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WTO post covid-19: what challenges for the multilateral trading system?

WTI Bern, 9 September 2020
Inaugural Lecture
Advanced Master Program
The WTO Multilateral Trading System: key to sustained international trade

- International trade as a traditional driver of economic development
- International trade supported by robust multilateral framework
- Depoliticization of trade relations
- The WTO (1995) has incorporated major economies (China, Russia)
- WTO rules give certainty as to applicable import-export rules and domestic non-discriminatory treatment of imports
- Regional Agreements (FTAs) build on WTO rules and expand regulation to further sectors
- WTO unique dispute settlement system (DSS) ensures effective remedies

but:

- Lack of updating and further agreements through negotiations
- = Risk of marginalization of WTO
Trade Growth Slowing Down 2018-2019 due to Policy Uncertainty

- Since 2017 Trump US Administration «America first» trade policy («bring back jobs», rebalance trade deficit)
- Disregard for WTO commitments
- Dubious recourse to «economic security» exceptions to introduce unilateral restrictions to imports (Steel & Alu)
- Recourse to (renegotiation of) bilateral deals under threat of unilateral withdrawal of agreed benefits (UMSCA, KORUS, Japan)
- Paralyzing the WTO Appellate Body and the DSS
- «Trade War» with China

- Weak response from other WTO Members
- Uncertainty for import-export flows and value chains
- From rule-based back to power-based, fragmented trade regime?
Covid 19 Impact on Economy and Trade flows

- IMF expects World GDP to decrease 4.9% in 2020
- WTO forecasts goods international trade to decrease 13-30%
- Impediments to persons’ and services movements aggravates negative impact
- Effects on inequality, development, environment, international cooperation
- Uncertainty as to timing of recovery
- New patterns of life style and relations
Regulatory Immediate Reactions to Covid 19 Crisis

- IMMEDIATE - SHORT TERM
  - National reactions rather than international cooperation
  - Restrictions to export of medical, sanitary devices and pharma products
  - Massive subsidies and suspension of antitrust regulations
  - Restrictions to Foreign Direct Investments
    - LONG TERM
  - Incentives to domestic self-sufficiency
  - Policy and regulatory engagement to support export
  - Revival of national industrial policies
  - Political intervention in business choices («reshoring» of production)
  - Support for regionalization of trade flows and reliance on FTAs
Impact on the WTO
Current Situation

- Lack of engagement towards further liberalization of trade («old WTO»)
- Lack of agreement on new multilateral disciplines («new WTO»)
- Plurilateral agreements advocated but not negotiated
- Paralysis of AB renders recourse to DSS of dubious value: incentive to disregard rules and commitments
- Interim appeal arbitration without the US: the MPIA
- FTAs with more non-trade clauses, more contentious domestically
- Lack of engagement as to current activities:
  - postponement of 2020 Ministerial Conference
  - resignation of DG Azevedo
Post Covid Situation: an Uncertain Outlook

- Should the WTO be «modernized» and how?
  - enforcement, transparency
  - status of «developing member»
  - is the consensus principle still valid?
  - subsidies and state-owned-enterprises (SOE)
  - reinstating the AB or is a DSS without appeal still functional?

- The challenge of changing patterns of trade and policies:
  - political interference in trade flows and business choices
  - «decoupling» US / China
  - economic security concerns

- Repoliticization of trade relations? Predictability and stability at risk