



Will change of guard at WTO save it?

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By [Dr. Zaidi Sattar](#)

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The global trade order was unquestionably under strain well before the Covid-19 crisis struck the world economy. But global trade has become the biggest casualty of the pandemic, far more than global output. No doubt recovery of trade will be the key driver of post-pandemic global economic recovery efforts. In the middle of all this is the fate of the World Trade Organization (WTO), which would have to play a catalytic role in rejuvenating the global economy via expansion of trade flows.

In May 2020, Roberto Azevedo, the flamboyant Brazilian director general of WTO, abruptly resigned, a year ahead of the expiry of his eight-year tenure. Clearly, the US refusal to appoint judges to replace retiring judges of the Appellate Body undermined the multilateral trade institution by literally eviscerating the apex chamber of WTO's dispute settlement body (DSB), regarded as the crown jewel of the institution. Presumably, that was too much for him to bear. As we know, two of the last three remaining judges of the AB, which requires at least three judges for quorum, retired last December resulting in the complete collapse of the DSB. But the institution must move on, until its demise (if at all) is voted by consensus. In the meantime, WTO has launched the process of finding its new leader to replace Mr Azevedo whose term expired in August.

As is the custom, various countries put forward their candidates for the top job at WTO. The candidates were: (i) Dr Jesús Seade Kuri, from Mexico; (ii) Dr Ngozi Okonjo-Iweala, from Nigeria; (iii) Abdel-Hamid Mamdouh, from Egypt; (iv) Tudor Ulianoschi, from Moldova; (v) Yoo Myung-hee, from South Korea; (vi) Amina C. Mohamed, from Kenya; (vii) Mohammad Maziad Al-Tuwaijri, from Saudi Arabia; and (viii) Liam Fox, from the UK. The interview process began on September 8, and on September 18, the General Council Chair, Ambassador David Walker of New Zealand, announced that nominees from five countries—Nigeria, South Korea, Kenya, Saudi Arabia and the UK—have been selected to move to the next stage, having secured the broadest and deepest support from the WTO membership. If everything goes smoothly, there will be a change of guard in WTO by October 1.

In these troubled times, who would want to be director general of perhaps the most controversial multilateral institution, a job that Stuart Harbinson of the European Centre for International Political Economy calls a “poisoned chalice”? By all indications, the WTO is in turmoil, to put it mildly, and the job of DG WTO is no cake walk. The new DG has his/her task cut out already: saving the WTO and making it relevant in the complex geopolitical and digital world of today and in the future. It is not a job for the faint-hearted.

Over the past few years, there were notable and sinister machinations coming from some developed country members—those who had actually taken the lead in creating the rules-based global trading system in the first place. Imagine what the world would look like in the post-war period if there were no rules governing international trade. The income growth we have seen across the globe as a result of trade expansion turned so many poor and

developing economies into middle-income and developed economies. That was exactly the goal of the global trade regime crafted after WWII by leaders of the free world, guided by the world's leading economists at the time. And it worked, in large measure. Today, two-thirds of the 164 member-states of WTO belong to the category of developing economies, but their share has grown to roughly 50 percent of the USD 80 trillion world economy. Since the founding of the WTO (replacing its predecessor, GATT) in 1995, they have become very proactive and vocal in the consensus-based multilateral organisation. With the shifting balance of economic, as well as bargaining, power between developed and developing economies, the decision-making process at the WTO was also revealing that shift. Tensions and incompatibilities between power groups in the WTO mounted, coming to a head in 2016 with the new leadership in the USA.

The WTO's Doha Development Agenda (DDA), aka the Doha Round, is all but dead. DDA has nevertheless produced some modest achievements recently, as members (a) ratified the Trade Facilitation Agreement (TFA) which streamlines border procedures to augment trade by USD 1 trillion a year, (b) liberalised trade in information technology products through a plurilateral agreement (Information Technology Agreement) among 50 members, and (c) abolished harmful farm export subsidies. But serious and even existential challenges remain that caused businesses to postpone investment, stunting global growth and the future potential of the world economy. This was true even before the Covid-19 pandemic hit, reducing the volume of world trade drastically and disrupting supply chains around the world. In knee-jerk reactions to the pandemic, the WTO recorded some 222 protectionist (trade-restrictive) measures adopted by member states, adding to the trade restrictions launched in the past two years covering some USD 745 billion of international trade. The immediate task for the new WTO leadership would be to move past the pandemic and revive the global economy while crafting a new design for a multilateral institution of the future.

That is easier said than done. The post-pandemic challenge for the WTO and its new leadership can be visualised in two phases. Given that reviving trade will be an essential catalyst for economic recovery worldwide, the first order of business will be to move fast and convince members to remove ad hoc trade restrictions that have cropped up recently. A more open system of international trade will be the more effective solution for a rapid post-pandemic recovery out of the Covid-19-induced trade shocks. Next, there will have to be renewed efforts to mobilise members to breathe new life into the WTO. There is near

consensus that the trading system needs to be updated to respond appropriately to evolving global challenges covering wider aspects of cross-border economic activity of the modern world.

The G20 has endorsed the WTO reform. That should carry a lot of weight towards WTO's sustainability. There is also broad agreement among the 164 members that the WTO must adapt and change with the times to become a relevant multilateral institution of the 21st century. Evolution and reinvention have been part of the multilateral trading system since its creation in the 1940s. To deliver more and deliver quicker in the fast moving world of trade in goods and services, it will have to be more innovative and globally inclusive to survive and thrive. The WTO should continue to be where governments come together to forge trade responses based on consultation and cooperation, sharing of best practices, and reaffirmation of key principles. That is a sliver of the menu of challenges to be confronted by the new WTO leadership. From the latest news emerging from the General Council, the odds are strongly in favour of the next WTO leadership coming from a developing country in Africa. But support will need to be mobilised from all 164 member states to ensure the success of the new leadership.

Let's face it. Global problems call for global solutions. Bilateral and regional arrangements (e.g. FTA, PTA, RTA) are by nature not inclusive enough. The vast majority of WTO members are ready for change. They want to improve the system rather than throw the baby out with the bathwater. Historical records are convincingly on the side of rules-based international trade, one that has fostered widespread income growth, development, job creation and poverty reduction for decades. But this time, cosmetic changes will not do. Structural, even fundamental, changes are called for if this multilateral institution is to survive for the betterment of humanity.

Dr Zaidi Sattar is Chairman, Policy Research Institute of Bangladesh (PRI). Research support for this article was provided by PRI Senior Research Associate Promito Musharraf Bhuiyan.

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