

The Pressing Need for WTO Reform

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It is a special pleasure to join Alexei Kireyev, Maika Oshikawa, Maxim Medvedov, Mohammed Haqjo and Mark Linscott today, all highly knowledgeable about the WTO and its accession process, the linkages between trade and peace, and the need for a strong, well-functioning international trading system.

Eurasia has contributed much to the trading system through individual country accessions to the WTO. These countries have been at the leading edge of extending the scope of the WTO's rules. Acceding countries continue to do so through accessions that are still in process. For these countries the rule book as it applies to them is fresh, not something distant. They will have a keen appreciation of where improvements can be made. They have a special stake in the organization in which they have invested and continue to invest. Eurasian WTO Members have valuable perspectives to offer.

For my remarks today, I want to spend a few moments on why reform is vitally important now, and where the focus of reform efforts needs to be. An illustration of the need for systemic reform can start with a review of what has taken place with respect to the current pandemic.

COVID-19 has claimed over five million lives globally and reversed years of developmental progress, pushing over 100 million people into extreme poverty. It has widened social and economic inequalities. During the pandemic, the WTO Secretariat provided current information to members on trade measures, made clear the necessity of trade to supply essential goods. It fostered additional transparency and notification of measures, collaborated with international partners, and most importantly, through this effort assisted Members in their individual decision-making. With the transparency provided, global trade fared better than many expected during the pandemic. A significant number of the export controls on food and medical supplies introduced early in the pandemic were unwound. Global value chains have shown remarkable resilience.

The solutions to this unprecedented crisis and future global challenges can only be global. Countries can be islands. Modern economies cannot. This pandemic has proven that keeping international markets open is indispensable both for effective pandemic response and for assuring a strong, sustainable, and job-rich recovery. Trade is vital in the manufacture and

delivery of vaccines. While investments will increase the availability and diversity of supplies, trade will always be essential to provide a margin of safety to the world's peoples. Deeper international cooperation will be needed. Tariffs should be removed. Great care must be exercised in restricting trade in essential products and their components. Trade facilitation measures are necessary to speed up the clearance of critical medical products. For future pandemics, more trade, not less, will continue to be necessary to bring medical supplies – including vaccines – to where they are needed.

For its part, from April 2020 through the end of fiscal 2021, the World Bank Group committed over \$157 billion—the largest crisis response in any such period in its history. Its President, David Malpass, reported that in doing so, it “helped countries address the health emergency, procure billions of dollars of medical supplies, deploy COVID-19 vaccines, strengthen health systems and pandemic preparedness, protect the poor and vulnerable, support businesses, create jobs, promote growth, and expand social protection.”

IMF Managing Director Kristalina Georgieva reported that the IMF “mobilized a response like no other. As of the end of April, the IMF had approved loans to 86 countries totaling more than \$110 billion since the onset of the pandemic—a record number.” In August, Fund Members approved a new allocation of Special Drawing Rights (SDRs) of \$650 billion -- the largest allocation in the IMF's history, to “substantially boost the reserves and liquidity of the IMF's member countries, without adding to their debt burdens.” “In May, IMF staff put forward a \$50 billion plan that targets vaccinating at least 40 percent of the population in all countries by the end of 2021, and 60 percent by the first half of 2022—an investment that would boost global economic activity by trillions of dollars over the next few years.”

Central banks engaged in a coordinated response in March 2020, led by the U.S. Federal Reserve, the European Central Bank (ECB) and the Bank of Japan (BOJ). The Federal Reserve cut its key rate to near zero, which was quickly followed by emergency policy easings by central banks in New Zealand, and South Korea, with Australia also “joining with a liquidity injection in a coordinated move aimed at stabilizing confidence as the pandemic threatened a global recession”.

With respect to trade, while the Secretariat was highly active in providing, with the cooperation of Members, greater transparency, it was groups of individual Members that provided the most immediate positive trade policy responses to the pandemic.

In an early action to keep markets open, on April 15, 2020, New Zealand and Singapore launched “a new trade initiative to ensure supply chain connectivity and the removal of blockages to trade in a list of essential products that includes medicines, medical and surgical equipment.” The initiative built on a [joint statement](#) by the two countries in March, which was [subsequently joined](#) by Canada, Australia, Chile, Brunei, and Myanmar, “*committing to keep supply chains open and remove any existing trade restrictive measures on essential goods, especially medical supplies, in the face of the Covid-19 crisis.*”

On April 22, 2020, Canada led 49 WTO Members to declare that they would not restrict exports of agricultural commodities during the pandemic.

Just over twenty months from the time that it was crystal clear that the world was experiencing a global pandemic, the WTO Ministers meeting at the Ministerial Conference two weeks from now in Geneva will decide whether they can all agree to a declaration on how to deal with this and future pandemics. This would be the first collective Member action at the WTO to deal with the pandemic. The outlook is good (but not certain) for adoption at the upcoming WTO Ministerial Conference of a proposed declaration on trade and health.

Of equal importance, the ministers will consider an important proposal from the EU and Brazil on launching a process to consider WTO reform, which it can be hoped will improve the responsiveness of the trading system to the challenges that await it, whether in the form of a pandemic, climate change, or technological advances.

For the WTO to be more effective, Members must succeed in bringing about systemic reforms, starting with the three key functions of governance: legislative, "quasi-judicial" (dispute settlement) and executive. This would mean restoring the WTO to its intended role as a venue –

- where agreements are successfully negotiated to address pressing problems;
- where disputes are settled in a timely manner within a binding and universally accepted structure; and
- where Members are actively served by a strong, dedicated and proactive professional Secretariat.

The WTO's Legislative Function

Negotiated outcomes are needed to address the deficiencies of the current system by expanding the scope of issues covered by the WTO and updating existing rules. Regrettably, the legislative function of the WTO has remained largely dormant since the founding of the institution, with some significant exceptions.¹ Formal rulemaking with agreed results has been limited in the first twenty years of the WTO and completely absent in the last six years.

Negotiations have too often been frozen by lack of the required consensus of the entire body of 164 Members. As a direct result, current method of moving forward is taking the form of Member initiatives supported by coalitions of the willing. That process should be recognized as being legitimate and expanded. Eurasian Members and observers are active participants in these open plurilateral negotiations, these Joint Statement Initiative (JSI) discussions.

JSIs provide a concrete way forward in many important domains, including in the domestic regulation of services, in the efforts to improve the participation of MSMEs in trade, in an agreement being sought for the facilitation of international investment, in

¹ Creating duty-free treatment for pharmaceuticals and information technology products, banning subsidies on exports of agricultural goods, creating a comprehensive Trade Facilitation Agreement, and adopting reference papers for Basic Telecom and Financial Services in 1996 and 1997. In addition, the WTO has delivered often-ignored progress through the work of regular Committees, whose output may often be recorded in informal conclusions and the promotion of best practices.

providing rules for the global digital economy, and in considering how best to bring about gender equality through trade. Further efforts for a greener planet are taking place in the Structured Discussions on the Environment.

The challenges of the 21st century cannot be met absent success in breathing new life into the rule-making function of the WTO. These plurilateral agreements are the most promising way for the WTO to adopt new rules, open to all, and binding only on signatories, are essential path for adding to the WTO rulebook and the means must be found to accommodate them formally within the legal structure of the WTO.

Dispute settlement

A key distinguishing feature of the WTO as compared with other international agreements is that its rules are to be enforceable. This was due to the inclusion in the architecture of the WTO of binding dispute settlement. That system is no longer operating when appeals are filed that prevent outcomes. It is imperative that a means be found to restore dispute settlement that is binding and considered legitimated by all of the WTO Members who seek to make use of it. A well-functioning dispute settlement system is indispensable for the negotiation of new rules and adherence to existing rules. It is equally important for prospective Members to know that the benefits that they seek will be provided, that their rights will be enforceable.

The dispute settlement solution to be effective must be complemented by a fully operational legislative function. A dispute settlement system with an outmoded rulebook, with gaps, will increasingly fail to deliver certainty to WTO Members and to those engaged in trade. In addition, Member oversight in the Dispute Settlement Body must be made effective.

Executive functions: the Secretariat and Member governance

What enabled the Fund and the Bank to be immediately responsive to the pandemic? It is understood that these institutions differ from the WTO, they deploy financial resources, the WTO does not², but they also differ from the WTO in how the Members organize themselves, with Boards of Governors and Executive Directors, and with the role accorded to management. A serious review is needed of WTO governance and its executive functions. In the future, the WTO Secretariat should be more forward-leaning in suggesting plausible ideas for making improvements in the organization and making proposals available to the Members for action. The support functions of the Secretariat should also include engaging in foresight – that is, identifying future challenges – and in policy planning.

The Director-General and Secretariat should be expected to propose means to break deadlocks in negotiations, to be more active in the administration of agreed rules and to be concerned with the level of compliance with Member obligations. The Secretariat should perform all the analyses that would enable more effective administration of the world trading system, with additional resources. The OECD should be looked to for purposes of comparison, as well as the Bank and Fund.

² It does however facilitate the provision of technical assistance through the SDTF, the EIF, Aid for Trade and other activities, as well as providing direct technical assistance through Secretariat Staff.

A more robust role for the Secretariat and improved decision-making will be essential to making the WTO fully effective and an equal among international economic organizations.

Maintaining the Values of the WTO

Thoughtful WTO reform should not take place in a vacuum. It should start with reconfirming and expanding the core values of the multilateral trading system. Among these are:

- The rule of law
- Transparency
- Non-discrimination
- Continuous opening of markets
- Reciprocal and mutually advantageous arrangements
- Supporting sustainability
- Promoting development
- Understanding that market forces are to determine competitive outcomes, and
- That the system is about convergence on these principles, not co-existence.

It is only by being true to these values that trust is built, that peace, stability and well-being can be achieved.

The stake of Eurasian Countries in WTO Reform

Much of the post-1995 expansion of the WTO has occurred in Eurasia, including former Soviet republics; China and Mongolia to the East; Russia spreading across the land mass, Afghanistan to the South and Montenegro and Moldova to the West. These accessions have added over 15% to world trade covered under WTO rules. In the coming years, more countries from this region will accede. With the establishment of new trade links, Eurasia will become increasingly important in terms of potential economic growth and as a key energy supplier to the world's biggest markets.

WTO accession, which typically requires structural reforms across many areas of the domestic economy, has had an important role to play in transformation of Eurasia. International trade has played a powerful role in modernizing the economies of Eurasian countries and deepening their relationships with the rest of the world. For landlocked countries in Central Asia, the WTO's Trade Facilitation Agreement offers a multilateral framework to address the region's connectivity challenges that are integral to its agenda for economic diversification and modernization.

The Eurasian region is an emerging centre of attention among WTO Members. In this region, Kazakhstan, a recently acceded Eurasian Member and selected to chair MC12, is poised to play a key role. This may be seen as a testament to the leadership of Article XII Members (those joining the WTO after its founding) in making contributions to the multilateral trading system and its ongoing reform.

The countries of Eurasia share a deep concern with global challenges, from the pandemic to climate change. They need to participate fully in the advantages of the global

digital economy. They are concerned with facilitating their trade and attracting foreign investment. Through accessions, they have been on the leading edge of WTO reforms, and through participation in the open plurilateral negotiations, those that are now underway and those that will be launched at the upcoming WTO Ministerial Conference, they can help shape the world trading system and ensure a share in the benefits that will be delivered.

Why place this emphasis now, here today, on WTO reform in a panel on Eurasia and Trade for Peace? The WTO's ability to respond to crises, and particularly this pandemic is crucial to these newly acceded and acceding countries. Shortcomings in the collective WTO Member response to this COVID-19 crisis is emblematic of deeper systemic issues. The cycle time, from when the pandemic became painfully real to all, and the WTO potential response (assuming adoption by Ministers at MC12) is particularly relevant to countries that have less economic resilience than those which are the most developed. These richer countries, that poured trillions of dollars into their economies and fared better than most in access to essential goods and vaccines. Fragile countries during a financial crisis, or a pandemic with its consequent economic fallout are even more vulnerable, and the conflict-affected countries risk being driven toward the edge of stability and away from the conditions to sustain a peace. A rising economic tide may not lift all boats equally, but when the tide rushes out, some will also be more seriously affected than others.

Shared prosperity does not assure that potentially hostile neighbors or potentially insurgent groups within a country remain docile. But experience has shown that economic stress undermines political stability. Therefore, from the viewpoint of Trade for Peace, we all have to care whether the global economic system, the Bank, the Fund and the WTO are operating well.

World leaders in the G20 have repeatedly pointed to the need for WTO reform. To those who acceded, who are not original Members, these Article XII that have led the WTO on reforms have a right to expect a levelling up, with all countries having updated rights and obligations reflecting their capacity and current conditions of world trade. For the WTO as a whole, there should be a WTO 2025 in prospect, much like GATT 1994 replacing GATT 1947, a "butterfly transaction" in which that which a new institution is born free of the defects of the original WTO 1995. The new WTO would be able to reach substantial trade agreements, plurilateral or multilateral. It would have binding dispute settlement once again. It would have an updated rulebook to start with. And it would have a secretariat and governance structure equal to the challenges that the trading system is experiencing and will face.

This future for the WTO is far from irrelevant to Eurasian countries generally, and particularly to conflict affected countries everywhere. Through the accessions process countries have sought and are seeking to integrate into the world economy for the same reasons that the proponents of the multilateral trading system did in the 1940s when they created the GATT and tried to create the ITO -- to foster economic growth and underwrite a durable peace. Pandemics and climate change are both destabilizing forces. Eurasian countries already have a seat at the table and a voice in making the trading system better. They are prime movers in making the system universal. They, and all WTO Members, have a stake in the outcome of the reform discussions which we can hope will begin in earnest after being launched in MC12.

Continued drift is unacceptable. To become stronger, the multilateral system needs to be substantially improved, nothing less than a WTO 2.0 must be put into place. Eurasian countries, both WTO Members and those in the process of accession, have an important role to play in this process.