



Can Azevedo Rescue the WTO? Part II

Gary Clyde Hufbauer says countries that don't want to be left behind by a transpacific or transatlantic trade accord may spur global trade talks.

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Steve Weisman: Gary Hufbauer of the Peterson Institute for International Economics is here with me, Steve Weisman, talking about the selection of Roberto Azevedo as the new head of the World Trade Organization [WTO]. Gary, you just said that he's the "make or break" guy. He's from Brazil which has been a "naysayer." But he has an opportunity to revive the [global trade] talks. Explain something that some of our listeners and readers may understand, but I don't quite. How do you get to be head of the World Trade Organization? You were saying before that he has an opportunity perhaps to revive the trade talks. Who did he have to make promises to in order to get this job?

Gary Hufbauer: Well, Steve, if you know how the cardinals voted to select the current Pope, you probably have a—

Steve Weisman: Also, from Latin America.

Gary Hufbauer: You probably had pretty good intelligence on how the WTO Director General is selected. It's an equally secretive process.

Steve Weisman: No kidding. I didn't realize that.

Gary Hufbauer: But there are leaks, more leaks with the DG, Director General, than there are with the Pope. But still, the reason of course for the secrecy is to try to keep a kind of a consensus, a friendly atmosphere and so forth. This contest started off with nine candidates. That's unprecedented to have so many.

Steve Weisman: So many people for a job that you've just said could be irrelevant.

Gary Hufbauer: Yes, and also, the pay isn't that great. But living in Geneva is very pleasant. Anyway, I would say of the nine, I don't want to give names here, but six of them were eminently qualified. I mean, they were eminently qualified people. But Azevedo was certainly among the top two or three. I thought he was going to be in the last final selection. I didn't predict he would be selected, but I thought he'd be one of the two or three at the end who would be up for the choice.

The way the selection is done, it is pretty secretive. There are three WTO ambassadors who meet in a room. They meet one by one with the other ambassadors of the other countries. There were three different rounds, and in each one, they asked them just one question, "What is your preference?" And that was it.

So finally, Azevedo had more positive preferences than Herminio Blanco, who is certainly very eminent and qualified, in the last round. Then that was communicated to the rest of the countries. No country had an objection, a strong objection to Azevedo, and so the consensus was formed.

Steve Weisman: There's a large bloc of the poor countries of the world in the World Trade Organization and they are the ones who have really been most disappointed over the failure of the Doha Round. Do you think they had a candidate?

Gary Hufbauer: I think at the end -- in fact, I know at the end -- they were quite happy that the choice was between Blanco and Azevedo, for two reasons. One, both of them represent developing

countries -- not poor countries, but developing countries.

Steve Weisman: Right.

Gary Hufbauer: And second, the feeling was that neither Africa nor Latin America had ever had a head of the WTO, and they felt it was their turn. The Africans felt quite strongly. This time around, they felt somewhat miffed that one of their candidates didn't make it to the third round. I think Africa almost entirely voted for Azevedo, and that's approximately 57 votes.

Steve Weisman: I see.

Gary Hufbauer: So that's quite a bit.

Steve Weisman: But doesn't he then have to deliver to them to get those talks revived?

Gary Hufbauer: He does indeed. There are some things that the poor countries in Africa really wanted. One of them is called Duty Free Quota Free [DFQF] for the poorest. This is the least developed country. My belief, and what we published here at the Institute, is that he can get the developed countries, starting with the U.S., to make a good offer on what's called DFQF and that will make some of those countries very happy. And there are a couple of other issues that they really want and I think he can deliver to the poorest.

His problem is not the poorest countries, but it's the middle-income countries like Indonesia, South Africa, his own country Brazil. And their problem is that they don't feel that they should liberalize much, if at all. Whereas, the United States and Europe, but [also] Japan say, "Hey, these countries are more than half of the trade. Actually, they get more than half of foreign direct investment. They're big boys. They should play the party."

Steve Weisman: You mentioned the two big deals that the United States is involved with: the transatlantic and transpacific accords. Is there any reason to think that if those achieve progress, it will be at the expense of the Doha negotiations or could these negotiations go along in parallel and maybe even contribute to each other's progress?

Gary Hufbauer: I'm of the school that says they could contribute. The reason I say they could contribute and will contribute is that several big emerging countries will say, "We're not part of the transatlantic, and we're not part of the transpacific." That's true of China, that's true of India, that's true of Indonesia, it's obviously true of Brazil, it's true of South Africa. And we [these countries] need to stay in the world trade game, which is very much a game of supply chains and foreign direct investment. We have to keep up or we're going to essentially lose out, and where could we keep up? Well, it's in the WTO. So I think, in a way, it will persuade these countries which have been "naysayers" to take a more positive attitude.

Steve Weisman: So you started by saying this is a defining moment. Do you think we'll see a sign of either success or failure before the end of the calendar year?

Gary Hufbauer: Absolutely. [At] the so-called 9th Ministerial -- that means there have been nine since the Doha Round was launched in Doha in 2001; that's a lot of meetings -- there are several issues on the table, which we think here at the Institute could be achieved. Not the whole package, but several important issues starting with so-called trade facilitation to reduce trade transactions cost; and there are others.

And, we think if they get some agreement on some of these issues, that will be a big revival. Why? Because most people, as you've said, think that the WTO is basically dead. The Doha Round is basically dead, so it would be a big surprise to see this kind of rising from the grave.

Steve Weisman: Thank you Gary.

Gary Hufbauer: Thank you.

