



Committee №18  
**Economic relations**



Expert's report



**ФОРУМ**  
ПО УСТОЙЧИВОМУ  
РАЗВИТИЮ

## ECONOMIC RELATIONS

### Committee Nº18

#### WTO crisis

Nowadays, international society is facing a wide range of problems. The most essential one is the effective flow of international trade. Without the possibility to sell and buy no modern country can exist. If the international trade system does, in fact, collapse, the result will be a disaster. Thus, it is extremely important to resolve such kind of issues as soon as possible.

To make international trade possible the variety of international rules exists. The basic rules concerning trade issues are crystallized in the Sustainable Development Goals (SDGs). Hence, under the 16th Sustainable Development Goal (SDG) states shall build effective, accountable and transparent institutions at all levels. In this regard, a lot of international organisations and intergovernmental bodies, placing additional focus on Goal 16, were established. Namely, the United Nations, including its United Nations Development Programme (UNDP); the World Bank, International Monetary Fund and World Trade Organisation, as well as the regional development banks; African Union (AU), the European Union (EU), the Organisation of American States (OAS), the Association of Southeast Asian Nations (ASEAN) and the Arab League and many others. However, today none of them has complied with the need to establish an international dispute institution.

Despite the fact that the WTO has long been considered an effective institution because of its enforceable dispute resolution procedures, at present, its dispute settlement mechanism is in crisis. Specifically, an essential component of the WTO's dispute settlement system the Appellate Body, which allows WTO members to appeal rulings, at the moment is rendered incapable of operating. The crisis is borne out of the United States repeatedly vetoing the

initiation of a process to nominate and appoint Appellate Body members over a variety of criticisms multiple U.S. administrations have levied at the Appellate Body. Thus, this situation will remain the same unless the vacant seats of the Appellate Body are filled. Hence, the work in this direction should be continued.

Without resolution of this problem, the vaunted WTO dispute settlement system will grind to a halt. At the same time, there is no other international mechanism, which would allow the trade dispute resolution between states. Failure to resolve this crisis thus runs the risk of returning the world trading system to a power-based free-for-all, allowing big players to act unilaterally and use retaliation to get their way. In such environment, less powerful players would lose interest in negotiating new rules on trade.

Another important thing that should be bared in mind is that in accordance with the 16th and 17th SDGs states shall promote and enforce non-discriminatory laws and policies for sustainable development and promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda. However, according to the statistics, negotiations at the WTO have remained largely dominated by traditional economic powers, such as the US and EU, with discussions failing to deliver promised change. Thus, the WTO system should be reformed.

On 10 May 2019 the Secretary General of the United Nations António Guterres affirmed that «trade tensions have escalated over the past year to threaten growth in international trade and the very foundation of the rules-based multilateral trading system. These trade

tensions are a major set-back for the revitalization of the global partnership required for sustainable development. It is therefore essential that tensions continue to be resolved through multilateral dialogue and cooperation. We need to work to restore the spirit of international cooperation in the conformity with the imperatives of the Sustainable Development Goals and buttress this unique institution – WTO».

The reality is that the WTO Dispute Settlement System is not effective today. Even the Chairman of the Appellate body admitted that the WTO faces some challenges. Namely, the criticism broadly covers three areas, such as time frames for appellate review, allegations of «over reach» by the Appellate Body and issues relating to the «comprehensibility» of Appellate Body reports.

Hence, the international community is at the risk of losing the possibility to have an effective international trade system.

In conclusion, it is worth mentioning that international community is quite concerned about WTO Dispute Settlement Body ineffectiveness as in the immediate future it could become a threat to international peace and security. The organizations stress the importance of reformation of the mechanism. For that reason, the issue should be viewed in the light of the SDGs.

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