also had problems saying CPTPP.

[00:39:11.13] - Ngozi Okonjo-Iweala

Yeah, I know.

[00:39:12.08] - Cecilia Malmström

I like the organization, but it's hard to pronounce. And the next one, FITPPC.

[00:39:16.17] - Ngozi Okonjo-Iweala

Fidfi, they call it Fidfi.

[00:39:18.26] - Cecilia Malmström

I have to have at least 2 coffees to be able to pronounce that. No, but this is of course true. What you said about dependence on critical minerals, this is something that every political leader in the world are talking about right now, how to reduce dependence, how to seek alliances, how to be more self-sufficient, but also cooperate with others. So that is highly national security, of course, which is also the label under which it is discussed in the US. And there's been some hesitation to deal with the national security issues as well. But do you feel that this is also coming here, some efforts to create alliances regarding critical minerals and rare earths?

[00:40:05.15] - Ngozi Okonjo-Iweala

Well, I mean, I think that some WTO members I know are talking to others. About— I know that for sure— about alliances that could also enable them to together explore how to become, you know, how to look at future, seek other sources for these critical minerals. And I think the good thing about it is that many developing countries and least developed countries, a very important category at the WTO, are the homes for these critical minerals. So we could actually have a win-win situation where the search to create better interdependence rather than overdependence leads other countries to look at the least developed countries or poor developing countries and say, look, we can find these minerals here, but not to extract and take away, But you could actually say, look, here we can also develop these minerals here, we can process them here, we can create jobs here, we can create incomes. And we need to also change the model. These countries no longer want an extractive approach. They want value addition and job creation. And can I say something? I mean, you'll be looking at these countries and say, you know, they are least developed countries, they are poor.

[00:41:26.26]

But excuse me, Demographics is on their side, okay? These are the future markets. So don't think of them as, oh, you know, we've got to aid them and help them and give them assistance. You know, you look at the African continent, I don't think of my continent in those terms. I don't think about aiding and helping. And I also say to them, don't think of yourself in those terms. You're the market of the future. By 2050, Africa will be home, I think, 1 in 5 Working age population will be African. They'll be the big market for the future. If you are a smart businessperson, you are already going there and developing your roots because this is your future market. This is not your aid. It's not about aid. It's about the future market. So I think it's very smart for businesses, for countries, not to think in those kinds of dependency terms, but in terms of market access and business and planning for the future and demographics, which is on the side of many of these developing and poor countries.

[00:42:35.25] - Cecilia Malmström

And by joint investments and cooperation, you could also address the issue of sustainability because we know that mining is dirty, is a dirty production.

[00:42:43.18] - Ngozi Okonjo-Iweala

You know, and you know what, Cecilia, these countries also should not be complacent. Again, just because you have demographics doesn't mean everybody is going to trip over themselves. So come and invest. You have to do some homework.

[00:42:55.23] - Cecilia Malmström

Yeah.

[00:42:56.05] - Ngozi Okonjo-Iweala

And that's when I speak to the leaders, I also say that you have to do the necessary reforms. You have to make yourself attractive for investment because the private sector wants to make returns. So you need to do the work. You need to skill people. You need to have an investment environment by being part of this investment facilitation. That's how WTO can actually help. So they have a lot of homework to do as well.

[00:43:26.29] - Cecilia Malmström

Then you have also the— I mean, these are the sort of the future-oriented issues that WTO need to grasp with, either as an organization or a group of members leading the way. Then you have also the— there's a lot of internal reforms that needs to be done. Less sexy in a way. I mean, there's about decision-making, about transparency, about the role of the committees and so on. How is the work going there? Because that is, of course, also important to have an organization that is up to date with how they should work?

[00:43:58.29] - Ngozi Okonjo-Iweala

Actually, the committees work quite well, and I want to give a shout out to them because a lot of work that goes on in the committees are not known about. But that's where a lot of issues are resolved. But I think where we need to pay some attention, you mentioned decision-making. Actually, it's not only an internal administrative issue. It is a big reform issue because it pervades the way— if we are going to be— I heard the private sector repeatedly saying we

have to be nifty, we need to be agile, we need to be flexible. I think our decision-making process lies at the heart of that, why it takes us so long. Now we have a consensus, a perfect consensus decision-making process, which is unanimity. Or if you put it the other way, each member has a veto in a way. The smallest member has the same power as the largest, and I treasure that. I think we are one of the very few organizations that have this kind of consensus system. Every member values it. We should not do away with it. We should keep it, but we should make it workable. If that system results in not inability to take decisions faster, then we have to do something about it.

[00:45:14.28]

And I think that's the reform we need to think about. How do we keep this precious aki, this precious gift we have, but make it more practical and more workable? So that if, for instance, there's an agreement or a decision that doesn't do you any harm, why would you stop other members from benefiting from that particular agreement? So we have to think in terms of how do we have a system that gives everybody a hearing, listens to why they do or do not like, examines whether it's actually really harmful to their economies or their trading systems. And if not, how can we move so that those who want to get something done can get it done? So reforming that, I think, will make us more agile in the way without taking away the consensus decision-making system, which is valued.

[00:46:06.21] - Cecilia Malmström

Constructive abstention, we call it.

[00:46:09.29] - Ngozi Okonjo-Iweala

Oh, constructive abstention.

[00:46:12.03] - Cecilia Malmström

Yeah.

[00:46:12.07] - Ngozi Okonjo-Iweala

Ah, okay.

[00:46:13.06] - Cecilia Malmström

You shouldn't—

[00:46:13.19] - Ngozi Okonjo-Iweala

that's a new term. Okay.

[00:46:16.03] - Cecilia Malmström

But you could also work with— some decisions need unanimity, others maybe much less. And some—

[00:46:23.02] - Ngozi Okonjo-Iweala

a WTO member called it responsible consensus. I'm not sure many like it. Some didn't like it. I liked it. I like this constructive abstention. Okay.

[00:46:34.06] - Cecilia Malmström

Good. We are moving towards a next ministerial. They are always important, and that's where the ministers come to go, and lots of preparations have already started. It's still half a year to go, obviously. Where do you see that going? Is there— is it too early to say what could possibly land there, or can we— do we all— I've already heard that, well, we will launch that, or we will present that, and we will work towards Cameroon ministerial agreement. What What would be your tip? What could happen there?

[00:47:08.15] - Ngozi Okonjo-Iweala

Well, I don't want to say too much because it's members who determine, not the DG who determines what happens. But I think that there are certain things we ought to be thinking about. And certainly, I think a big piece of work that is already ongoing by members for delivery, delivery, you know, for I hope it will come to fruition at MC14 is a work around the reforms. So, so the General Council chair, Ambassador Al Mokbel, has appointed a facilitator, the ambassador of Norway, Peter Åhlberg, to lead the work among members on trying to tease out. So all these complaints and worries about what doesn't work in terms of reforms, what does it actually mean? But also being specific. So talking in general terms about unfair trading practices, what do we mean by that? Talking about policy space for development, what do we mean specifically within our rules? What do we need to happen? So trying to garner, uh, you know, as much specificity around the types of reforms that need to be done, but also thinking about the modalities for delivering. If we could get that put together and ministers could debate that at MC14 and could then be able to come to agreement that this is the package of reforms, even if it's not everything, but that there are some key reforms that really need to be drivers of,

of functioning of the organization, and we could come out of MC14 with that, including the modalities to do it and a bit of a timeline for delivery.

[00:48:51.17]

I think that would be a very important outcome that we could expect from MC14. And then of course there are other deliverables that we might work on, but I don't want to be seen here giving a list since the DG is not a member, although I ignore that sometimes and I say what my mind tells me to say. You know, I'm the recalcitrant DG.

[00:49:15.21] - Cecilia Malmström

Well, they want to listen to you. The proof is that the room is absolutely full and also online, many people are watching. Watching you. So of course you cannot say that. But what you're saying is that, you know, there are so many things we could do, but let's focus on what is realistic on the short term. Some of it is more technical than others. And then to come up with some roadmap for those, and then we can fix the other things a little bit later.

[00:49:40.24] - Ngozi Okonjo-Iweala

Cecilia, you've put it so well. We have to arrive at MC14 focused, okay? Because ministers will not have many days. And that means ambassadors here in Geneva have to work really hard and have to take tough decisions about what goes forward for work by ministers and what doesn't, because we don't have much time. And you can't expect ministers to fix in 2, 3, or 4 days max what you were not able to fix here in months. So ambassadors have to be very disciplined. We have to have criteria. And a timeline for making a decision that X goes forward and Y does not.

[00:50:21.02] - Cecilia Malmström

And clear instructions from capitals.

[00:50:23.12] - Ngozi Okonjo-Iweala

Yes.

[00:50:24.06] - Cecilia Malmström

Well, speaking about time and timelines, I know that you have to move to your next event. Do you have a final message for those who are here and others who are watching? You want to leave with?

[00:50:35.18] - Ngozi Okonjo-Iweala

I think the final message is, look, I don't know about you, but I'm excited about trade and what's going on. Even the fact that we have these challenges, as you said, has focused attention on what needs fixing in a way that was not there before. So, you know, there's this thing that sometimes out of problems, out of adversity comes opportunity. And the message I want to leave with all of us here is that the opportunity is knocking at our door to do things differently. And if we miss that opportunity, we would be accountable for having let what I think is a wonderful organization that I'm certainly excited about. I don't know about you, but I'm excited to be the head of the WTO, the DG of the WTO. We should use that opportunity to do the right thing and to get with it and get the reforms done. That's the message. It's doable. We can manage this. And we should get it done. Secondly, please let's remember what to treasure about this organization. We've only been talking tariffs and we don't even mention some of the critical treasures of the WTO. And I want to leave you with the thought that there's much more going on in this organization about health and safety standards of products, And there's a lot going on about intellectual property.

[00:52:10.00]

We are the guardians of these agreements. There is a customs valuation agreement. There are so many fundamentals to trade that we husband here at the WTO, and we should call— regard them as a global public good and we should husband them. Thank you.

[00:52:29.24] - Cecilia Malmström

Thank you very much, Dr.

[00:52:30.23] - Ngozi Okonjo-Iweala

Ngozi, for taking time to be with us.

[00:52:32.23] - Cecilia Malmström

Thank you very much.

[00:52:41.03] - Ngozi Okonjo-Iweala

Thank you very much for being here. Thank you.