

Intelligence MEMOS



From: Lawrence Herman
To: Canadians Concerned About Trade
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Re: **WHITHER THE WTO? SOME THOUGHTS ON ITS FUTURE**

The World Trade Organization is under stress. Major disagreements among members, including confrontations between the US and China, have hurt its operations. Its negotiating functions are at a standstill. Its dispute settlement system is dysfunctional.

It is legitimate to ask about the WTO's long term future.

There is every likelihood this state of paralysis will continue, so let me suggest a future WTO role, not as a negotiating or dispute settlement forum, but more as a central body monitoring and reporting on key trends and forecasts in global trade. It can become a forum for debate and exchanges among governments on critical trade issues, all of which can contribute to keeping the rules based trading order more or less alive. The following offers several suggestions in this regard.

The roots of the WTO's paralysis have been frequently commented on. The short story is that as its membership grew to 170 nations, shifts have occurred in relative economic and political weight, making it almost impossible for member countries to reach consensus – effectively unanimity under WTO rules – on negotiating priorities. Since the last comprehensive set of negotiations, the ill-fated Doha Round, collapsed in 2011 only a couple of relatively narrow agreements have been concluded under the WTO umbrella.

With negotiating functions paralyzed, the regrettable fact is that the WTO has been a bystander in dealing with critical issues like sustainability and climate change, digitalization, vaccines, pharmaceuticals and other global priorities.

The US refusal to agree on appointments to the Appellate Body – which hears appeals from lower trade panel rulings – means that the WTO's once-heralded dispute settlement system no longer works. Correcting this is linked to a broader and much more entrenched challenge of institutional reform, overhauling the entire WTO system.

In addition, the WTO has become a hugely complex organization in terms of governance. It is now structurally over-weighted, as anyone trying to navigate its website can attest. There are more than 650 full time secretariat employees charged with servicing this dense structure. All this weighs on reform efforts, getting negotiations back on track and restoring the WTO's adjudicative functions.

All is not lost, however. Beyond its highly politicized and widely publicized problems, there are less public and less political elements of the WTO's mandate that continue to operate. Here are three illustrations.

First, there is the WTO's work in global trade monitoring and analysis. The secretariat produces an annual [Global Trade Outlook Report](#), estimating trends in world trade growth over the coming year. Additional annual reports are its comprehensive [World Trade Report](#) and the [World Trade Statistical Review](#). There are other periodic reports on discrete trade issues of importance. All are of excellent value to the global community.

A second function is in the WTO's review of the trade policies of individual members that turns a public spotlight on how well each country is discharging its WTO obligations. No one else is doing this kind of work. It is part of the transparency mandate the WTO does very well. No stone is left unturned. Canada has undergone several of these detailed reviews, the [last one](#) – all 238 pages – in 2019.

A third area is in the ongoing work of the WTO's various councils and committees of member governments that, even through higher-level dysfunction, continue to operate as forums for discussion on trade-related subjects like development, the environment, climate change, decarbonization, agriculture, trade remedies, digitized services and a host of other key issues. Even if this falls short of negotiating new trade deals, these inter-governmental exchanges and the regular reports from these sub-bodies help maintain some degree of global order and respect for WTO rules.

This is reminiscent of the evolution of the United Nations Conference on Trade and Development (UNCTAD), which began life in 1964 as a highly politicized body that made ambitious attempts to negotiate multilateral economic agreements. Resistance from industrialized countries and disappointing outcomes led it to gradually change course. Today it is a much different organization that analyzes global developments and produces well-researched and highly regarded reports on economic trends, climate change, sustainability and other issues of relevance to developing countries. While the UNCTAD experience is not perfectly applicable, there are similarities to the current state of the WTO.

This all adds up to the conclusion is that less political energy should be expended in trying to resolve the WTO's intractable political and institutional problems – much akin to the endless debate over reforming the UN Security Council, a fruitless and never-ending business.

More attention needs to be paid to ensuring the WTO continues what it does best, providing a public forum for international trade concerns, issuing analyses on world trade and reporting regularly on global trends and member compliance with WTO rules. These add value, notwithstanding the WTO's broader institutional paralysis.

This could be the WTO's most important service to the global community.

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