Starting this month, the 159 economies of the World Trade Organisation will begin the selection of a new director-general. Instead of the usual practice of a selection based on personality and nationality, the nine candidates for WTO chief need to answer questions of policy leadership.

Pascal Lamy, the current director-general, made every effort to complete the Doha round of global trade negotiations. But that deal, launched in 2001, has foundered on differences between developed economies and major emerging markets. As a result, the WTO is at risk of being pushed aside.

The action is shifting to other venues, with the announcement of a US-EU trade negotiation being just the most recent. The next DG needs to have a policy agenda to modernise trade multilateralism to meet new challenges. I urge that each candidate should be assessed by the substance of their answers to five questions, which are drawn from the work of Gary Hufbauer and Jeffrey Schott of the Peterson Institute.

First, will you push for a “small package”, drawn from the Doha negotiations, of special benefit to poorer countries? The years of work have identified potential deals, starting with removing quotas and tariffs on almost all the exports of the least developed countries, which account for less than 1 per cent of world trade.

Given the changing outlook for world agriculture – a shift from chronic surpluses to increased demand – the WTO could end agricultural export subsidies and exempt humanitarian aid from food export controls, as the Group of 20 recommends. The WTO has also identified steps to facilitate trade through streamlined documentation and customs procedures. And the package could include reforms to the WTO dispute settlement process that would boost transparency and encourage speedy decisions with more settlements. Such a package would benefit the most vulnerable economies, while demonstrating that the WTO can still do business.

Second, will you encourage the completion of an international services agreement that offers reciprocal liberalisation to all economies willing to join? Some topics – such as the rapidly increasing services trade – have been held back because all WTO members are not yet willing to commit to openings. But when the WTO stalls, the dealmaking moves elsewhere. The global trading system should encourage
“liberalisation by the willing” with others joining when ready. The services trade is increasingly important to boosting productivity in developing countries seeking to avoid the “middle-income trap” and to lowering costs of critical infrastructure development.

Third, will you support zero-for-zero “plurilateral” accords that bind all signatories to eliminating tariffs and other barriers reciprocally, sector-by-sector? For example, the information technology agreement of 1996 led to a boom in global sourcing and supply chains for IT products, by getting rid of barriers to trade in this sector. But its list of goods needs to be updated for the digital age, and the ITA II should include services. If the WTO does not create opportunities to conclude new liberalising deals within its framework, the action – and the creation of new rules for new issues – will move elsewhere.

Fourth, are you willing to press for principles to require fair dealing by state-owned enterprises? The increased importance of SOEs in the world economy – in financial services, telecommunications, steel, chemicals and energy, and other natural resources – requires new rules so that private businesses can compete fairly with state capitalism. The rules need not push privatisation or rollbacks of state enterprises, but they should require transparency, commercial behaviour, declarations of subsidies, nondiscrimination and open procurement. As sovereign wealth funds discovered after they signed the Santiago principles in 2008, agreed, transparent rules build acceptance in the international system. Without such rules, many state enterprises, which seek to trade and invest abroad, will find themselves subject to new barriers.

Finally, will you agree to launch a discussion with the International Monetary Fund about the application of the existing WTO and IMF rules requiring that exchange rates shall not be manipulated to gain unfair trade advantage? Given the extraordinary monetary policies spawned by the financial crisis – and the risks of competitive devaluations of currencies – multilateral bodies should not abdicate responsibility on these questions. If multilateralism fails, unilateralism may prevail. Brazil has already urged the WTO to discuss these questions.

The WTO members need to face up to the key trade policy questions of the day, even if they do not yet agree on the answers. If the WTO members do not select a new leader with an agenda, global trade diplomacy will drift and other negotiations will fill the vacuum. A substantive selection process can give the WTO chief a mandate to get things done. That is what good global governance should be about.

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