

**Giorgio Sacerdoti**

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

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# 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