

# The Future of the Multilateral Trading System

Looking Ahead with Both Hope and Fear

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# Questions Addressed

- Is all well with international trade in 2021?
- Why is the MTS in crisis?
- What is happening now in WTO negotiations and dispute settlement?
- What can we expect from MC12?
- Is there more reason to be hopeful than to be fearful?

# International Trade in 2021

- COVID-19 pandemic causes unprecedented disruption of the global economy and international trade
  - World GDP in 2020: - 3.8%
  - International trade in goods in 2020: - 7% (value)
  - International trade in services in 2020: - 20% (value)
- Disruption the global economy and international trade resulting from ...
  - Lockdowns
  - Export restrictions and prohibitions
  - Massive support to domestic industry
  - Advocacy for self-sufficiency, re-shoring of manufacturing & decoupling from GVCs

# International Trade in 2021

- Expected recovery from the COVID-19 pandemic?
  - World GDP in 2021: est. + 6% ... but uneven recovery
  - Trade in goods in 2021: est. + 8% (volume) ... but uneven recovery
- International trade *before* the COVID-19 pandemic
  - 2019: trade in goods (- 3%) and in services (2%) (in value)
  - *EU Report on Trade & Investment Barriers in 2019*
    - ‘worrying sea change in world trade’
    - ‘protectionism has now become deeply ingrained in global trade’
- Crisis of the multilateral trading system (MTS)

# Causes of the Crisis of the MTS

- Beware of US bashing, but ...
- Fundamental shift in US trade policy under the Trump administration
  - From champion of trade liberalisation ...
  - ... to 'critic in chief' of the multilateral trading system
- US trade policy under the Biden administration
  - Allowing for the election of DG Ngozi Okonjo Iweala
  - Support for TRIPS waiver
  - Airbus/Boeing deal
  - ... but trade war tariffs on China remain
  - ... but national security tariffs on steel and aluminium remain (although ...)
  - ... but no engagement to resolve the crisis of WTO dispute settlement

# Causes of the Crisis of the MTS

- Worldwide rise in anti-globalism and economic nationalism
  - Populist politics catering to the ‘needs’ of the ‘losers’ of globalisation and international trade
  - US/China superpower confrontation (US strategy of ‘containment’) and impact on countries and trade policy worldwide
  - Ever-mounting concerns regarding the social and environmental sustainability of economic growth and international trade
  - COVID-19 experience and the ‘unacceptable’ dependency on trade

# Current Development: Negotiations



- Ongoing negotiations/discussions at the WTO
  - Fisheries subsidies
  - Trade and the COVID-19 pandemic
  - E-commerce
  - Investment facilitation
  - Domestic regulation of services
  - Industrial subsidies
  - Trade and micro, small and medium-sized companies
  - Trade and environment (fossil fuel subsidies; trade and plastic waste)
- Multilateral or plurilateral negotiations?
  - Legal status of plurilateral negotiations and their outcome?
  - MFN treatment optional if new rules are WTO-plus?

# Current Development: Dispute Settlement

- Continuing paralysis of the Appellate Body
  - All but one panel report appealed into the void since December 2019
  - 19 appeals pending
- Ongoing dispute settlement at the WTO
  - Only 5 requests for consultations in 2020 and 3 in 2021 to date
  - ... compared to 39 in 2018 and 19 in 2019
  - Only 6 panels established in 2020 and 4 in 2021 to date
  - ... but 30 pending panel proceedings
  - Only 9 ongoing consultations
- Multiparty Interim Appeal Arbitration Arrangement (MPIA)
  - 25 parties (including Switzerland but not India)
  - No appeals dealt with or pending



# What to Expect from MC12?



- Twelfth WTO Ministerial Conference in Geneva (30 Nov. to 3 Dec. 2021)
- Multilateral deliverables?
  - Fisheries Subsidies Agreement
  - Decision on access to medicines and medical equipment to fight pandemics
  - Decision on moratorium on customs duties on electronic transmissions
- Plurilateral deliverables?
  - Agreement on investment facilitation
  - Rules on domestic regulation of services
  - Rules on spam and e-signatures
- Post-MC12 work programmes

# Looking Ahead with Both Hope and Fear



- Difficult years ahead for the WTO and the MTS ...
- ... with trade tensions and disruption worldwide as a result of
  - geopolitical superpower confrontation between the US and China
  - 'weaponization' of trade in the defence of values and interests
  - unstoppable digitalisation of economic activity
  - necessary greening of economic activity
  - recourse to WTO-plus regional integration and plurilateral agreements
- No alternative for global cooperation on and multilateral regulation of international trade
  - No alternative for *a* WTO and *a* MTS