

## The WTO in 2016: Two Scenarios

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The title of this year's WTO Public Symposium ***What WTO for the XX1st Century?*** is an invitation to take the long view, think outside the box, question our assumptions. These are no easy tasks. As human beings we tend to keep walking the same beaten paths. We reproduce the same individual and social reality, and appear unable to reform our lives and institutions.

The current deadlock of the Doha talks results from our inability to overcome positional bargaining and think beyond particular, private interests. We appear incapable of overcoming self-imposed political constraints to think creatively about solving humanity's challenges (poverty, injustice, intolerance). We are constrained by so-called Methodological Nationalism<sup>1</sup>. This house has seen a fair amount of positional bargaining during the Doha Round, entrenched, inflexible positions. Will we be able to move to a problem-solving mode, a principled negotiation to decide issues on their merits and look for global gains? And where our interests do conflict, can we negotiate on fair standards?

Nearly all WTO members express regret of the Doha Round's collapse. Nearly all call for its resumption. We thus need to reconsider the social value of the WTO. What did we create this for? What do we wish to rescue? Where we go from here depends on our capacity to recreate our social construct.

To begin anew, we need to remind ourselves that the WTO is a social construct. And social reality is the product of human action. Human action can be structured according to imagination, knowledge and good, pragmatic, communicational reasoning. Communicational reasoning relies more on solid arguments than on politics. This may throw some light as to how to go from here. We need to reiterate the human capacity to design and modify historical reality according to imagination and reasonable judgment.

Let me exemplify the illusion of certainty with two quotes. The first quote is from Margaret Thatcher: *"Anyone who thinks the ANC is going to run South Africa is living in cloud cuckoo land* ». Thatcher was saying this in 1987. She was not able to acknowledge the ANC as a valid political alternative for South Africa<sup>2</sup>. The ANC was in office 7 years later.

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<sup>1</sup> term coined by German sociologist Ulrich Beck

<sup>2</sup> The posters are Mandela's, original April 1994 election posters

Now listen to sociologist Norbert Elias « *In American and European countries you often encounter the idea that the Eastern Block will slip into a crisis in the not-too-distant future, and will then dissolve itself...I believe that the idea of the ostensibly mechanical collapse of the capitalist and communist systems constitute wishful thinking. It lacks any connection to reality...* ». Elias' failed to see the fall of the Berlin wall<sup>3</sup>.

We are often immersed in the "official truth" of our times and cannot imagine social, political change, even when it is in the course of happening. We systematically underestimate our capacity to bring about social change.

So, before we get out of the box, let us try to understand the limits of thinking inside the box. Let us become aware of what our mental box is, where its limits lie. The perception of reality is mainly determined by prejudice and preconceived notions. We mostly see what we want to see, we mostly learn what we already know, we interpret the facts according to a mind frame, which we do not question and of which we are not even totally aware. And, more importantly, we think or unconsciously assume that we perceive reality in an objective manner and that the reality we perceive will always be the same.

To conceive alternative possible futures for the WTO, let's take a step back from the current stalemate of the Doha Round and the disenchantment surrounding the WTO. Let me suggest two alternative images, two sketches of the WTO in the year 2016. I pick the year 2016 as a target date and not say 2056 because as Keynes said: "*In the long run we are all dead*"<sup>4</sup> A view that is too long loses its relevance.

## **Two images of the WTO in 2016**

So ***What does the WTO look like in the year 2016?*** In my first scenario the WTO has ceased to exist. In the second scenario, after a period of fruitful discussions and collective action, and having undergone a major reform that strengthened its legitimacy, the WTO is blooming. The WTO is successfully managing global governance challenges. Let us look closely at these two alternative, plausible scenarios and recall some of the milestones that led to one or the other future.

### **1. The WTO has ceased to exist or A fearful new world**

Close your eyes and picture yourselves in the year 2016. You are entering this building accompanied by a guide. Hear her speak:

*"Good morning ladies and gentlemen, welcome to the headquarters of Pictet Private Bankers, Geneva bankers since 1805. This building, the William Rappard Centre, was constructed for the League of Nations in 1925. Its first occupant was the ILO which moved to its current premises in 1975. The building then hosted the General Agreement on Tariffs and Trade (GATT) later World Trade Organization (WTO). The GATT/WTO was a key institution in the post war architecture. It sought to liberalize trade. It's principle of non-discrimination- the Most Favored Nation treatment- is among the most enlightened institutional innovations of the 20th Century. Yet, in the beginning of the 21st century the WTO member countries' incapacity to narrow differences led to deadlock and in the end to the dissolution of the WTO. When the WTO was dissolved in 2011, the Geneva Private Bank Pictet- a 200-year-old financial institution, emblem of Financial*

<sup>3</sup> Humana Conditio, Frankfurt 1985

<sup>4</sup> John Maynard Keynes: A Tract on Monetary Reform. The Collected Writings of J.M.K, vol. IV

*Geneva - bought this real state and moved its headquarters to the lakefront. Inaugurating the building in July 2012 the Bank's Chairman said:*

*"We have been after the William Rappard building for over a century. Our first purchase offer to the Swiss Confederation came in 1939 when it still hosted the ILO. Some properties are slower to acquire than others. But we always knew that while public institutions come and go, Pictet Private Bankers have time on our side. Our century old patience has been well compensated for and the bank will celebrate its 250<sup>th</sup> anniversary in the William Rappard Centre".*

Let me list some of the milestones and turning points that brought us to this scenario:

- July 2006 marked the point of no return with the G-8's refusal to discuss greater domestic subsidy reductions and the generalized lack of interest from developed countries
- Nullification of commitments already made during the Doha round
- In 2007 the US farm bill was re-authorized by a great majority in the US Congress. Voting followed an aggressive campaign with slogans such as "Agriculture must be a part of our Nation's independence" and "Americans in touch with where our food comes from"
- US fast track expired in mid 2007
- LDCs saw the year 2008 come and go without introducing duty free, quota free market access for the Least Developed Countries
- In 2009 Lamy resigned as DG of the WTO to join Ségolène Royal's government as Prime Minister
- The WTO was left headless and after a period of extenuating discussions the General Council elected a Tanzanian national. Some celebrated the fact that the new DG was a national from a developing country. Developing countries now constituted the majority in the WTO, the DG should consequently come from the developing world. But others felt that having a national from a developing country head the WTO meant the EU and the USA had lost all interest in the institution
- The 2013 deadline to eliminate all agricultural export subsidies was missed
- Highly protected farmers in the EU and other wealthy countries stepped up resistance
- Proliferation of preferential agreements (American "competitive liberalization"<sup>5</sup>)
- All MDG missed in 2015
- Countries became skeptical of trade diplomacy. At first they became more litigious taking each other to the WTO more often. This fostered political controversy and ultimately lead member states to ignore the rulings of the organization (*If you cannot legislate why not litigate?*,<sup>6</sup> Silvia Ostry)
- US and EU withdrawal from the WTO,
- This weakened WTO successor organization moved to Singapore, (a more propitious environment) as Professor Jean Pierre Lehmann had suggested in an article around the year 2005,
- It has become a regional voice advocating for the resumption of dialogues
- The new WTO paradigm favours Regionalism over Multilateralism. While regional integration mitigates national protectionism, it leads to regional protectionism. The EU is a good example of this. We are clearly better off with regionalism than with national protectionism. Yet regionalism in the post-WTO era is bringing about confrontation between regional powers.

<sup>5</sup> Silvia Ostry, *After Doha: Fearful New World?*, August 2006, Bridges, ICTSD

<sup>6</sup> *Idem* p. 4

## 2. A truly global common market

In the second scenario the WTO has become a truly global multilateral institution. We could call this scenario "Enlightened leadership seizes the reigns".

Here's how it happened: After a period of soul searching and finger pointing, naming and blaming, the Doha Development Round was successfully completed in 2009.

Negotiations were resumed in November 2006 and soon after sweeping results were achieved in:

- Cotton
- Agriculture subsidies
- Industrial goods
- Services
- Trade facilitation
- Mode IV
- IP and Public Health

How on earth did this happen? Several forces contributed to the successful completion of the Doha Round:

- A so-called *Coalition of Middle Powers* conducted a earnest analysis of the link between trade and development (launched by Sylvia Ostry Research Fellow of the Centre for International Studies, at the University of Toronto)
- Also, the *Custodians of the Multilateral Trading System* led by the Evian Group and individuals such as Ted Turner, and C. K. Prahalad, and Maria Cattai mobilized policy makers, scholars, NGO leaders, farmer associations, to foster an open, inclusive, equitable and sustainable *global market economy* in a rules-based multilateral framework. Part of their strategy included fact finding missions around the world (Tanzania, Bolivia, Uzbekistan etc.) to reconsider the trade and development link
- The WTO Policy Forum was created as an independent policy forum to conduct serious discussions on trade and development, sequencing of trade liberalization, the role of domestic policy in adjustment processes.
- The importance of the WTO Policy Forum is critical. It helped bring about knowledge-based decision making processes in the WTO taking over diplomatic bargaining, often driven by private interests
- Multistakeholder national dialogues (business, NGOs, consumer organizations, farmers, government...) were held around many capitals
- And then there was of course the exemplary work of the Aid for Trade task force... and the resulting, long awaited international coherence
- The basic finding of the WTO Policy Forum was that the goal of the **WTO was to create a common world market**
- In order to make the WTO fit to pursue this end, the following institutional reforms have been underway since 2010:
  - The WTO Policy Forum was upgraded to an independent Commission with the exclusive competence to draft policies to create a common market and to directly oversee implementation of WTO rules
  - A WTO Court of Justice will soon be installed to rule over conflicts between the Commission, the Member States, and the citizens.
  - This elite-driven process is being counterbalanced by the creation of the WTO-Parliament directly elected by Member State's citizens. The parliament will have co-decision power in the procedure along side with the WTO-General Council.

In the year 2016 the WTO is successfully addressing the democratic deficit critique and bridging the global governance gap.

Let me conclude by coming back to the banner that covers the WTO façade on this year's Public symposium. It asks in 3 languages *What WTO for the XXIst Century?* The Spanish version contains an element, which the English and French versions omit. The Spanish version says: *Qué OMC queremos para el siglo XXI? What WTO **do we want** for the XXIst Century?* The English and French versions make no reference to intentions nor will. *What WTO for the XXIst Century?* Let us not forget that what becomes of the WTO is to a great extent in our hands.

Thank you.