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THE WTO IS IN CRISES, NOT CRISIS

COVID-19 came at the most inopportune moment for the WTO, and piled on a series of existential problems that the organization has been facing in recent years. While the denouement of the current ordeal is not in sight, the trading community needs to reflect upon the cost of non-WTO, and act accordingly

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1 Ordeal

COVID-19 found the world community totally unprepared. The WTO was no exception. The volume of trade was heavily reduced, and the WTO would have to count on instruments that it had outlawed or castigated at the very least (like subsidies), to see (some) resurgence of trade in the short run. It came at a bad moment.

The WTO had been exhibiting a moribund legislative function, and has not managed to add much to its legislative arsenal since 1995. Heterogeneity of membership had affected it a lot, as like-minded players turned into free-trade areas to integrate markets.

The financial crisis of 2008, did not help either. Trade flows were reduced significantly, and various measures of dubious consistency with the WTO appeared worldwide.

The WTO judiciary function had already been dealt a severe blow, when the Trump Administration undermined its monopoly to adjudicate multilateral trade disputes. The Appellate Body of the WTO, the much revered second instance court of the world trading regime, is de facto non-operational for any dispute submitted to it after December 2019, when the term for two of its last three remaining members expired.

China proved to be more than what the WTO membership had bargained for, when opening the door to the Asian behemoth in 2001, and complaints about its behavior, both justified as well as unjustified, have multiplied. Alas, the trading community did not manage to address complaints in lawful manner, by litigating, for example, before the WTO, or by adding to the existing multilateral legislative framework.

And when the trading community had thought that it had seen it all in a short time-span, DG Roberto Azevedo became the first head of the institution to quit out of the blue, before the end of his mandate. His departure, originally at least, could be likened to that of a captain abandoning first a sinking ship. This is not what captains, not even first mates, want to be remembered for. His legacy will be forever tainted for his decision to leave early.

2 Looking For Denouement

The trading community should think of the cost of non-WTO. Free-trade areas are no substitute to multilateralism, and while they can help some integrate faster, they should not approach them as a zero-sum game vis-à-vis the WTO. The future of the world trading system hinges upon the (missing so far) equilibrium, between keeping the 164 current members of the WTO under the same roof, while allowing those who want to integrate further, faster, to do so, while minimizing negative external effects for non-participants. For this to happen, the political will of the major stakeholders from D.C to Beijing to invest in multilateralism, is a prerequisite.

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