



## A REVIVED WTO OFFERS THE BEST DEFENCE AGAINST DONALD TRUMP'S ASSAULT ON TRADE

THE GLOBAL TRADE ORDER ANCHORED BY THE WTO NEEDS TO BE FAIR,  
EQUAL AND OPEN, NOT ABANDONED

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Though there is some flurry of activity for reviving certain trade initiatives – for example, a modified [Trans-Pacific Partnership](#) deal – the global outlook for trade remains stormy. The first thunders of protectionism could come at any time. Indeed, the current situation may be the proverbial calm before the storm.

Policymakers must realise that there is no alternative to the World Trade Organisation as the responsible institution for articulating a solid global trade agenda. While some regional initiatives may be legitimately pursued for various reasons – I would include the Regional Comprehensive Economic Partnership (RCEP) in this category – they must be complementary to the WTO, not substitutes. Former WTO director general Mike Moore once expressed the fear that the WTO might become the “league of nations” of the 21st century world economy – an irrelevant and impotent institution; today, these words seem prophetic indeed. The arrival of [Donald Trump](#) has put the cat among the trade policymaking pigeons.

While Trump is undoubtedly an unmitigated catastrophe for the global trade agenda, policymakers and business leaders should realise that, to paraphrase Shakespeare in *Julius Caesar*, “The fault is not just in The Donald / But in ourselves, that we are underlings”.

To get out of this mess, we have to understand how we got into it.

To say that the world changed at the turn of the century would rank as contender for first prize in understatement. There was a general sense of euphoria about what US president George H.W. Bush hailed as the new world order. The establishment of the WTO in 1995 seemed particularly emblematic. By 2010, WTO membership was double the membership in 1990 of GATT, the General Agreement on Tariffs and Trade, the WTO's predecessor. But while markets, technology and logistics changed quite profoundly, mentalities among policymakers did not.

Two myths need to be exposed.

First, that trade equals peace. Cordell Hull, Franklin D. Roosevelt's secretary of state and architect of the post-second-world-war trade edifice, famously said that “enduring peace and the welfare of nations are indissolubly connected with friendliness, fairness, equality and the maximum practicable degree of freedom in international trade”. But, in fact, it is clear that it is not trade per se that matters, but only if such trade is friendly, fair and equal.

As brilliantly chronicled in the book *Power and Plenty*, by Ronald Findlay and Kevin O'Rourke, throughout much of history and certainly since the rise of the European seaborne empires, trade has been a key instrument of imperialism – did anyone say “opium”? Indeed China's precipitate decline, from 33 per cent of world gross domestic product on the eve of the First Opium War in 1839 to less than 4 per cent at the time of liberation in 1949, is due to a considerable extent to the predatory trade practices of the West and subsequently Japan.

Second is the myth of the “liberal order”. There is no doubt that the trade regime established after the second world war is an infinite improvement on the past and, among other things, has contributed to the lifting out of poverty of hundreds of millions of people. Significantly, among the North Atlantic nations, where the liberal order has prevailed, occasional trade friction notwithstanding, there has been no trade war.

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In respect to the West versus the Rest, however, trade policies have not been friendly, fair or equal. In sectors where the developing world had a comparative advantage, notably agriculture and labour-intensive goods, especially garments and textiles, Western and Japanese trade policies have been protectionist and discriminatory. Cotton trade is a most flagrant illustration.

The launch of the Doha Development Round in 2001 should have been intended to level the playing field. The ink was hardly dry on the Doha declaration, however, before it became painfully evident that the Western powers and Japan intended no such thing. At the 2003 Cancún WTO ministerial meeting, liberal rhetoric gave way to mercantilist hardball. Rather than being greeted with friendliness and fairness, the emerging economies at Cancún were treated by the Quad (Canada, EU, Japan and the US) as noisome upstarts that seemed to have forgotten their allotted docile place. The meeting collapsed and effectively, as became clear in ensuing years, so did the multilateral rules-based global trading system. The failure of Doha stands out as a deplorable indictment of our times.

Trump, therefore, represents a culmination of a trade policy trajectory, not a departure. The risks of trade wars, especially between China and the US, have dramatically intensified, with the added alarming prospects of a conflict that would involve more than just trade. In her seminal book on the first world war, *The War that Ended Peace*, Margaret MacMillan concludes that the war was by no means inevitable, but occurred as the result of the wrong decisions taken at crucial moments. The voluminous tome's last sentence says: "There are always choices."

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Forcing the collapse of the WTO Cancún meeting was emphatically the wrong choice. Many wrong choices have been made on trade since then that have resulted in the mess we are in: a divisive, fragmented, fragile, friction-ridden trade policy environment. Continuing on this trajectory could lead us to catastrophe. Trends, however, need not be irreversible.

In a [thoughtful recent article](#), economist Arvind Subramanian provides three reasons why the WTO might in fact rise from the ashes.

First, the alternatives, especially the much-hyped mega-regionals, the TPP and Transatlantic Trade and Investment Partnership, have imploded. There are no longer many games in town. Second is the rejection among voters of hyper-globalisation and deep integration. The WTO is more balanced, more moderate, more inclusive rather than intrusive; in other words, friendlier, fairer and more equal. Third, paradoxically, Trump's bombastic protectionist rhetoric may act as a catalyst for the rebirth. The US' trading powers will need to have recourse to – and protection from – a lawmaking trade-policy body.

Of course, as leaks from the White House have suggested, Trump may decide not only to ignore, but in fact to depart from the WTO altogether.

That is a real risk and it is his choice to make. In the meantime, however, rather than seeking to dance to the US tune by finding alternative bilateral arrangements, as Japanese Prime Minister Shinzo Abe did recently at his summit meeting in Washington, developing countries should seek to coalesce around policies aiming for the strengthening of the WTO. Something analogous to the G20 of developing nations established in Cancún might be reconstituted with the goal of fostering a friendly, fair, equal and open rules-based multilateral global trade regime. That would emphatically be the right choice; it could reverse current trends of conflict and mayhem.

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