

WTO Reform to Further Its Functions Through Improved Dialogue

Despite its initial successes, the World Trade Organization (WTO) is currently facing an existential crisis, as its main functions are becoming progressively less effective. This calls for substantial reform to the organization. Despite some notable initiatives, the WTO has not been providing a forum for further trade negotiations. Its rules have not been adapted to global economic dynamics, while its rule-making procedures require revisions. The WTO's most successful contribution, adjudicating trade disputes, has run into difficulty: the organization's Appellate Body, which hears appeals relating to disputes among WTO members, has been paralyzed by a disagreement regarding the appointment of new judges to its panel.

The WTO's stakeholders argue that reform of the organization is inevitable. Proposals by its members emphasize the challenges in the way it functions and reflect on the issues of the changing geopolitical landscape confronting the organization. The rivalry between market-oriented and state-oriented economic systems is at the core of the discussions. The COVID-19 pandemic also added uncertainties for global trade, making the WTO's role essential in insulating global trade from the pandemic.

The G20 represents a critical mass of world trade and challenges to the system. G20 members must play a collective leadership role in providing a coherent approach that identifies cleavages and priorities and addresses solutions to facilitate the functioning of the WTO and global trade. The G20 should attend to the WTO's role in mitigating the negative impacts of the pandemic.

Key recommendations:

1. The G20 should initiate a dialogue to help identify and resolve controversial issues

The G20 should initiate a dialogue among its members so that they can play a collective leadership role in reforming the WTO. This dialogue would not replace the WTO as a forum for negotiations and rule making. The main objectives of the dialogue should be:

- to provide a platform to build mutual trust among WTO stakeholders;
- to expedite the development of new rules while preserving the core principles of the rules-based system under changing global dynamics, and
- to make concrete action plans for necessary reforms in order to realize the proposals contained in various G20 statements.

2. The G20 can empower the TIWG to improve the dialogue among WTO members

The G20 should provide a clear and implementable mandate to the Trade and Investment Working Group (TIWG) to operationalize the framework within which they specify and expedite the major challenges that need to be addressed. The G20 should also give the TIWG a mandate to produce a roadmap with clear long-term work programs for actionable proposals.

The TIWG should establish an institutional dialogue with T20 task forces. Engaging with businesses and non-government organizations would provide the TIWG with a deeper understanding of these entities' perspectives on the global trading system. The TIWG could ask the B20 to provide a comprehensive report identifying challenges within the WTO and possible solutions to them. The TIWG could be supported by a scientific consultative board and sub-committees on issues like industrial and agricultural subsidies, the trade in services, digital trade, and plurilateral agreements.

3. Coping with contingencies that can distort trade

The G20 Ministerial Statement of March 30, 2020, noted that emergency trade measures to mitigate the negative impacts of the pandemic must not impede access to medical products and other essential goods and services. It also noted that these measures must be targeted, proportionate, transparent and consistent with WTO rules. To deliver on the statement's objectives, G20 members could negotiate a plurilateral agreement on rules and procedures applicable to the trade in medical products and services (including vaccines).

4. Assessing the possibility of achieving consensus

WTO agreements must reach a consensus, making them increasingly difficult to realize. WTO members can facilitate the rule-making process by using the "blocking minority" rule, wherein a consensus is broken only if countries that constitute a "critical blocking mass" reject the decision.

The WTO's open plurilateral agreement is inclusive and allows non-participating developing countries to benefit from the WTO's rules and market access. To ensure the primacy of the WTO's multilateral system, all plurilateral agreements must be incorporated within the WTO. To assist the WTO Secretariat, the TIWG could establish a sub-committee focusing on plurilateral agreements to examine the criteria for their success, monitoring and incorporation into the WTO.



5. Reducing tensions surrounding the issue of subsidies and strengthening the WTO's surveillance and implementation of subsidies

The G20/TIWG could consider establishing a sub-committee on subsidies, comprising senior trade and finance officials, to assess their negative and positive cross-border spillover effects, how to minimize their distortive effects on trade, capping the growth of subsidies, and discussing the possibility of their gradual phase out.

6. Trade barriers must be WTO-compatible and transparent

Despite efforts to liberalize global trade, G20 countries have been predominantly responsible for implementing trade-restrictive measures. There should be a peer-review process among G20 members, through the TIWG, to identify failures to implement and notify the measures.

7. Addressing digital trade and transformation in a post-pandemic economy

WTO reform will not be complete without achieving discipline on the digitalization of trade. Rules should be developed on the liberalization of e-commerce, e-services and electronic payments. These rules should address issues like the taxation of digital services and the regulation of trade-related data flows.

8. Resolving the impasse in the WTO's dispute settlement mechanism

The deadlock over the Appellate Body needs to be resolved immediately. The contingency multiparty interim appeal arrangement under Article 25 of the WTO's Dispute Settlement Understanding (DSU) is intended to prevent a blockage. Improved methods of conciliation and mediation are necessary to reduce the workload of the DSU mechanism.

However, the stalemate in the DSU could be resolved most effectively if the WTO's rule-making function were strengthened and if its rules were revised and upgraded.

