

## **A reformed WTO can't be the same WTO**

It's often more tempting to plaster over the cracks than to accept that an entire rebuild is required. This is indeed the case with the World Trade Organisation (WTO) – yet in a changed world, we need accept that a remodel is required to keep the organisation relevant and ensure it survives.

Despite all the obvious benefits attached to global trade governance, the WTO has come under heavy criticism in recent years. Allegations around its ineffectiveness are not entirely unjustified, but many are unfair. Many of the current WTO issues stem from the legacy of the Doha Development Round in 2001 – a high-profile, multilateral trade negotiation aimed at lowering barriers to market access and tackling development issues. The Round was over-ambitious and promised more than could be practicably delivered. It also stymied progress in key areas; namely trade in services and digital trade. Much of the world still suffers a deficit in basic infrastructure – affordable access to the internet, clean water, sanitation, education and health. These issues can no longer be seen in isolation from the terms under which countries trade.

Over the past 20 years, trade liberalisation has helped double global GDP and cut poverty by 40%. Trade empowers local communities to build sustainable economic growth and drives development. But there is still an underlying imbalance in trade. And this has resulted in applied pressure by a small group of powerful developing countries (concerned that this imbalance is impacting digital trade) to lift the moratorium on customs duties on electronic data transmissions. Lifting the moratorium isn't the answer if we want fewer trade barriers, but a solution needs to be found to remedy the imbalance, and policy-makers need to work to prevent developing countries from blocking progress on new trade agreements.

The WTO and the UN Conference on Trade and Development [UNCTAD] need to work together to ensure the world can trade under common rules, while ensuring that developing countries receive the right levels of assistance to meet their economic needs. This need is perfectly illustrated in digital trade: despite being considered a global priority, only 1% of development and multilateral bank budgets are spent on ICT projects.

By the WTO's own admission, the world trading system is in the biggest crisis since World War II; under attack from all sides as frustrations grow at the inequalities within a system in desperate need of reform and modernisation. If we don't act and support the WTO, governments will take matters into their own hands. We are already seeing this happen with China and the US negotiating a trade deal on a bilateral basis, when trade disputes of this scale should be mediated through the WTO. 50% of the G20 are now openly protectionist, operating outside the WTO framework and putting trade barriers up to meet their national needs.

But how do we achieve reform in a way that allows the WTO to evolve and the different member governments to feel they have all benefitted? This will require compromise by all parties. We need more brokers – governments and stakeholders who can help bridge the dialogue, as the Friends for Ecommerce for Development did at the start of the ecommerce negotiations.

We shouldn't underestimate the importance of second tier countries like Australia, Brazil, Canada, Mexico, Nigeria, Singapore and the UK and the role they play as a bridge between the developed and developing economies. Progress will require more effort to bridge this gap so faster-moving countries can make progress without slower-moving countries feeling that their needs are not being met.

We now have four large workstreams, each with over 50-60 governments addressing a host of important issues, such as market access, the needs of SMEs, investment facilitation and digital trade. If these succeed, it would be a leap forwards for progress, whilst allowing others to participate when they are ready, and leaving the door open for multilateral deals if the opportunities arise. We need to focus our efforts on areas of political consensus rather than stubbornly pursue a purist approach to multilateralism – the latter has clearly not worked.

It is critical that business leaders step forward, pressurise national governments to act and put practical solutions on the table. The WTO can reform, but it needs pressure from businesses to focus in on the issues and help connect Geneva-based government representatives and national capitals. We need to radically scale up business engagement with the WTO and its members if we want to protect a rules-based system that has delivered so much benefit to so many.

All these issues came to the fore at the recent AIG Trade Series event in Georgetown, Washington. It was a sobering reminder of the frustrations with the current system and the desperate need to start establishing a positive framework for a reformed WTO. The WTO leadership is remarkably open to engagement – it's down to all of us to respond and constructively engage. The WTO Trade Dialogues and ICC Global Dialogue on Trade are two excellent initiatives in establishing a forum for businesses to engage. ICC convened international delegations to the WTO and UNCTAD have also proven to be hugely effective in setting up opportunities for effective engagement in Geneva. Ecommerce negotiations will be the litmus test – if China, the EU, US and the other 70-plus governments can agree on a deal by July 2019, it will be a positive signpost that progress can be made on some of the most pressing global challenges. This will revitalise the reform programme and provide some momentum for change.

