

FUTURE OF THE MULTILATERAL TRADING SYSTEM: WHY THE WTO REMAINS INDISPENSABLE?

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ABSTRACT

From 1947 the Multilateral Trading System (MTS), based on the General Agreement on Tariffs and Trade (GATT), was the engine for stability, unprecedented economic growth, welfare and prosperity in the post-war global order. These objectives were sustained with the coming into force of the World Trade Organization (WTO), in 1995, as the successor to the GATT. The WTO inherited the GATT acquis, the “credits” from the remarkable accomplishments of the GATT, but also its challenges and, in a radically altered global environment, defined by the 1991 collapse of the Soviet Union, the disintegration of the former Yugoslavia, significant shifts in the relative balance of power and the emergence of multi-polarity. In its Twentieth Anniversary, the WTO has registered strong gains. Its regular work is functioning at high levels of technical and operational efficiency in the administration of its Agreement. Its Dispute Settlement function is highly regarded in public international law. Historically, the Organization is expanding its membership, through multilateral accession negotiations in regular

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work, that is integrating diverse economies, previously outside the system, into the rules-based MTS, based on a balance of rights and obligations and on the foundation of the core values of the market economy, the rule of law and good governance. In its Twentieth Anniversary, the role of the WTO is indispensable and its functions are non-substitutable. It continues to uniquely deliver the global public good of non-discriminatory trade rules. However, the WTO has been unable to conclude the Doha Round of Negotiations launched in 2001. This failure is seen as hobbling its systemic legislative function and framing the wider negative perceptions of the Organization. It is confronted by this failure, and other inherited and recent challenges that are weighing it down. Several of these challenges have become more acute due to changes in the international trading environment and domestic political economies. Multilateral trade rules require system-wide regular updates to take account of these rapid transformations in the global and domestic environments to ensure that the organization is in lock step with commercial and public policy realities. Protectionism is more pernicious than ever, fuelled by the increased frequency of financial and economic crises. Public policy concerns have to be reconciled with trade liberalization. PTAs are proliferating, due in part to sluggish multilateral rule-making. Geopolitics is resurgent with risks for rule-making and growth. Although the role of the WTO remains indispensable, the original mandates of multilateral institutions do not establish them permanently. At particular generational turns, defined by crises and challenges, multilateral institutions must re-define (or reaffirm) and re-position themselves to ensure contemporaneity, retention of pole position in their area of competent jurisdiction and, effectiveness. Responding to these challenges requires the courage of strategic leadership with three critical components: deep knowledge of the past and its lessons; a prospectus for change; and, a capacity to effect such change.

KEYWORDS: *General Agreement on Tariffs and Trade (GATT), World Trade Organization (WTO), Multilateral Trading System (MTS), trade negotiations, WTO accession negotiation, global economic governance, international cooperation and global order*