

Can the Centre Hold? Revitalizing the WTO

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Multilateralism under threat

- Populism on rise, fuelled by income inequalities, fears over technological change and development challenges
- Lack of public support for multilateral trade agmts
- WTO members unable to make new rules/adjust to new realities of global economy
- Developed members have shifted to FTAs
- Last 2 years, dramatic surge in protectionist, unilateral measures, causing chaos
- Undermined the WTO and the MFN principle – more seriously, challenged the very rules-based system that the WTO represents

WTO system in crisis

- The US and China are in a trade war, others are being provoked
- WTO rules are being flouted by major members
- High tariffs, above MFN rates, are being used like sledge hammers; retaliation is being used without WTO authorization
- The WTO Appellate Body will likely disintegrate after the US member's term expires in December
- **Respect for WTO rules and for its centrality in trade has disappeared**

Revitalization of the WTO

- WTO has advantages over its predecessor, the GATT
- International organization – institutional structures
- Important to distinguish between institutional issues and substantive, rules-based, issues in WTO
- If institutional issues are addressed – rules can be negotiated, dispute settlement can function smoothly again – and problems can be resolved.
- Proper diagnosis is critical.

Reform of the WTO: Issues

1. Institutional

- a. Rule making system
- b. Dispute settlement system – Appellate Body, panels
- c. Transparency
- d. Committees

2. Substantive

- a. subsidies – SOEs, fossil fuel subsidies
- b. trade remedies – safeguards, antidumping
- c. digital trade
- d. climate change
- e. development

Revitalizing the WTO

Strengths

- WTO is not the GATT
- an international organization
- built-in flexibilities in decision making
- egalitarian, consensus model
- lack of formal structures/bureaucracy

Weaknesses

- diverse, large membership
- egalitarian, consensus model
- Slow, cumbersome

Rule making

- Rules allow for some flexibilities, members should compromise and use them
- Plurilateral agreements/variable geometry
- Changes/new agreements outside of Rounds
- Greater use of Secretariat for proposals and strategic planning
- Executive Board or Planning Committee – proposals/strategic planning
- Legal Drafting Committee – UN and all other treaties – essential if texts are to express intentions of parties

Dispute settlement

- Appellate Body will disintegrate after 25 years
- Difficult, if not impossible, to revive in present form
- Temporary arbitration fix – EU/Canada
- Problems with DS were foreseeable
- Members continue to use system – predictability, security, enforcement of obligations
- Necessary for a well functioning system of rules
- Greater member control over DS system would mean a return to GATT system
- Members will find a solution; it is in their interest

What does the future hold?

- Revitalizing the rule making system is critical, otherwise new rules will not be negotiated
- Positive signs that plurilateral agreements may be possible in future – negns are taking place in WTO
- Members should also accord more responsibility to Secretariat
- Committee functions could be improved – doable
- Dispute settlement – more difficult – but not impossible.
- DS system in holding pattern – not optimal but time to reflect on design of an improved, future system.