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Change of WTO leadership – fresh dynamism for Herculean challenges?

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The Current Column

of 21 May 2013

Change of WTO leadership – fresh dynamism for Herculean challenges?

Bonn, 21 May 2013. Last week the Brazilian Roberto Azevêdo was officially confirmed as the newly elected head of the World Trade Organisation (WTO). The WTO is at a turning-point. Among the greatest challenges it faces are the standstill in the Doha talks and the proliferation of regional agreements. How can the new WTO leadership introduce fresh dynamism into the world trade system? The fate of the rules on international trade is not decided by the WTO's Director-General. It is the political will of the member states that sets the tone. Yet the new Director-General can lay down some important markers for the future of the rules on the global economy.

Azevêdo's appointment is a clear sign of the considerable influence wielded by the emerging economies in the WTO. Azevêdo beat former Mexican Trade Minister Blanco, who had been backed by the USA and the European Union (EU). China, along with the majority of the developing countries and Russia, eventually smoothed the Brazilian's path to the top of the WTO. He has vowed to breathe new life into the Doha Round. In a recent interview he claimed to have the necessary abilities to ensure fresh movement: he can roll up his sleeves, and he knows the WTO system from the inside. Can Lamy's successor break the Doha standstill? Many observers think it unlikely. An opportunity for progress will arise in early December, when the next WTO ministerial conference is held in Bali. Expectations are running high – and that is equally true of the WTO's new Director-General.

However, little power comes with the post of WTO Director-General. Whoever the incumbent, the success of the Doha Round will depend on the member states' negotiating positions. They, on the other hand, lack the political will to adopt a new agreement. The fate of the Doha Round thus depends less on the new head of the WTO than on a consensus among the member states. Yet his diplomatic skill and powers of persuasion can help Azevêdo to tackle the current challenges and to

leave his mark on the future face of the world trade system.

First, there is a need for strong leadership to revive the Doha talks or, if necessary, to declare them officially dead – should there be, even in the near future, no prospect of an agreement. The best strategy for the next Ministerial Conference must surely be to rescue what can still be rescued – primarily with an eye to the poorest countries – and then to proclaim the success of the package adopted and the conclusion of the Doha Round. If, however, a compromise is not reached, it will be time to formally bury the Doha Round at long last. This will make it possible for Doha to be left behind and for the WTO to waste no more time in devoting itself to the issues of the 21st century.

Second, whatever happens in Bali, Azevêdo will be able to influence the future substantive path taken by the organisation. There are a number of difficult future issues in which he should involve himself. Among the many important topics are trade in natural resources, global value chains and the need to harmonise trade and climate measures. The man from Brazil should also initiate a debate on the increasingly significant interface between trade and energy. Without such a debate among the member states there will be no agreement on the WTO's future role in global energy policy.

Third, Azevêdo can give a boost to the debate on the institutional reform of the WTO. What has caused the Doha Round to grind to a halt is not only the member states' inability to compromise but also the organisation's present structure. As decisions are taken by consensus, individual states are able to use their veto to block the negotiations at any time. And the negotiations can be brought to an end only with agreement on an overall package approved by all 159 members (single undertaking). Here Azevêdo can give some serious encouragement by pushing for a debate on more scope for a multiple-speed WTO. More restricted

plurilateral agreements among a “coalition of the willing” do not require a consensus of all the members on a large package – and so provide more opportunities for negotiations to be brought to a successful conclusion.

Plurilateral agreements within the WTO are also an important alternative to the bilateral and regional trade agreements that are increasingly infiltrating the world trade system. The negotiation of transpacific and transatlantic mega-regionals in particular means nothing less than the reformulation of the world economic rules. We are experiencing a new phase of trade regionalism, which is threatening to undermine the WTO far more than in the past.

Fourth, Azevêdo might take on a leadership role in giving the advocates of the global trade system a push. The WTO could learn from such institutions as the World Bank and International Monetary Fund (IMF), which focus heavily on training, research and outreach. The most convincing research on the disadvantages for developing coun-

tries of agricultural protectionism in the industrialised nations was carried out by the World Bank – not the WTO. By stepping up its training, research and outreach activities, the WTO will be more successful in developing a large global following and assuring itself of its support.

Whether the Doha Round actually fails in the end or is brought to a conclusion after all, the WTO will still be there in the future. And past efforts to construct a global trade system have been far from unsuccessful. After the global financial and economic crisis the existence of the WTO has prevented a protectionist race and trade wars. And even if the engine of negotiation stalls, the WTO’s dispute settlement procedure is a great success. It is still to be hoped that Azevêdo, with the backing of the developing countries, will be able to build a bridge between the old WTO powers and the emerging economies and to generate positive movement towards an improvement of the rules on world trade.



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