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*RSIS-WTO Parliamentary Workshop*

## **WTO in a Turbulent World: Need to Change with the Times**

*By Keith M. Rockwell*

### **Synopsis**

*The World Trade Organisation (WTO) has served its Members well. But it needs to change with the times. Despite America's distraction, the rest of the WTO's members can still exercise compromise and patient lobbying to sustain the WTO as the standard bearer of a rules-based trade order.*

### **Commentary**

TEN YEARS ago, the world was in the grip of the worst financial crisis since the 1930s. Markets were roiling, trade was collapsing, and politicians were scurrying to find solutions. The World Health Organisation (WHO) declared the H1N1 flu to be a worldwide pandemic.

The Copenhagen Climate Change Summit recognised that climate change represented one of the world's greatest challenges and that actions needed to be taken, but leaders could not agree what those actions should be. Leaders of the Group of 20 met twice in 2009 and pledged, among other things, to keep markets open to trade, to provide more than US\$1 trillion to stabilise the global economy, assist developing countries affected by the economic crisis, and reform international organisations to reflect the realities of the modern economy.

### **WTO Goes Into Damage Control**

The World Trade Organisation (WTO) was still reeling from the failure of the rancorous 2008 trade ministers meeting which effectively derailed the Doha Development Agenda and halted meaningful trade negotiations for five years. Instead the focus

shifted to damage control as the Secretariat enhanced its monitoring function to warn leaders of any radical shift towards protectionism.

In many ways the world today is very different, yet the effects of 2009 remain. The threat from climate change has become even more serious. The hangover from the financial crisis persists and the sharp shift from multilateralism towards nationalism can be attributed to the ongoing dislocation and pain brought about by the crisis.

In fact, even the challenges we face today are a delayed reaction to the events of 2009. Governments largely resisted imposing trade restrictive measures in 2009 but have now responded to public anxiety with an array of actions and counter actions, such as substantial tariff hikes, that in 2018 affected more than \$580 billion in trade.

Rising trade tensions, the turning away from multilateralism and growing support for nationalist policies, trade and otherwise, have unquestionably put the WTO under pressure. Many members and the leaders of the G-20 countries are calling for WTO reform, and Director-General Roberto Azevêdo agrees. As he told the General Council last month: "We have an opportunity now to renew and strengthen trade multilateralism for some years to come ... we must seize it."

Prime Minister Lee Hsien Loong concurs. In his keynote address to the Shangri-La Dialogue in Singapore last weekend, he stressed the vital importance of the WTO for smaller nations but also the need for reform. "The WTO is one of the major institutions in the post-war global order, but now it is almost paralysed and urgently needs reform, he said.

### **Bid to Reform WTO on Broad Front**

This is precisely what many Members are doing. Spurred by the tectonic shifts in trade policy and geopolitics, Members have proposed reforms across the full range of WTO activities including in the negotiating, dispute settlement and monitoring spheres. For example, proposals to enhance transparency through stricter notification requirements aim to provide the WTO with a clearer picture of the trade scene today.

On the trade negotiations front, Members seek to build on their achievements in recent years in striking deals to facilitate the cross border movement of goods, the elimination of tariffs on 201 information technology products and the scrapping of export subsidies in agriculture.

In 2019 Members have been actively engaged in vitally important negotiations in agriculture and in seeking agreement to discipline fisheries subsidies and avert a catastrophic depletion of global fish stocks.

Elsewhere, though, multilateral negotiations are lagging. Some Members, frustrated at the slow pace of multilateral negotiations seek to modernise WTO rules in electronic commerce, investment facilitation, the economic empowerment of women and the enhanced participation of smaller companies in global trade. Not all Members are participating in these discussions and not all Members are happy that they are taking place.

Proponents of these "Joint Sector Initiatives" stress that these negotiations and discussions are open to all WTO Members. They stress too that each of these groups has attracted large numbers of members which represent large shares of world trade.

### **Most Pressing: Dispute Settlement**

But perhaps the most pressing area of the reform effort pertains to dispute settlement. For many years, the US has raised concerns about the operations of the WTO's Appellate Body (AB), the organisation's highest authority on dispute resolution. Washington charges the Appellate Body with overreaching its mandate and saddling Members with obligations never negotiated by ministers.

As a result, the US has blocked the appointment of incoming AB jurists as the terms of incumbent jurists expire. In response to these concerns, WTO Members have put forward 11 proposals to reform the AB.

To date, these proposals have not been acceptable to the US. Finding a solution will be difficult but there is a level of urgency here which surpasses any of the other reform conversations.

It is because the failure to fill the vacancies has left the WTO with only three jurists (normally there are seven), the minimum number allowable to hear an appeal. Absent agreement, the number of jurists will fall to one in December rendering the AB inoperable.

### **Reform, or Poor Will Suffer Most**

It is often said that multilateral organisations move too slowly and there is doubtless some truth to this. Achieving a consensus among 164 WTO Members is no mean feat. It requires patience, compromise and the understanding that everyone benefits from robust international rules.

These qualities are in short supply today and the result is that multilateralism is under pressure on all fronts, be it in trade, climate change, poverty alleviation or conflict resolution. A global shift from international cooperation to a power-based system would leave us all worse off in the long term, and it is the poorest and most vulnerable who would suffer most.

In addressing our General Council last month, UN Secretary General Antonio Guterres, said: "A rules-based, non-discriminatory and equitable trading system is essential to preserving the interests of the poorest and most vulnerable economies, but it is also clearly in the interests of all trading partners, weak and strong alike." This was true in 2009 and it remains true today.

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