

# Risks from the WTO's New Power Vacuum

*With the U.S. flipping from champion of free trade to lead skeptic, the global  
Trade body's relevance is at stake*



*World Trade Organization Director-General Roberto Azevêdo has scaled back the body's ambitions and found success with modest projects.*

**Jacob M. Schlesinger**

**WASHINGTON—**The world trading system confronts a new power vacuum, with out-of-date rules and no driving force spearheading any effort to update them.

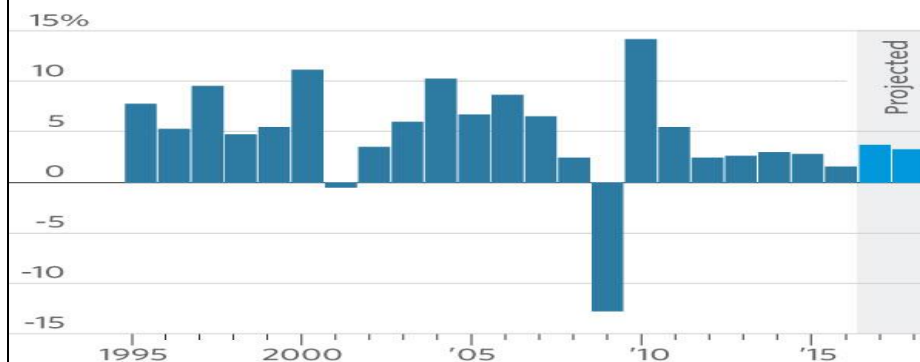
That's in large part because of the shifting American position on trade. **The U.S. has flipped from being chief advocate to lead skeptic of the World Trade Organization**, leaving the guardian of globalization without its primary champion. That new dynamic will be on display at the group's biannual meeting, starting Sunday in Argentina.

Ahead of that session, 164 trade ministers have set modest policy-making goals and have low expectations they can meet any of them. For the first time in memory, WTO veterans say, Washington has largely been silent in advance deliberations meant to fix priorities for the gathering.

## Global Trade: Progress—and Threats

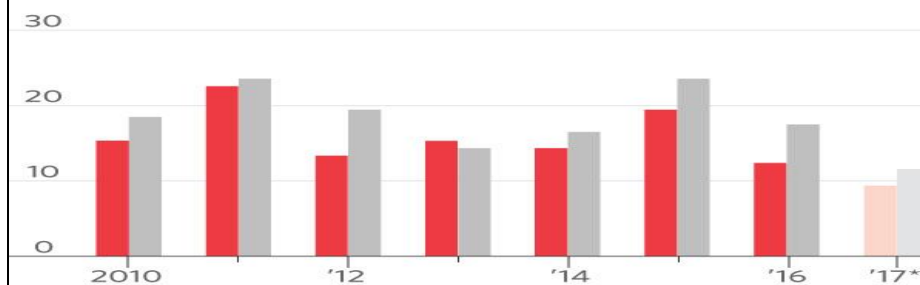
World trade growth is rebounding, expanding this year at its fastest pace since 2011, while countries have in recent years taken more steps to open markets than close them. But paralysis at the World Trade Organization has created a growing backlog in its court system designed to mediate disputes among members.

### World merchandise trade volume growth (average of exports and imports)

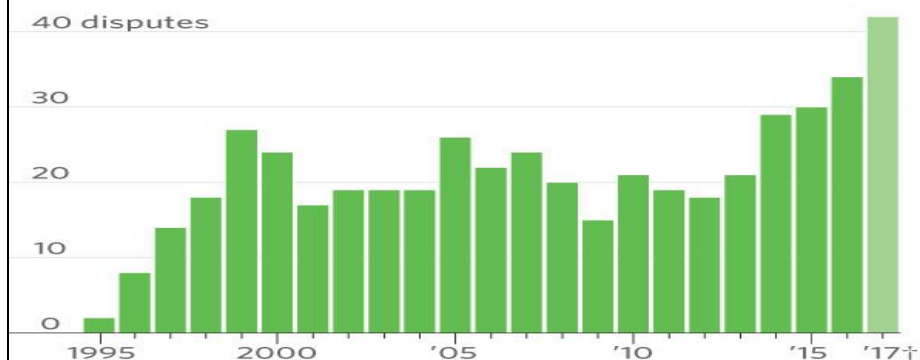


### Trade policy trends

■ Trade-restrictive measures  
■ Trade-facilitating measures  
 40 per month, average



### Active WTO disputes per year



\*Through Oct. 15 †Through Sept.  
 Source: World Trade Organization

**“The central challenge to the world economy today is the absence of American leadership in the world trading system,”** Alan Wolff, the top U.S. official at the WTO, said in a **November speech** previewing the Buenos Aires gathering. **“The U.S. was an indispensable country to the creation of that system and its management. And now it has opted out.”**

Mr. Wolff took the post in September with the support of the Trump administration.

Trump aides dispute Mr. Wolff’s characterization. **“The president has never shrunk away from America’s role as a leader in global trade,”** White House deputy press secretary Raj Shah said in a statement. **“Sometimes being a leader means being willing to stand up for needed change.”** He said the administration **“looks forward to working with WTO members to reform and reinvigorate the WTO”** to help it **“tackle real-world international trade concerns.”**

All sides agree WTO relevance relies on its ability to make some big changes.

**WTO rules risk growing more out of date, undermining the body’s authority and leaving a greater portion of commerce outside world standards and hampered by national barriers.**

**“We need to upgrade....** to the current realities of global trade,” Mr. Wolff said in his remarks at American University’s Washington College of Law.

Global trade rules were last written in 1995, before the emergence of the internet. The trade rule book **“doesn’t exist in the form that we actually need,”** he said. **“Without attention, it will erode.”**

**President Donald Trump has expressed less concern about WTO weakness than WTO strength, and how he sees it harming American sovereignty and American business.** **“We have not been treated fairly by the World Trade Organization,”** the president told **a November summit** of Pacific Rim leaders in Vietnam. He complained the U.S. has been punished for following WTO rules while other countries—notably China—flouted them. He reiterated his preference for bilateral trade deals over such multilateral arrangements.

Mr. Trump’s aides have registered dissent by blocking judicial appointments to the main WTO court that arbitrates trade disputes. The seven-member panel has three vacancies, aggravating a mounting case backlog that undercuts Geneva’s credibility as the world’s trade-tension mediator.

The court standoff **“hangs like a wet cloth”** over this week’s summit, European Trade Commissioner Cecilia Malmström told reporters Thursday in Brussels, warning it could **“sabotage the system.”**

The WTO was struggling to modernize rules and maintain relevance long before Mr. Trump took over American trade policy.

The third ministerial conference in Seattle in 1999 notoriously collapsed amid violent street protests. The fourth, held in Qatar two months after the Sept. 11, 2001 attacks, launched the ambitious **Doha Development Round** aimed at somehow reducing poverty and terrorism through trade liberalization. The subsequent seven ministerials deadlocked over divisions between developed and developing countries. The Doha Round was effectively declared dead at the 2015 Nairobi session.

The current WTO director-general—Brazilian Roberto Azevêdo, who took office in 2013—has found more success by scaling back the organization’s ambitions and seeking progress on modest projects.

A global “trade facilitation agreement” took effect earlier this year designed to simplify and harmonize customs procedures, a technical pact that drew little attention. Officials say that, when fully implemented, it will be the equivalent of a world-wide 14% across-the-board tariff cut, boosting global trade by \$1 trillion a year. In Buenos Aires, members will seek to build some momentum with narrow agreements governing fishing subsidies and “**food security**” programs often used by governments to protect domestic agriculture.

Mr. Azevêdo has encouraged member nations to skirt paralysis by creating coalitions of the willing, or “**plurilateral**” agreements that liberalize trade only among those WTO members—say 50 or 60, instead of all 164—who accept the terms. That avoids the bylaws’ requirement for consensus among all members for comprehensive rounds, giving any one veto power.

Plurilateral agreements have been reached in recent years in **telecommunications and financial services**. Ministers hope as many as four could be launched in Argentina in investment, e-commerce, regulation, and small business. “That would be pretty dramatic,” one official says—at least by WTO standards.

The U.S. helped the WTO pursue the previous plurilateral pacts. But under the Trump administration, it isn’t actively taking part in the current discussions.

The **big test this week** is whether any of that can happen without American advocacy—whether some combination of the European Union, Japan, or China, can fill the void. And, if they do, whether the result will be less favorable to U.S. interests.

So far, there’s no sign that any “WTO group or member has stepped forward to drive negotiations forward the way that the United States did for the last 70 years,” said Mr. Wolff. “Even with U.S. leadership, nothing on the list would simply have fallen into place,” he added. “Without U.S. active engagement, the chances of success are even lower.”