

## **Presentation to the Washington DC Ottawa Group<sup>1</sup> Embassies**

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### ***My perspectives on the role of the US in the WTO***

- The United States is still an indispensable country.
- There was a time in the middle of the last century, when the multilateral trading system was created, when it was “the” indispensable country.
- The United States alone can no longer dictate the shape of the trading system or what can be accomplished, but it can determine by its actions that which will not take place.
- Central to the trading system is the transatlantic relationship, that is, cooperation or its absence between the European Union and the United States. There are instances of lack of coordination – examples of divergences include the EU’s Comprehensive Agreement on Investment (CAI) with China and the position the United States has taken on the TRIPS Waiver.
- During the Tokyo Round of Multilateral Trade Negotiations, the US and European Communities (predecessor to the European Union) ran the show. When the US and the EC could not agree on much, and certainly for years they could not do so with respect to agriculture, the talks were dead in the water, despite there being close to 90 other participating countries many of whom may have wanted to move forward.
- The U.S. and the EU often did not have the same starting positions, far from it, but if the two could agree, minor miracles could be wrought – thus the first nontariff barrier agreements came into being during that negotiation.

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<sup>1</sup> Canada brought together a small group of WTO members committed to supporting and strengthening the multilateral trading system. This group consists of representatives from: Australia, Brazil, Canada, Chile, the European Union, Japan, Kenya, Korea, Mexico, New Zealand, Norway, Singapore and Switzerland.

- The fact that the two sides have now backed off from applying retaliatory tariffs with respect to the Boeing-Airbus dispute and that the EU is holding back on retaliation for steel and aluminum restrictions imposed by the United States bodes well for a restoration of a partnership that can be very helpful to the WTO.
- The GATT Uruguay Round broadened the leadership group. The US and the EC were still in an important partnership, they gained an Ottawa aspect, the QUAD, adding Canada and Japan.
- A key question is what will the leadership group look like going forward. It is absolutely certain that there must be a leadership group. It is almost impossible to move forward with a committee of the whole, all 164 WTO Member countries.
- Could a reconfigured Ottawa group (with the U.S. in it) become the WTO's steering group? It is not clear that this possible now, given importance of others – prominently, China, India, S. Africa, as well as the groups that have emerged in the WTO – the African Group, Latin America and the Caribbean, Asia, land-locked countries, those who acceded to the WTO after its founding, the least developed, etc.
- Close observers of the multilateral trading system recognize this diversity of interests represented by these affinity groups and call for negotiations through meetings whose participants have “differing geometries.” Negotiations of new agreements, some would say, could move forward with different participants and differing leadership groups. That is not quite good enough. There must be some central group to drive the system forward. It is not enough to be friends of the system; a group of countries must become the guardians of the system. It is what the United States did for many decades, even though its behavior was not always seen by others to be in every instance acceptable. Just as the dollar has not been replaced as the world's primary means of exchange, no substitute has been found for U.S. leadership.
- Is the Ottawa Group up to the task? It is hard enough to achieve common positions between the United States and the European Union. The Ottawa group has had its own need to compromise positions in order to put anything on the table in Geneva, a time-consuming and not entirely satisfactory process. It has resulted in the dilution of the EU's trade and health initiative through a process of pre-negotiation before negotiation, and the outcome once it arrived has not yet resulted in negotiations at the WTO.

**My perspectives on US concerns – and if and how they can be solved?**

- A caveat at the outset. It is very early days for the new Administration. The full trade team is not in place. No Deputy USTRs have been confirmed by the Senate. Two important trade figures have not even been named – the U.S. Ambassador to the WTO and the Chief Agriculture Negotiator.
- The Obama Administration had an initial two year pause before it formulated a trade policy. During the first six months of the Trump Administration did not have policy proposals to table in the WTO.
- It is best to be patient for the new administration to craft fully its own policy with respect to the multilateral trading system.
- Not being in the Administration, the following is a surmise based on what the new U.S. administration says that its objectives are.
  - One general observation: To date, the policy pronouncements by various agencies appear to be in harmony with each other. It is rare that any government can achieve this degree of homogeneity, relating policies from one arena to another. Ambassador Tai, the U.S. Trade Representative, recently said that her agency sits at the intersection of foreign policy, economic policy and national security policy.
- The Biden administration is very transparent as to what its objectives are. It wants a system that delivers results for workers, that at the same time safeguards the global environment (dealing for example with climate change and plastics pollution in the oceans)
- This administration is about people, workers. It is not warm to the traditional interests as expressed by corporations. It is for rewarding labor and not capital to the same degree.
  - There are a variety of ways in which the system can be more responsive to labor.
    - It can make sure that trade remedies are available when needed so that disruptions caused by trade can be dealt with, with less harm to workers.
    - Equally important but less visible is obtaining market access that allows those who work in industries that are competitive to market their goods around the globe – another caveat: no trade liberalization

proposals appear to be likely to be forthcoming from the administration, not for some time.

- Ultimately one suspects that, looking at USMCA, there will be an attempt to deal with wage differentials, at least insofar as these are caused by government interference to depress wages abroad. One possibility that may be considered is to consider wage suppression as a countervailable subsidy.
- It is also hard to imagine that child labor and forced labor would not be addressed by the United States at the WTO at some point.
- Just as social dumping will be a concern of the administration, so too will the “exporting of polluting industries to countries with lower standards” as Katherine Tai mentioned earlier this week in an address at the Center for American progress.
  - Apparently, the Administration is of the view that the WTO has inhibited the use of environmental standards. I do not think that this has been the case. It is also true, however, that the WTO has not been used to raise environmental standards, at least to date. The Biden administration is intent on making the world greener and one can assume that that will include sculpting the world environment through trade policy.
  - One can speculate but we do not know whether the concerns just laid out will be supported by measures such as attempts at onshoring industry at the expense of current trade and economic norms.

***How can the Ottawa Group work together for reform, to safeguard and strengthen the multilateral trading system?***

- The WTO functions on proposals.
- Trade negotiations at the GATT and WTO seem to have delivered results only on an almost geological time frame, measuring progress in eras rather than in days months and years. That is no longer good enough. The Ottawa Group must do its best to come up with truly ambitious proposals, avoiding having them watered down through internal deliberation. Rather, they should be honed during the process of internal discussion to make them more effective, and it should make these concrete proposals promptly.

- The pandemic is 14 months old, and the WTO Members have done nothing collectively as a response. The Secretariat engaged in heightened monitoring and analysis. This was very important, but this is not good enough. The Ottawa group has not yet changed the great lag at the WTO between identifying the problems and finding solutions.

I was to be in Ottawa on March 18, 2020, for a meeting with Ministers. Due to the pandemic, that meeting did not happen. I did get to speak at the Group's Ministerial Meeting that took place on November 23<sup>rd</sup>, 2020.

[https://www.wto.org/english/news\\_e/news20\\_e/igo\\_23nov20\\_e.htm](https://www.wto.org/english/news_e/news20_e/igo_23nov20_e.htm). I urged governments to translate their statements about reforms to global trade rules into formal proposals and concrete requests at the WTO. I listed some ideas on how WTO Members could use trade to increase the effectiveness of their efforts to combat COVID-19 and to lay the basis for a strong and environmentally sustainable economic recovery. Here are some of the points that I made:

- I said that the game must be in play for key players to conclude that they have to join. If negotiations are not under way, there may be a substantial delay in attracting participation.
- I suggested
  - That the Secretariat be given a mandate to upgrade its COVID-19-related trade monitoring activities to collect and publish the best information available, not relying solely on notifications and verification.
  - That the Secretariat to work with the WHO, relevant UN agencies and other stakeholders, to highlight trade issues affecting vaccine production and availability, and to propose ways to eliminate obstacles.
  - That Members propose that the Director General constitute a "Friends" group to advance consideration of dealing with the Pandemic, but also Friends Groups to deal with institutional reform and other issues of current importance, and providing possible solutions, such as with respect to the relationship to current and future WTO Agreements of the Paris Accord on Climate Change, the disciplining of fossil fuel subsidies, addressing border adjustments with the adoption of carbon taxes, assessing the impact on markets of subsidies and other state interventions, employing trade to reduce income inequality, making the WTO more effective for economic development within and among Member economies, improving the trading system with respect to women in trade, providing WTO support for the

African Continental Free Trade Agreement, and more generally strategic foresight.

- That the Members agree to special crises mechanisms to improve the response time of the trading system to future challenges.
  
- That the Pharmaceutical Agreement providing for duty-free trade be updated (last done in 2010), and that major nonsignatories join and that essential medical supplies be added to the coverage.
  
- That the signatories of the Information Technology Agreement review and update its coverage, including adding medical equipment.
  
- That negotiations on the Environmental Goods Agreement re-start in earnest now, with the addition of services.
  
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- That Members propose that the new Director General offer her good offices to bring the major interested parties together to work on a solution for dispute settlement reform.
  
- That access to the WTO panel system be conditioned on parties agreeing in advance to be bound by the result, either by accepting that a panel decision will be final, or through an agreed alternative appeal mechanism. process in future cases.
  
  
- That open plurilaterals (joint statement initiatives) become the norm rather than the orphans of the WTO.

### **In conclusion**

Few problems are solved through inaction. The WTO must act now to preserve its current and future relevance.

Thank you.