

DDG Wolff shares views with international agency heads on future of multilateral cooperation

In remarks on 6 November to the autumn meeting of the UN Chief Executives Board, Deputy Director-General Alan Wolff made the case for reinvigorated international cooperation on trade to accelerate the response to COVID-19, support the needed economic recovery and enhance economic growth and opportunities for people around the world.

Speaking to the heads of the United Nations, the World Bank, the International Monetary Fund and other international agencies, DDG Wolff provided an overview of current trends in global trade, arguing that “more trade, not less” would be necessary to achieve a panoply of objectives in public health, peace and security, environmental sustainability, and the economy. “Closing off markets would only make us more vulnerable, and less prosperous,” he said, calling for a strong recommitment to making multilateralism work, as an antidote.

“While the trading system alone cannot solve the problems facing the world, it can assist in providing solutions,” he said. A well-functioning WTO would be a “forum in which to bridge differences and build trust”.

The text of DDG Wolff’s main remarks is below:

I thank the Secretary General for his insightful overview, the High Commissioner for Human Rights for presenting the human rights picture that must inform all that we do, and the IMF and World Bank heads for laying out the wider economic context to which I will add the trade dimension.

If all were as it should be, I would not be joining this virtual meeting via a cell phone as the Wi-Fi is down in our area.

If all were as it should be, the person joining you today would be the first woman Director-General of the WTO since its founding 25 years ago, and for that matter the first woman Director-General of the multilateral trading system, created 73 years ago.

We can conclude, with the first wave of the pandemic having passed for some areas, and the second wave beginning here in Geneva, that the trading system is enduring despite the added stresses placed upon it.

More

- [WTO and other organizations](https://www.wto.org/english/thewto_e/coher_e/coher_e.htm) (https://www.wto.org/english/thewto_e/coher_e/coher_e.htm).
- [Deputy Director-General Alan Wm. Wolff](https://www.wto.org/english/thewto_e/dg_e/dg_ra_e.htm#wolff) (https://www.wto.org/english/thewto_e/dg_e/dg_ra_e.htm#wolff).
- [Deputy Directors-General](https://www.wto.org/english/thewto_e/dg_e/dg_ra_e.htm) (https://www.wto.org/english/thewto_e/dg_e/dg_ra_e.htm).
- [COVID-19 and world trade](https://www.wto.org/english/tratop_e/covid19_e/covid19_e.htm) (https://www.wto.org/english/tratop_e/covid19_e/covid19_e.htm).
- [#GlobalTrade](https://twitter.com/hashtag/GlobalTrade?src=hash) (https://twitter.com/hashtag/GlobalTrade?src=hash).

The trading system performed better than expected during the second quarter with respect to merchandise trade, but there is limited comfort to be had in this statement.

- ❑ Global trade saw a modest uptick in recent months, a function of extraordinary fiscal and monetary measures as well as the fact that trade restrictions have been confined to a limited number of sectors and products.
- ❑ The decline in world merchandise trade - still serious when last forecast at 9% - was better than our most optimistic outlook earlier in the year.
- ❑ However, services trade declined by 30% over the 12 months to the second quarter of 2020, with travel and tourism hit particularly hard, and the present prospects are at best clouded.

So far, the trade recovery has been stronger on the supply side than on the demand side: a strong, sustained global recovery also requires robust demand. While there were some positive signs of this in the September data, the continuation of the incidence of COVID-19 infections and the measures taken to counter risks to health place the strength and timing of recovery of world trade in doubt.

- ❑ The global response to the pandemic has not yet succeeded in curbing either the threat to health or the ongoing damage to the global economy.
- ❑ It is far from clear that we will return to pre-pandemic trajectory at all, and not in 2021.
- ❑ Trade policy decisions, as well as other economic policy choices, will matter.

The bottom line –

- ❑ While the pandemic exposed some of the fragilities that come with economic interdependence, it has also revealed considerable strengths. For example, trade has been a key means of ramping up access to medical supplies.
- ❑ Value chains have shown a surprising degree of resilience: preliminary data suggest global trade in intermediate goods has fallen less sharply than trade in final goods – implying that value chains now account for a higher share of world merchandise trade than they used to.
- ❑ For the large-scale refrigeration capacity needed to roll out a future COVID-19 vaccine, it will not make sense to try to develop new national supply chains for specialized cold chain equipment. It would be more effective to leverage existing supply chains.
- ❑ Even the world's most sophisticated economies rely on others for certain medical goods, not to mention agricultural products.
- ❑ While the trading system alone cannot solve the problems facing the world, it can assist in providing solutions. Functioning well, the WTO can be a forum in which to bridge differences and build trust.
- ❑ More trade, not less, will bring essential medical supplies, drugs, and soon, we earnestly hope, vaccines to where they are needed.
- ❑ More trade, not less, will assure food security in the face of both the pandemic and severe climate events.
- ❑ More trade, not less, will play a key role in delivering economic growth as it has over the last seven decades.
- ❑ Closing off markets would only make us more vulnerable, and less prosperous.

- Broadly open international markets are essential and must be anchored in cooperatively determined rules.

The future of multilateralism

Secretary General, you have warned of what you have called the Great Fracture - Surging Geopolitical Tensions, Existential Climate Crisis, Deep Mistrust, and the Risks of Technology. To this, nature has added the pandemic, with its threat to life, to health and for all too many, to economic survival.

The fault lines that you identified can put at risk the contribution that the WTO must make to the global economy and the well-being of the world's peoples. We are in danger of reaching a point of stasis – preventing not only negotiations, but working dispute settlement, and failing to provide effective administration of the world trading system.

The multilateral trading system is not seen as being as relevant to today's problems as it should be. The 1948 Havana Charter for an international trade organization and the 1995 Marrakech Declaration for a World Trade Organization contained lofty aspirations that need again be taken to heart. (See Annex I for a list of identifiable values of the WTO.)

The generation that faced the task of reconstruction and development following two world wars and the great depression found answers in international cooperation that we must now re-learn and apply.

Of these, the most fundamental was their commitment to increasing the prospects for achieving and sustaining peace through trade and other forms of international economic cooperation.

Many of the conflict-affected and fragile countries of the world now seek to join the WTO. They see membership in the WTO as bolstering their chance for peace through integration into the world economy. The WTO's Trade for Peace (https://www.wto.org/english/thewto_e/acc_e/tradeforpeace_e.htm) Program underlines our commitment to this fundamental need.

We must now deliver on the promise inherent in the creation of the multilateral trading system. Fairness must be provided and made visible to all. Inequalities must be addressed. Rivalries cannot be allowed to obscure common interests.

The WTO needs new strong leadership. With that step taken, the most urgent challenges before us are to respond to the trade aspects of the pandemic and then to assist in the global economic recovery.

Science tells us that pandemics will again occur, climate change will continue, and technological change will not end. History tells us that geopolitical tensions will never in our lifetimes be completely banished.

We shall meet and overcome the major challenges of our time for the simple reason that we must.

We must re-invigorate the WTO. It is imperative to overcome that which divides us, and I am confident that we can do so.

Responding to today's challenges

In the WTO context, changes to global governance that would make it more fit for today's challenges and landscape of actors would include:

- ❑ Reaching agreement on open trade in medical supplies, medicines and medical equipment is a first priority. This would begin the process of restoring the negotiating function to the WTO.
- ❑ Also essential is updating the WTO rulebook with respect to digital trade and growing concerns over the environment. We must bring the fisheries subsidies negotiations, which are well-advanced, to a successful conclusion.
- ❑ A package of reforms is needed to make the WTO more effective as a place where trade agreements are not only negotiated but enforced through dispute settlement deemed legitimate and binding for all, and where executive functions for administering the multilateral trading system, including proposing initiatives, is entrusted to a proactive Secretariat responsible to the organization's members.

If governments feel that the WTO is not responding to their needs, they will go elsewhere, leading to fragmentation – or worse, a wide-scale return to economic nationalism.

To make multilateralism more inclusive, networked and effective at the political level, we need a strong recommitment to multilateralism. We need heads of state, foreign ministers, trade and finance ministers to make the case at home for multilateral cooperation. This should represent a moment of solidarity on par with the San Francisco and Bretton Woods conferences. It would be enormously challenging, but the framework is there: it must be repaired, updated and made ready for the challenges ahead.

At the organisational level the Bretton Woods institutions, the organizations that are members of the UN family and the OECD, among others, must become more networked and mutually reinforcing as we pursue our respective mandates. Complementarity, not duplication of effort will be important. Where necessary, we should update and build on the cooperation arrangements we have. These efforts must be supported by fair and transparent practices that are inclusive, ensuring that all stakeholders are able to contribute to our work for the common good.

Trade and the New Social Contract

To prepare the UN system for a post-pandemic world and support the development of a New Social Contract, we must address issues of trade and inequality.

The WTO's operational role within a new social contract will be to serve as a steward of fairness and sustainability in international trade. Fairness means non-discrimination; it means letting market forces not government fiat determine competitive outcomes – subject always to the right of governments to pursue public policies for the benefit of their people – as long as this is not an excuse for the spread of unwarranted protection.

Expanded trade and updated international trade agreements will always present an easy political scapegoat (as compared with the relative immunity granted to technological change, tax and other domestic policies including social, labour and competition policies as causes of current problems). The fact is that large numbers of people, and entire regions, feel that they have been left behind by economic and technological change. Trade agreements have to be responsive to valid widespread public concerns.

Trade agreements and domestic policies must reduce economic inequality – notably by increasing opportunities to gain skills as well as the returns to labour. Provisions must exist which allow the countering of trade-distorting practices and ease adjustment where adjustment is needed and warranted.

At the same time, trade is an important source of growth, productivity and economic opportunities. Abandoning the pursuit of new trade rules (currently with respect to services, environmental sustainability (fisheries subsidies) and digital trade), or going back on existing rules, would do little to advance the goals of a New Social Contract – and would likely hurt them.

A 2017 WTO/IMF/World Bank publication 'Making Trade an Engine of Growth for All', outlines a substantial set of domestic policy options that countries can use to distribute the gains from trade more widely. Such policies will be good for overall economic performance – and they will also make trade less contentious.

Annex I

The Values of the World Trade Organization

In the current upsurge in criticism of the inadequacies of the collective responses to the pandemic, the WTO is receiving heightened scrutiny, and more urgent calls for WTO reform. It is necessary to understand the values that the multilateral trading system is designed to promote before it can be reformed.

A serious inquiry into this subject would serve three purposes:

- ❑ to know the value of what we have in the current system,
- ❑ to determine if the values of the current system enjoy the support of all WTO members, and
- ❑ to address the degree to which the WTO is of sufficient continuing relevance as it is at present or whether it needs fundamental change.

WTO members can make progress toward improving the organization to help it to create a better world through building on the values that are inherent in the system. These include –

- ❑ **Stability and peace** – The original mission of the multilateral trading system was to enhance economic growth to achieve stability and support peace; today the WTO fosters integration of conflicted countries into the world economy.
- ❑ **Well-being** – At its core, the organization is about the economic advancement of the people whom its members represent. Well-being is defined to include creating jobs and, as we are finding out, it also includes health;
- ❑ **Rule of law** – The enforceability of obligations is a key distinguishing feature of the WTO as compared with most other international endeavours;
- ❑ **Openness** – The multilateral trading system rests upon the principle that to the extent provided within the bounds of the WTO agreements, markets will be open to international trade and trade is to be as free from distortions as possible;
- ❑ **Equality** – Equality among members provides the opportunity for each member to participate in the organization, and its rights and obligations, to the extent of its capabilities;
- ❑ **Sovereignty** – Sovereignty is preserved – no decision taken within the WTO is to have an automatic effect on the laws or actions of any member;
- ❑ **Development** – Fostering development to allow all members to benefit equally from the rights and undertake equally the obligations of the WTO.

- ❑ **International cooperation** — Cooperation is a shared responsibility of membership to enable the organization to function.
- ❑ **Sustainability** — There is increasingly an attitude of care among members for stewardship of the planet and its inhabitants.
- ❑ **The primacy of market forces** — Commercial considerations are to determine competitive outcomes.
- ❑ **Convergence** — The WTO is not simply about coexistence; differences among members affecting trade which deviate from the principles governing the WTO, its core values, are to be progressively overcome.
- ❑ **Reciprocity** — Broadly defined reciprocity is required for negotiations to succeed.
- ❑ **Balance** — is provided:
 - ❑ Through each member's judgment of the costs and benefits of the rights it enjoys and the obligations it has undertaken;
 - ❑ Through its view of how its costs and benefits compare with those of other members;
 - ❑ Through a member's view of its freedom of action in relation to the freedom of action for others, and
 - ❑ Specifically, through its judgment of whether it has sufficient freedom to act to temper its commitments for trade liberalization (openness) with measures designed to deal with any harms thereby caused.
- ❑ **Trust** — International trade would largely cease if trade-restrictive measures that were inconsistent with the rules were as a regular matter put into place and only removed prospectively through lengthy litigation.
- ❑ **Morality** — in its absence, it would be hard to fully explain the provision addressing pharmaceutical availability in health emergencies. The 1994 Marrakech Declaration states that the WTO was being created to reflect the widespread desire to operate in a fairer and more open multilateral trading system.
- ❑ **Universality** — Membership is open to all who are willing to negotiate entry.

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