



Revitalizing Multilateral Governance at the World Trade Organization

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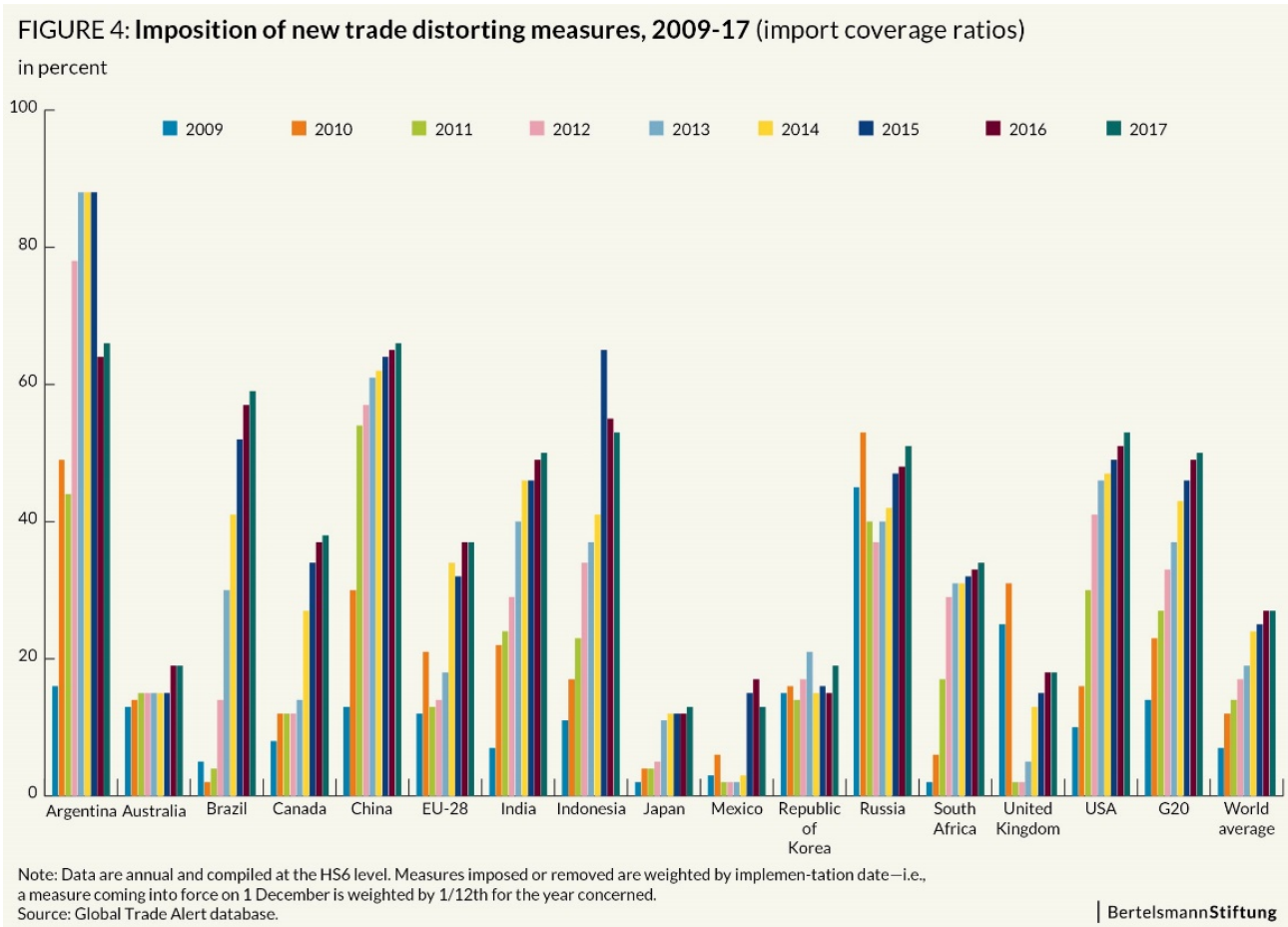
Plan of the presentation

- Summary of 2018 Bertelsmann Stiftung report
- Responses/reactions to date
- Supporting WTO reform: possible areas for further study/analysis

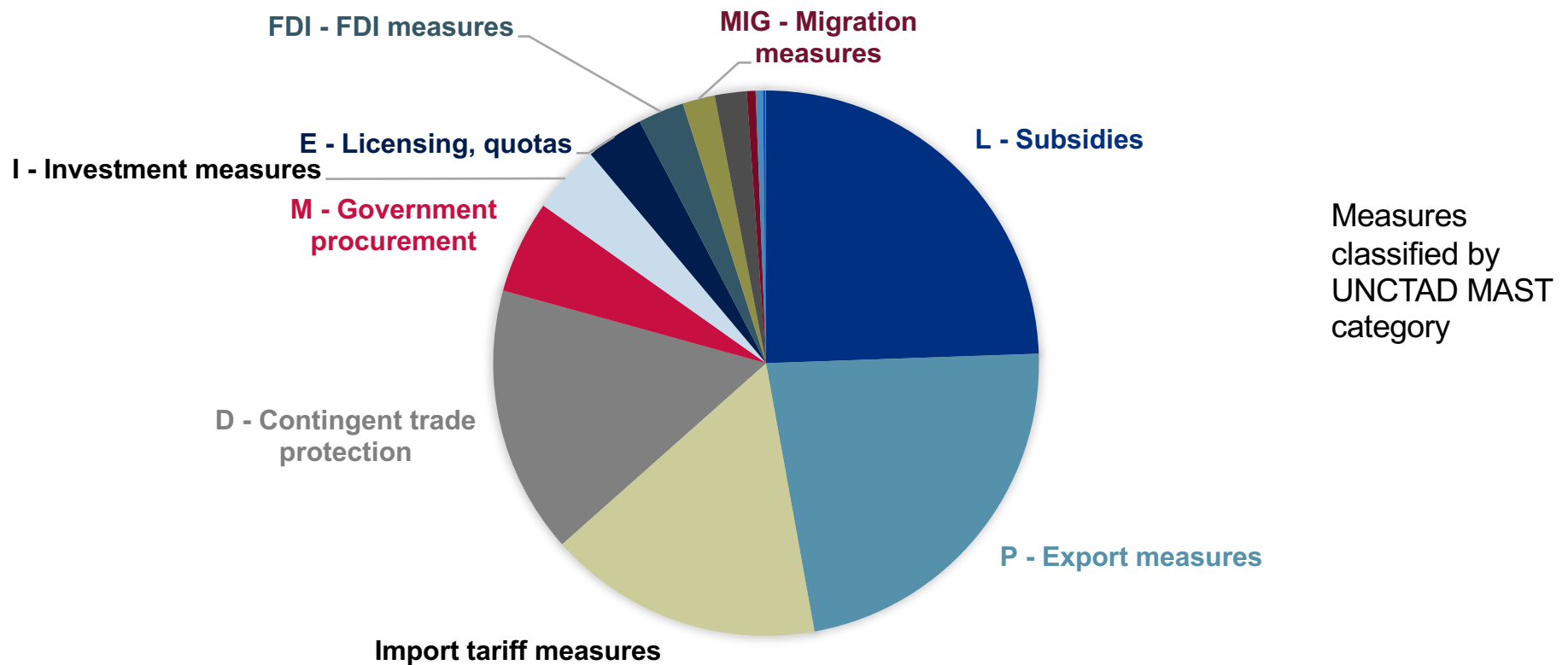
Background to the report

- Increasing use of trade distorting policy measures
 - “Make it here!” as opposed to “made in the world”
 - Not just US – China, other emerging economies (e.g., India...)
- “Rise of the rest”
- Geopolitical/geo-economic systemic competition/conflict
 - China Inc. – technology; IPRs; national security
 - Iran, Russia, US – foreign policy & trade/investment sanctions
- Technological change; structural transformation: servicification & growth of the digital economy
- All generate spillovers & call for international cooperation of rules of the game

Increasing use of trade-distorting policies



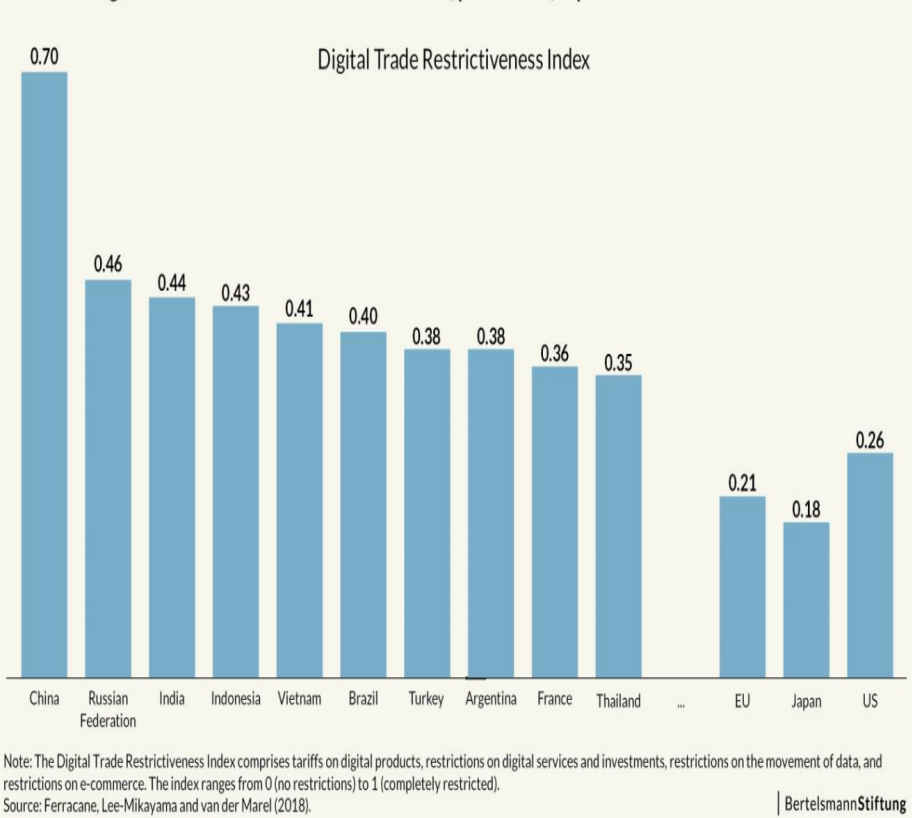
Global use of trade-distorting measures, 2009-18



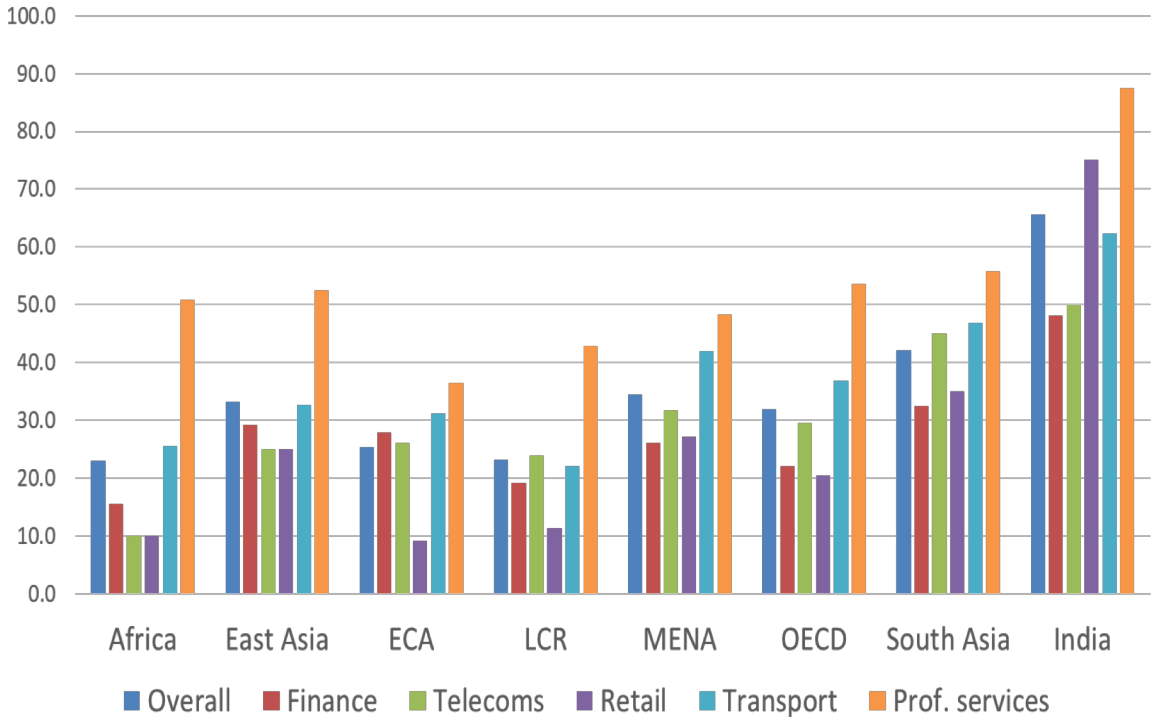
Source: Global Trade Alert

Digital trade and services trade restrictions

FIGURE 6: Digital trade: Ten most restrictive countries, plus the EU, Japan and US



STRIs by Region and Sector (late 2000s)



Source: ECIPE and World Bank

WTO: missing in action

- WTO rulebook outdated – little progress in updating it since 1995
- Working practices are part of the problem:
 1. Consensus used to block regular WTO activities, including deliberation/discussion. 2001 Doha round agenda held to define what can be discussed. Premise of a “single undertaking” approach
 2. Special and differential treatment: Development differences are very real and important, but SDT arguably outdated, ineffective and needs to distinguish better between LDCs/low-income and middle-income/more advanced economies
- Preferential trade agreements (PTAs) used to fill some gaps, but inherently limited
 - Downsides: are discriminatory; fragment the trading system; do not address major sources of competitive distortions/spillovers as that requires all major players to participate; can give rise to political challenges/negotiating costs that are similar to broader multilateral deals for smaller returns

Addressing trade tensions/updating rules

- Improve organizational performance so as to:
 - bolster transparency (monitoring & information on policies/implementation)
 - provide a venue for deliberation and (re-)negotiation of rules
 - resolve disagreements on operation of dispute settlement mechanism (Appellate Body)
- NB: Lot of positives—WTO not moribund
 - Achievements since 2008 include Agreement on Trade Facilitation, ban on agricultural export subsidies, expansion of the Information Technology Agreement
 - Regular work: Committees, dispute settlement, Aid for Trade
 - Buenos Aires: launch of 4 plurilateral joint initiatives
- Demonstrates that working practice constraints are not necessarily binding

Six process/working practice-oriented recommendations

1. More policy dialogue: identify and address systemically important negative spillover impacts of non-tariff policies
2. Foster greater substantive deliberation in WTO committees
3. Pursue plurilateral initiatives on new issues where there is a critical mass – starting with leveraging elements of recent PTAs in new areas
4. Bolster the knowledge support function of the Secretariat
5. Initiate regular review of organizational performance
6. Deepen engagement with business community and general public

See: <https://www.bertelsmann-stiftung.de/en/publications/publication/did/revitalizing-multilateral-governance-at-the-world-trade-organization/>

Policy dialogue to establish road map / work program

- Identify/assess problems & potential solutions to address adverse international effects of policies
 - Which policies create the largest negative systemic effects (spillovers)?
 - E.g., subsidies not necessarily welfare-reducing ...
- Clearly need agreement between EU/Japan/US to discuss structural/systemic differences re: China's development and growth strategy
 - Unlikely that US-China trade war will resolve systemic differences
- As important that matters critical to other WTO members be considered/addressed
 - Agriculture; fish subsidies; climate-related trade policies, etc.
- Seeking to isolate/target China ignores need for balance across issues (reciprocity)
 - Many of the issues relating to WTO operation have nothing to do with China – e.g., dispute settlement; use of plurilateral approaches – or go beyond China

Strengthen regular WTO business

- Revisit objectives/work programs: What is the aim? Do WTO bodies serve interests of national constituencies effectively?
- Transparency: What information is needed? What is not a priority? Identify approaches to collect needed information most efficiently
 - Greater focus on technical assistance that targets implementation and periodic review
- Development: Assess what constitutes good practices, whether agreements embody these and what constrains a country from adopting them
- Enhance support role for the Secretariat & other international organizations
 - Members may not be able to provide the inputs needed for Committees to be more effective
- More engagement with stakeholders in WTO work
 - Solicit more regular input and feedback from business associations/regulatory bodies
- Evaluate institutional performance to foster learning & bolster accountability
- Ex-post assessments of outcomes of WTO agreements and processes
 - Including analysis of distributional and dynamic effects

Open plurilateralism: smaller group, issue-specific cooperation

- A response to consensus constraint but also to differences in preferences and capacities
 - Will work best (be easier) for policy areas that are regulatory in nature and apply equally to national and foreign firms or products
 - E.g., good regulatory practices or initiatives to lower trade/operating costs for firms
 - If the policies concerned create significant spillovers all major players need to participate – but not all WTO members (“critical mass agreements”)
 - Open processes critical
 - Secretariat support; non-parties kept informed—openness an asset, not a liability
 - Critical mass agreements nothing new for WTO
 - Need to address concerns of non-participating WTO members to provide credible assurance that plurilateral agreements will be open ex post
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Responses to the recommendations & WTO reform initiatives to date

- Report presented in several countries – Canada; China; Japan; New Zealand; South Korea; US—and in Geneva
- Reactions to recommendations generally supportive
 - Some worries about monitoring and evaluation of performance of WTO as an organization
 - Representatives of India and South Africa oppose plurilateral agreements and critical of argument that current form of SDT is passé / ineffective (notwithstanding call to emulate TFA approach)
- Many sought more detailed analysis of specific policies/views on priorities and posed “sequencing questions”: pursue complementary tracks; should dealing with AB dispute be a precondition for moving forward?
 - Suggestion to reflect more broadly on how to better address disputes and re-assess trend towards judicialization one difference with thrust of EU/partners proposal on AB dispute
- Canadian-led process has picked up some of the ideas, especially focus on deliberation in Committees and regular work/link to transparency/monitoring
- Many elements of EU proposals (with other countries) consistent with thrust of the report

Emerging ideas for follow-up activities

- Analysis of specific subjects for potential OPAs (open plurilateral agreements)
 - E.g., policies affecting cross-border data flows and trade in services/servicification: unpacking this into different parts and identifying areas that are more technical than political; research to quantify potential economic effects of cooperation/policy reform
- Industrial subsidies
 - Technologies to boost information & transparency (big data); analysis of spillovers; approaches to complement per se rules with assessing effects; building on competition-policy mechanisms
- Deepening analysis on the nexus of notifications/transparency; regular Committee work; peer review
 - E.g., lessons from product standards area; OECD, APEC, IMF/WB (indicators)
- OPA governance: learning from sectoral cooperation; a code of conduct/reference paper to make commitment to openness and multilateralization credible (enforceable)
- Analysis of the political economy of dispute resolution: incentive effects of judicialization; alternative instruments (existing and new) and remedies

What scope for open MFN plurilateralism?

Characteristics	Main issue	Approach	Type of spillover	Type of cooperation	
				Critical mass (MFN)	Clubs (discriminatory)
Trade agreements: No severability; binding State-to-State package deals with fixed terms and dispute resolution	Market access	Cross-issue linkage	Market access effects of discriminatory trade policies	Multi-issue multilateral agreements (E.g.: Uruguay Round)	Reciprocal PTAs (E.g. CETA, CPTPP, USMCA, etc.)
		Enforcement linkage	Market access effects of domestic regulatory policies	Single issue agreements (e.g. Telecom Reference paper; ITA)	Issue-specific clubs (Art. II.3 WTO Plurilateral Agreements—e.g. GPA)
				Plurilateral initiatives	
				Unconditional application (MFN)	Conditional application
Regulatory cooperation: Open, non-binding (severable); issue-specific	Regulatory heterogeneity	Within-issue linkage	Pecuniary or non-pecuniary spillovers	International product or process standards (Codex Alimentarius; ISO) Identification of good regulatory practices (OECD, APEC)	Mutual recognition agreements; regulatory equivalence regimes (BASA; EU adequacy determinations; EU FLEGT regime for timber)
Mixed models: Regulation-market access linkage	Regulatory heterogeneity	Enforcement linkage	Pecuniary or non-pecuniary spillovers	WTO Trade facilitation Agreement (TFA)	Exporter country commitments to apply importer country standards (Mattoo, 2018)