

# International Trade Committee

## Oral evidence: The Covid-19 pandemic and international trade, HC 286

Friday 5 June 2020

Ordered by the House of Commons to be published on 5 June 2020.

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Members present: Angus Brendan MacNeil (Chair); Robert Courts; Mark Garnier; Paul Girvan; Sir Mark Hendrick; Mark Menzies; Martin Vickers; Matt Western; Mick Whitley; Craig Williams.

Questions 239 – 261

### Witnesses

**I:** Soumaya Keynes, Trade and Globalisation Editor, The Economist Magazine; Professor Simon J. Evenett, Professor of International Trade and Economic Development, University of St. Gallen; and Marianne Petsinger, Senior Research Fellow, US and the Americas Programme, Royal Institute of International Affairs.

**II:** Alan Wolff, Deputy Director-General, World Trade Organisation; and Peter Ungphakorn, former Senior Information Officer, World Trade Organisation.



## Examination of witnesses

Witnesses: Alan Wolff and Peter Ungphakorn.

Q239 **Chair:** We will move to panel 2, who I can see are waiting patiently. I will ask them both to introduce themselves for the record. I know Alan Wolff reasonably well from past interactions.

**Alan Wolff:** I am Alan Wolff. I am Deputy Director-General of the World Trade Organisation. I was brought on in mid-2017 and I have several divisions reporting to me. Before that I was chairman of the National Foreign Trade Council in the United States, which is the oldest and largest organisation established for open markets, and I was also in private practice of law.

**Peter Ungphakorn:** I am Peter Ungphakorn. I am a journalist working part time, semi-retired. I was for 18 years at the WTO secretariat in the information division. In order to protect the WTO, I have to say that anything I say today is personal—it is nothing to do with the WTO—just in case there are any indiscretions.

Q240 **Chair:** I am sure that Ambassador Wolff will be very grateful. I had some nerves about pronouncing your surname. I have said it before, but I was not certain I would get it correct when you were present, so thank you very much.

**Peter Ungphakorn:** Peter is fine.

Q241 **Chair:** Thank you. Angus is fine, too.

Ambassador Wolff, can I kick off with a general question to you? How has the World Trade Organisation sought to respond to the Covid-19 pandemic? We heard at one point at the beginning that it was not maybe the most robust of international organisations, but how effective have your responses been? You can maybe address or ignore the criticism that was levelled earlier about the WTO versus other organisations.

**Alan Wolff:** The WTO, to understand it, is a rulebook and it is a place to negotiate agreements and a place to settle disputes. Like every nation, the WTO was not planning a response to the pandemic. There had not been one in 100 years, but what did it do? First, it made sure that members were notifying. There was a fair amount of discussion in the first panel of the gap of information between what Simon Evenett is collecting at St Gallen and Global Trade Alert and what the WTO has.

The WTO only puts out that which is verified by members, and some members are slow in doing it. They are not necessarily hiding something. Sometimes they will notify something unofficially or for another purpose, and then we have to chase them to make sure they allow us to count it as something notified, and we do. We publish that information; it is on the web. It is all verified by the member involved and the secretariat. We also publish a prognosis, a trade forecast, which showed that trade would



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be down between 13% and 32% this year, depending on how quick the rebound is from both the health and economic effects of the crisis.

There was a lot of discussion in the first panel about how good are the rules. The WTO members pride themselves on having a lot of flexibility in respect of export controls. One of them is for short supply, and the members have a great deal of freedom of action. They also are all sovereigns. They pay a price if they violate the rules, but the rules are not very strong on two things that have been the subject of discussion in the last panel by the members of the Committee. One is that export controls are really not very limited but, as noted, they do not make a lot of sense in areas like food. Global supplies of food are much better than they were 10 years ago during the financial crisis. Stocks are high and the crops are strong. There will be spot shortages in some places perhaps, but the market is pretty good at correcting for those. There is no food shortage globally.

There was a shortage of medical supplies, protective equipment, pharmaceuticals and ventilators—the equipment that was seen to be needed for treatment. That requires attention, and the members are beginning to focus on that, so we can go into that in greater detail as to what the members are considering. I should say that the rules on domestic subsidies are pretty weak, but it is because that is what the members want. There are 164 sovereign nations, and they have not sought to strengthen the controls on the use of export restrictions and they have not sought, as a group, to limit their ability to subsidise domestically. The appetite for the latter is probably going to be limited, but I think there is growing interest on export controls.

You are supposed to consider the effects on other countries if you put an export control or restriction on agricultural products. That does not exist for industrial goods. Why not? Why not have it? Members are beginning to think about that. Why could you not give prior notice? Why could you not consult? Why could you not have better information globally to work on? In agriculture the information is pretty good because there is a global network producing AMIS, the Agricultural Market Information System. The knowledge for industry is very slight. Did anyone know that we needed ventilators? Did anyone know that there were not enough of them? We really did not collectively. Nations did not, and the WTO did not. The WHO probably did not, either, so could the response be better in the future?

I will close this opening answer with the notion that we have to be ready for a second wave. In 1918, the second wave was worse than the first. That may not happen this time. Then we have to worry about vaccine availability. How is that going to be shared out? There is no international agreement on the sharing of supplies of any sort. We have been given a warning with the first wave of Covid-19. There will be other pandemics. There were 10 in the last 250 years, and there was always a second



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wave. Having been warned, it is up to the members now to think about how to have a better system than we currently have.

Q242 **Chair:** Your answer is good, and it raises as many questions as answers. Of course there is a huge number of areas to think of. For the members that have done export controls, how in keeping have they been with the WTO's commitments, or is there a degree of flexibility because of the pandemic that certain things would be more accepted than they would be in normal times? Lastly, the last time we were in Geneva as a Committee there was big talk about fishing subsidies and e-commerce. Have they been impacted much in the ongoing negotiations that are happening in those areas?

**Alan Wolff:** On the violations point, I have not seen any allegations that any of these restrictions have been in violation of the WTO commitments.

Q243 **Chair:** Will another member have to take it forward as a violation? They might all be in a situation together where nobody wants to report it.

**Alan Wolff:** We do not have a system where the secretariat is prosecutorial. Members have to raise an issue. In the general council meeting that took place a week ago about 60 members took the floor, and I did not hear a single member say some other country had violated their obligations. That does not mean they did not express concerns about restrictions, but not in legal terms.

The other point is that ongoing negotiations have been difficult while the building has been closed, while we were sheltering in place remotely. A number of members have said, "We will not negotiate anything unless it is in person." Fortunately, I think by 15 June we will be able to host in-person meetings again. There will have to be a limited delegation size, but we have a large council room and there will be a fair amount of effort on social distancing and meeting health concerns. We will be back in business, but there has been a hiatus. There has been a lot of work done by the secretariat and by the committees, but not negotiations. On fishery subsidies—a high priority—on e-commerce and on a number of other fronts there has been basically a suspension of negotiations. Now we will get back to work.

**Chair:** I can vouch for the size of that room, as we met the director a couple of years ago.

Q244 **Sir Mark Hendrick:** Mr Ungphakorn, it is useful that you qualified that you no longer work for the WTO, because my question is slightly sensitive. The *Financial Times* recently claimed that the World Trade Organisation has been largely absent during the Covid-19 pandemic. Do you agree with that assessment?

**Peter Ungphakorn:** No, I do not. If I might make a distinction, the WTO is basically its 164 members. We often use the words "the WTO" to refer to the secretariat, which is not the same. The secretariat supports the work of the members. Neither of them has been absent but, as



Ambassador Wolff said, there are constraints to what the WTO can do, what the members want the WTO to do. I have been looking at some speeches. Between them, Director-General Azevêdo and Ambassador Wolff made 19 speeches or joint calls for concerted action on Covid in March, April and May this year. The fact that people did not pay attention is not the fault of the leadership of the WTO secretariat in not trying to highlight this. It is because members, Governments, are generally focused on what they are doing internally, but the WTO has been very active.

One of the things the secretariat has done is to compile a lot of information on the measures that Governments have taken, as Ambassador Wolff mentioned, and we can look at these later if you like. There are three separate sets. There is a set on goods, a set on services and a set on intellectual property, and they are up to date. The intellectual property and services ones were updated on 3 June, and the one on goods on 29 May, so there is a lot of detail and information in there.

We need to look at how the WTO works. Ambassador Wolff talked about starting with the rulebook, but the point is that you start with negotiations that then lead to agreements that are the rulebook. You then have a step that receives very little attention at all, which is implementation monitoring, peer review, the stuff that the regular committees do all the time, day in, day out, except perhaps now when there is a hiatus. That is an incredibly useful amount of work. For example, on technical barriers, food safety and animal and plant health measures, nearly 70,000 measures have been introduced into the WTO. Less than 1% of those ever ended up being a dispute, which is the final stage. If that middle stage does not work, you get to legal disputes about whether people are breaking their promises or violating their agreements.

With all this information coming out, the pandemic has allowed the secretariat to be a lot more active in monitoring what is going on. It is not true that it is not there. I think that, generally, the media do not understand what it means to be the WTO working.

Q245 **Sir Mark Hendrick:** Ambassador Wolff, I dare say you would agree with that.

**Alan Wolff:** One of the things that did take place is we had a virtual meeting of the Committee on Technical Barriers to Trade. That means standards and conformity assessments. Tariffs, slow trade and standards block it entirely if they are not the right standards. There is a process of notifying standards in draft, and pretty much all countries do this very willingly, because they want to hear comments from others to know what sort of problems they might get into. Member countries can table specific trade concerns, and I think the meeting went more smoothly, more productively. It was a virtual meeting over a few days—the kind of session we have here. Why? Any time a member tabled a paper or made a comment with respect to another country's measure, there was an



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immediate “ePing”, an e-mail notice that went out immediately to the other members so they could respond. It was remarkably efficient. It was very good.

That goes to the point of the implementation, which is very strong in many areas, and whether you can function virtually in future in this sort of setting. In some instances, like agriculture negotiations, members want to fly in from capitals and be there, and it is less likely to be a matter for long-range participation for negotiations. I would say that is not solely a large country issue. The west Africans, who are cotton producers, want to be able to bring members in from capitals and they say, “We are stretched. We are fighting Covid-19. We really cannot pay attention to something streaming in from abroad, so let us plan a meeting. We will hold it at the end of July, and we will be able to fly in from capitals and even talk about development assistance, as opposed to new rules for cotton trade.”

**Chair:** One of the things we picked up at the WTO on one of our first visits was the unequal sizes. Some countries do not have the capacity to deal with things all at one time, they might have quite small teams, whereas other more wealthy countries might have huge teams—numbering hundreds, I think—in comparison. That is something to bear in mind. I did like the distinction of tariffs, slow trade and standards blocking it completely, but if I keep talking I will be blocking Mick Whitley.

Q246 **Mick Whitley:** Good afternoon, Ambassador, and good afternoon, Peter. This is about transparency in reporting of trade-related measures. Ambassador, why do you think WTO members have not reported all their trade-related measures to the organisation, and how has this lack of transparency impacted the organisation’s ability to respond to the crisis?

**Alan Wolff:** I do not think it has impaired our ability to respond to the crisis because the general outlines of where the shortcomings are and what is needed are apparent. What is more at risk is subsidies, as the prior panel talked about in some detail. Subsidies are not notified very well by many members. There are a variety of reasons for that. They are not sure if they really fit correctly. In agriculture you have to wait for a full year’s data before you can decide whether something is a subsidy, because it is measured by annual production. The limits are measured that way. There are a lot of shortcomings in the notification of subsidies.

Notification of standards is excellent. Notification of the export restrictions has been pretty good but not perfect. We are in the process of consulting with some Governments who are very good, who have sent data but did not send it for the right purpose. They sent it for another purpose, so you have to go back to them and say, “This is something we want to count as an official measure and put on our website,” and you need their permission. It is a major effort. Has it impaired the response? I do not think so, because I think the general outlines are very clear.



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As Simon Evenett said, more agricultural restrictions were put on than were necessary, and about half of them were taken off pretty quickly because it was apparent they did not need them. Could we have given countries better information so they did not put on the restrictions? Maybe. If there was some agreement on the sharing of scarce supplies, would that have an effect? Soumaya Keynes noted what she called the political economy, politics. It is very difficult for a Government not to limit the export of, say, masks or other protective equipment, but they should.

It is not just export restrictions, I might say. There were seizures of goods in transit, in both Europe and the United States, that were destined for other consumers, other purchasers. There was, in effect, nationalisation of companies in a variety of locations. Domestic laws were employed to say, "You will produce and, by the way, first you will produce for us domestically." Those things need examination. We need a lot more information out to the members so they can decide what is really in short supply.

Back when oil was in short supply, not the case at all now, when I was in the US Government I had an interagency meeting on where else the US was vulnerable. What other raw materials do we need that come from abroad and that we might be cut off from? The answer was we were not that vulnerable, we were all right, because of diverse supply. We need more information, primarily.

**Peter Ungphakorn:** I want to elaborate a bit, because I have been looking at the Excel files that the WTO has produced on trade restrictions. There are 197 trade measures, some of them facilitating trade on goods alone, but there is a difference between the numbers listed here and the numbers where there have been formal notifications as official WTO documents. In most of these cases it seems to me, just looking at the data here, that the secretariat may have picked up something and verified it with the mission in Geneva or with the Government. Very few of them are formal notifications. If the WTO secretariat works in this way, although they do not necessarily have as many as Simon Evenett's exercise would provide, there is still quite a high degree of transparency as a result of the secretariat's own initiative.

**Alan Wolff:** This is probably all too simplistic and, therefore, I will be told by experts that it does not work at all, but you cannot put on a restriction at the border without sending out an instruction from a Ministry. What I would like to see, and it might not be a formal notification, is at least to have a cc line on the e-mail that instructs the customs official who is putting on the restriction so that we in the WTO and all the members know immediately, within milliseconds, never mind waiting for months. It will not work for subsidies, which are very complex, but it would work for export restrictions and changing duty at the border. Right now the formal notifications of changes in tariffs are very slow; it could be annual, with updates. Members have been pushed



by the secretariat to notify more quickly, and they have generally complied.

Q247 **Matt Western:** A quick question to you both about the status of the WTO and how it is perceived post-Covid-19. It has faced many challenges in the last few months and years from certain directions. How do you feel the Covid-19 pandemic has intensified those challenges?

**Alan Wolff:** First, on the general point, the G20 nations had called for WTO reform before there was a pandemic, a year or two earlier. I think largely they were responding to the fact that one major part of the dispute settlement system, the appellate body, was coming to an end and finally did. We work by consensus. Any nation can block anything, any member can block anything, and the US did. They will refuse to have appointments to the appellate body. I did not see that as the major problem with the WTO, frankly. I think the major problem is the ability to make rules, the legislative function. If you have to operate by consensus on making a new rule, it is going to be dreadfully slow.

We have had only a few agreements that have not been very multilateral. As was mentioned in the earlier panel, an agreement on pharmaceuticals has not been updated since 2010. This is duty-free treatment. On the agreement on information technology goods, the increase in the coverage was decided in 2015. It covers well over 90% of world trade but does not have full membership and has not been updated. It was supposed to be updated in 2018 and it was not.

I see the failure to legislate, the failure to make rules, which would have been a corrective to the judicial function, the quasi-judicial function, of the appellate body. If you do not like what the appellate body is doing, partially it is because it is filling gaps. In most countries, particularly on the continent, the judges are not supposed to make law. The system in the WTO never said, "We cannot find a solution." It always found a solution. The US point of view was, "You are making it up, you are making up rules."

Post Covid-19, I think the emphasis, as it is right now, will be on what we do we about export restrictions on medical supplies and pharmaceuticals. Can that be handled in a better way? What do we do about logistics now? It is a narrower set of products, of medical supplies of various sorts and pharmaceuticals, and I think it is possible to come to grips with that. I think if the WTO members created a number of reforms with respect to the Covid-19 issues, a lot of the criticism would go away, although not all of it because there would still be a lot of folks who say, "You promised to come to an agreement on fishery subsidies, and where is that?" However, right now, if we did Covid-19 correctly, the members would agree to do so and, as I say, I think the attitude towards the WTO globally would be much improved.

**Peter Ungphakorn:** I have to agree with a lot of what Ambassador Wolff said. I think there is a difference between actual status and perception. I



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am very much one of the people who, having seen the WTO working from the inside, believe that a lot of the good work is unnoticed and, therefore, unperceived. As I said before, 64,000 measures on standards have been notified to the WTO since it was set up in 1995. Over 98% of those were never commented on at all. In other words, countries were automatically complying with WTO rules, and you get down to 0.03% of those that led to dispute rulings. Basically, the system in general is, behind the scenes, working quite well but there are obviously problems with negotiations, decision-making and dispute settlement.

On dispute settlement, there is a plus side: there is an alternative. The problem is appeals from disputes. There is an alternative method using an arbitration ruling in the WTO that countries are starting to use. Canada and Brazil have announced they are going to use it for a dispute they have over aircraft, and there may be others. There are certainly other countries that have said they will use it. There are, therefore, ways of muddling along.

The biggest problem is the pandemic itself. It is understandably distracting the attention of Governments, who are the WTO, from other issues. They are not trying to resolve multilateral problems in the WTO. I think that is quite understandable, so we are likely to see a kind of slowdown.

Then there is something I would never have spoken about before I left the WTO, which is: do we know what is going to happen? Do we know what the Trump Administration is going to do? Do we know what the US is going to do after the election? Do we know what the election result will be? Do we know what China is going to do? Do we know what India is going to do? These are all unknowns that are very difficult.

Q248 **Chair:** The immediate question there is: does Trump himself know what he is going to do tomorrow? Maybe we will leave that one where it is. Thank you for that. It is interesting to hear that there were 68,000 or 64,000 standards.

**Peter Ungphakorn:** There were 64,724. I have sent a paper to the Clerk's office, and the numbers are in there.

**Chair:** Excellent, and I like that only 0.03% would have any—

**Peter Ungphakorn:** Only 0.03% led to a dispute ruling.

**Chair:** In this Committee we have never had any disputes but, if I carry on, Robert Courts might start disputing the length of time I am talking.

Q249 **Robert Courts:** Thank you, Chairman. Never, I assure you.

I have some questions to pick up on some of the points that have been made, and thank you very much for the comments so far. Peter Ungphakorn, how successful have the efforts to reform the WTO been to date? More specifically, how helpful are the initiatives that we have seen by groups of members, such as multiparty interim appeal arbitration



management?

**Peter Ungphakorn:** To answer your second point first, definitely you need groups of countries to start to move and try to find solutions. That is the only way you get anything done in the WTO—it has to come from the members. If they can do it in groups and in coalitions, that is the way to go. I have lived through several attempts or proposals to reform the WTO, including initiatives from various directors-general on having expert groups produce things, and then you have questions about whether the decision-making should be by consensus or by vote, should there be an executive committee, should there be consensus among all the members.

Personally, I do not see how you can move away from that present way of making decisions, because Governments do not want to be forced to do anything that they cannot accept. That is why they want the consensus rule; they do not want to be in a minority that is forced to accept the majority rule. That may sound undemocratic, but that is what they want to do. In Britain you are very familiar with discussions about sovereignty and who can make decisions for you. That is a key issue in the WTO, and I do not think you are ever going to get away from it.

Therefore, the reforms that would be needed are to satisfy countries' discontent about certain things, such as the American complaint about appeals. Is there a way around that? Can there be a compromise? It is down to the members basically to try to find a way through that kind of thing. On negotiations on fisheries subsidies, it is down to the world community.

Q250 **Robert Courts:** I would like to ask Ambassador Wolff a little more about one of the issues we have touched on already, which is the impasse at the appellate body that, of course, became inoperative back in December. What progress has there been on resolving that since then?

**Alan Wolff:** Close to none, would be an honest response. As Peter and others have mentioned, 20 countries—that includes the EU, which is 27—have said, "We will use this separate interim substitute mechanism that looks a lot like the old appellate body." They have already nominated 13 persons, and they have to winnow that down to 10, to serve as their arbitrators. I know a couple of them who are outstanding individuals in respect to knowledge of international trade. It is not moving forward. The United States is adamant that the appellate body overstepped the bounds and made law that was binding on the members, meaning they would pay a price if they violated it. No country can be compelled to do anything, they are all sovereigns, but they can pay a price. They can have retaliation against them if they do not live up to their agreement, which is what Boeing-Airbus has been all about.

The first three cases have now been notified as of yesterday as to countries that want to invoke the mechanism. We will see how they do. If it looks a lot like the old appellate body, I do not think the United States, under any Administration, would rush to reach a conclusion to solve the



problem of putting back into place an appellate body. We are moving into a testing period as to whether the substitute mechanism, the interim arrangement, just replicates what the appellate body did that the US really did not like at all. The US has a 165-page document detailing all of its problems. I think it comes down to the appellate body narrowing the possibility of using trade remedies—so antidumping, countervailing duties, safeguard measures—and the inability, in the US view, to deal with subsidies in a non-market economy where there is a lot of state ownership and state influence.

There is a lot of agreement among the members that there are problems, but I know of no dialogue that is currently taking place between the US and those that are pursuing alternative arrangements. I hope that is wrong, and I hope they change, but I think we are in for a fairly long experimental period with this system. At some point I hope it comes back together, but there is no progress that I know of at present.

**Robert Courts:** That is very enlightening. Thank you very much.

**Chair:** Indeed, it was enlightening. I did not realise that, under any Administration, there might be no American rush to go back to the appellate body, so thank you very much for that. Of course, I have a desire to see the WTO and sovereignty grow to 165 members. I do not know if that might be 166 if Wales joins us.

Q251 **Martin Vickers:** Ambassador, throughout the inquiry we have heard concerns about increased protectionism. How can the WTO encourage its members to keep trade flowing and not respond to the crisis with further protectionist measures? Also, looking forward, what lessons will be learned from the Covid pandemic to ensure the multilateral trading system is able to manage similar shocks, should they occur?

**Alan Wolff:** An excellent question. The WTO did very well—meaning the rulebook did very well and members did very well—in the financial crisis with added protection; they were very good about it. Most world trade still flows reasonably freely. Obviously where there is what the press calls a trade war between the US and China that is an exception. They are managing that in one way or another bilaterally. They have chosen mostly not to bring their problems into the WTO, although there are some cases pending, to be decided at some point, but mostly it is bilateral negotiations. If they find solutions on, say, industrial subsidies—I do not think they have yet—that is a broader application that they can bring into the WTO and propose as a rule for other members to adopt.

There has not been that much of an increase in protectionism unrelated to Covid-19 for the future. The history, which need not repeat itself, is that in the depression the United States began to negotiate trade-liberalising agreements. They were bilateral, but they were non-discriminatory. In other words, they applied to everyone, even if it was just with one country. The tariffs came down. They were so-called MFN, most favoured nation, so they were non-discriminatory. When there was



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a problem with the exchange rate system in 1971, it gave rise to a round of negotiations, the GATT, which brought in non-tariff barrier agreements. In 1985, when again the dollar seemed to be overvalued, it gave rise to the Uruguay round of negotiations that gave us the WTO. We have examples of major times when a crisis has led to a better place, to international agreement.

Can we get that out of Covid-19? That is difficult under current circumstances. The world needs to recover, and the world economy needs to recover. Is there anything that can be done to boost that? Tariffs could be suspended or lowered. The other panel talked about building on the pharmaceutical agreement, for example, and building on the information technology agreement. There is already duty-free trade for most goods, and both just need to be updated. Could there be a tariff-free agreement with respect to medical supplies, as Simon Evenett and Alan Winters have suggested? Sure, but the members have to decide that is what they want to do.

There really is a lot of averment and active consideration among mainly the middle-sized members, and maybe soon the EU will come in with proposals. There is a lot of discussion among the ambassadors in Geneva of measures that might be taken. A major question would be: what if some of the big players do not want to play? Is it enough for member countries to say, "Good enough for us, so we are just doing it. If you do not come along, you do not come along" or do they, as is traditional in trade negotiations, say, "Wait, we want reciprocity so, if you do not come along, we do not do this at all"? That is an open question.

**Chair:** I think we now have Craig Williams back. It may have been the shock of my suggesting Scotland as the 165th member of the WTO with Wales as the 166th that caused the freezing of the broadband in the middle east of Wales.

Q252 **Craig Williams:** Mr Chairman, it would have affected the entire electricity of the house, not just the broadband.

Ambassador Wolff, throughout your answers and your recent speeches, you have talked about more multilateralism and the need for it. I noticed you were talking again about whether something great can come out of this crisis. I want to ask you directly about not just the middle members, as you have described them, but whether there is political will existing in your membership to deliver something that will look like greater multilateralism?

**Alan Wolff:** I would not rule it out. It has not come together yet. However, it has been sort of forgotten that President Trump—maybe it was in Toronto at the G7, when there was one—said, "Why don't we all go to zero on tariffs, eliminate all non-tariff barriers and eliminate subsidies?" The response was silence because it had not necessarily been well prepared with the other Governments. Was there an opportunity? Who knows? I would not exclude the United States playing. They have



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come in on, for example, e-commerce. They did not initiate it, which was done by Australia, Japan and Singapore. None of the major members were initiating it. The EU came in, China came in and the US came in. Therefore, if something got going, I do not exclude others coming in.

Political will? China has been a very major beneficiary of this system. Would they be willing to contribute more actively? Would the EU? The EU has spent an enormous amount of energy on bilateral agreements, with close to 100 in negotiation or already in place. The instruction by President von der Leyen to Commissioner Hogan was, "Now the emphasis will be on multilateralism" and there have been a lot of stories about major proposals that are going to be made by the EU. Therefore, it cannot be excluded. However, is it happening now? No, not yet.

**Q253 Craig Williams:** Watch this space. I will ask Peter for his frank assessment from watching this as an insider. Is that political will going to be there any time soon?

**Peter Ungphakorn:** I think it is very difficult to say. It is also very difficult to say anything Ambassador Wolff has not said on this.

I would pose the question back to you. You are legislators, and you can influence the political will of your Government? Do you talk to other legislators around the world and see if they have the political will, if you are in favour of multilateralism? It is that kind of networking and sharing of ideas outside the WTO, as well as inside the WTO, which could get anything going and is necessary.

**Craig Williams:** I speak to you from the middle of Wales, one of the biggest agricultural constituencies, so I will leave other people to talk about protectionism.

**Chair:** In the past we have had connections with legislators from Washington, Ottawa and elsewhere. We have come across Australians and New Zealanders as well, primarily, from time to time. There have probably been others, too, but it is a good point, Peter, and one well made. It is one that, as a collective, we can take away and think about. Probably at this point in time it is not as easy, with the travelling the Committee is not doing but, if and when the Committees are back up and travelling again, it is something to bear in mind. However, there are perhaps other ways of renewing connections online with the Canadians, who were particularly keen about that at one stage, so thank you for that stimulation.

**Q254 Mark Menzies:** How should the UK seek to build alliances and show leadership at the WTO? Secondly, how could the UK use its upcoming presidency of the G7 in 2021 to further reform initiatives at the WTO?

**Peter Ungphakorn:** It is very important to form alliances and to work with other countries. I am nervous about the idea of the UK wanting to be a leader in the WTO. There are plenty of people who have been active for decades in the WTO who will wonder, "Why is this relative newcomer,



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in de facto terms, coming to lead us or thinking they can lead us?" It is a question of needing time to build up reputation, to build up skill.

Part of the reputation is not just to be an advocate for certain policies. You can do two things to be effective in the WTO. One is to be a troublemaker, and people then have to take notice of you. It is not something I would recommend, but there are countries that are very good at doing that and they are always taken notice of, India being one, which I can say now that I am no longer there. The other is to be a good mediator, and that is a mediator politically and technically. If there is a deadlock—for example, in certain aspects of fishery subsidies—anyone who can bring ideas that could produce a breakthrough between the two positions is going to gain credibility in the WTO.

It is that kind of patient, skill-developing, long-term process in the WTO that would stand the UK in good stead. If other people then say, "You are now acting as a good leader" that is up to them, but do not try to claim leadership because you just alienate people.

Q255 **Mark Menzies:** What about the UK using its presidency of the G7 in 2021 to try to reform?

**Peter Ungphakorn:** Again, I think that is about networking. I am a G7/G20 sceptic. I do not think these organisations actually produce anything, usually, that is concrete, but the idea of being in the same place and discussing issues. As an example, there was a G6—I think it was in those days—meeting in Tokyo towards the end of the Uruguay round where there was a meeting of Trade Ministers on the sidelines that helped produce the breakthrough that concluded the Uruguay round. However, generally it seems to be more about talking and networking. If that can be used to produce shared ideas, it would be useful. I do not think the kind of declarations that come out of G7 and G20 meetings mean very much. They seem to say the same thing every year.

**Alan Wolff:** We should draw on the history of the role of the UK. It created, with the United States, the multilateral trading system. Soumaya Keynes's great great uncle was instrumental in getting us to where we are today, or we would not be there. It is something that Woodrow Wilson had in mind, equal trade for all countries, and nobody bought it. They all subscribed to it; everybody subscribed to the 14 principles, all of them who were at Versailles and the Paris Accord, and none of them did a thing about it. Then Churchill and Roosevelt met at Placentia Bay in 1941, with the US not even in the war yet, and said equal trade for all countries, equal access to markets and equal access to raw materials.

Thought leadership the UK can certainly do. The UK now has a voice and is beginning to test its vocal cords; nothing terribly dramatic yet, which is appropriate. You still have Brexit negotiations; it is understandable that there are a few things out there that occupy the mind. Helping to lead the WTO can happen, but I agree with what Peter had to say on the various roles that are possible.



The G7, never waste an opportunity. At least give direction, point the way. Call for a negotiation, as it can start something. It is worth using the occasion, never letting an opportunity be passed up. We are all only here for a little bit in our respective roles, and for a year the UK will have the G7. See what can be done with it.

Q256 **Mark Garnier:** Ambassador Wolff, the UK Trade Policy Observatory has noted that the UK—with a purely self-interested viewpoint—requires a strong rules-based trading system to protect itself from some of the larger trading powers and various measures of protectionism. You said a little bit earlier that one of the problems with the World Trade Organisation is that it works on the basis of consensus. Therefore, even if the UK could develop a strong alliance among similar-sized nations or perhaps slightly smaller nations, how would the UK be able to effect its own desired outcomes from the World Trade Organisation that could be a better rules-based trading system?

**Alan Wolff:** Consensus is an interesting term because it does not mean unanimity. It means not pulling the handle on the emergency brake on the train, allowing something to go forward and having enough critical mass to do it. There have been agreements while the WTO has been in effect that are sometimes multilateral in form, mostly plurilateral. The pharmaceutical agreement does not have in it two of the largest countries in pharmaceuticals, China and India. Can progress be made? Progress can be made. However, it was decided by those who were in it that it was good enough to just do it because it was good for themselves, even though it did not have full membership. That is true of the ITA, the information technology agreement, although the participation is much higher, well over 90% of world trade.

To decide that nothing is possible would be a self-fulfilling prophecy, “So we cannot do that.” I think consensus can be achieved. The WTO is about trading, by which I mean somebody gets something for participation. That might be something that is not part of the particular agreement they are talking about at the time, but they are getting something else. They might get a committee chairmanship, they might get some other recognition they are looking for, something of interest to them bilaterally.

Q257 **Mark Garnier:** The people who are going to pull the emergency brake—to use your analogy of a train—are those people who would lose out by having a rules-based system. According to the UK Trade Policy Observatory’s commentary, those would be the bigger nations that may think, “We do not want to have so much of a rules-based system because we perhaps want to enter into more of a bilateral trade war”, say between the US and China. That would be the difficult part. You can get a great consensus of opinion among the middle nations but, ultimately, the big nations may turn around and say no.

**Alan Wolff:** Possibly, but they have to assess their self-interest at that point and sometimes something has to be served up to them. As I say, we have had a problem with consensus for a long time, and no member,



not a single one, wants to give up consensus because they want to have a veto in principle, even if they would be reluctant to use it. At the Buenos Aires ministerial in 2017, six joint initiatives were begun and they are moving ahead at full steam. Some of the larger members—in one case, e-commerce, all of them—came on board, but they did not start them. Therefore, there are opportunities for moving forward, even with consensus. For some things you need the big three, and we are not going to have the largest members. We will not have a fisheries agreement without the big three, we will not have a subsidies agreement without the big three. Pharmaceuticals, countries may say, “It is in our interest to simply self-declare that we are going to zero tariffs on the additional list.” The US has a list at home—the International Trade Commission in the US came up with a list a few years ago. It would be an easy thing to do, to decide that it is in their self-interest to eliminate import tariffs.

**Q258 Mark Garnier:** Can I ask you quite a controversial question? Before we had the general election and with the chaos that was going on over Brexit, it happening and not happening, a number of international commentators and academics were commenting to me, for one reason or other, about Britain’s standing in the world. One of the overriding messages that kept coming back was that the United Kingdom is a country that has an enormous amount of respect and an enormous amount of affection throughout the world, and people really do value the British influence. However, during the Brexit problems that we were having before the election, there was a lot of sorrow being faced towards the UK because we were losing our way. Now that we are sort of back on track politically, what does the world think of us? Are they happy that we are getting back in some semblance of order, or are people still slightly worried about Brexit? What do you think?

**Alan Wolff:** In the WTO it will depend upon what positions are put forward.

**Mark Garnier:** In general as well. It is a wider comment.

**Alan Wolff:** I do not think Britain is held in low esteem, frankly.

**Q259 Mark Garnier:** In as high esteem as it used to be?

**Chair:** It is not a therapy session, remember.

**Alan Wolff:** I was in a different function in the US Government, very junior, when the UK had its own voice. Just before the UK entered the EU, I entered government. That voice was very impressive. Can it be regained? I think so. I do not think there is a problem with it.

**Q260 Chair:** To wind things up, I have a general question for you both. A lot has been happening in this Covid-19 pandemic. What sort of positives do you think can come out of this Covid-19 process—he looks to a pandemic for positives, which is not a great thing to do—from the perspective of the WTO? Secondly, what do you think the ultimate aim of the WTO is? Two things that have emerged at the moment are policing agreements, where



you can take up disputes, and the elimination of barriers. Is the WTO travelling in a direction that might take the world to a single-world market at some stage far in the future? The policing of things might still need to be done. Just a philosophical point, and then maybe looking for a silver lining to a fairly big pandemic cloud.

**Peter Ungphakorn:** If I may add a teaser, I mentioned that there had been papers from the WTO secretariat on various measures that have been taken. One on intellectual property has not received much attention. In there you will find that four countries have set up frameworks for compulsory licensing for medicines, which is a very interesting development, but we do not have time to discuss that.

Where is the WTO heading? What are the positives? The positive is conditional. If countries do see that this is a time for co-operation and multilateralism, they will really feel the need to work in various multilateral forums, including the WTO, and including, I am afraid, the World Health Organisation.

**Chair:** You are taking the words out of my mouth.

**Peter Ungphakorn:** Yes, so it is conditional, but it could go the other way. People are looking inward and becoming more defensive as well, but let us hope it does not do that. The WTO is not about policing anything. The WTO is a set of contracts among members about what they are going to do.

**Chair:** Or members policing each other.

**Peter Ungphakorn:** Yes, if you like, but they do not have enforcement power over each other, either. That is why even dispute rulings do not get complied with, which is why the EU still has its ban on hormone beef despite the fact it was ruled illegal under dispute settlement.

I think its role is, and should continue to be, a rules-based system that reduces the law of the jungle. It should help to even out disparities in the world so that developing countries are on a more level playing field with the rest of the world. Going by rules rather than arbitrary decisions means that trade, business and farmers have a more predictable and stable world. That is a rather strange thing to say at this moment, but that is what it should get back to.

Q261 **Chair:** Ambassador Wolff, I think at one time you said something along the lines that if, on global GDP, the world had moved away from the barriers and the limits it has at the moment. That was a point you made to me on a visit to Geneva one time. What would you say in response to global GDP and the silver lining to Covid?

**Alan Wolff:** The self-discipline that has been in evidence—there has been a fair amount of self-discipline—in the taking off of a number of export restrictions and continuing to press to get rid of additional ones, is going to help with the recovery. The recovery is going to be dependent



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on macroeconomic factors to a large extent when demand comes back, when supplies come back online and when the health risk is less. What can the WTO do with respect to helping with the recovery? One area is tariffs and another area is trade facilitation.

With respect to the developing countries, if you look on the web at, say, Switzerland and the trade facilitation agreement, you see innumerable websites, and anybody who is interested in trade can find out how to conduct trade with Switzerland. If you look at a small country in Africa, you will find very little, if anything. The developed world has to be more effective in tailoring assistance to the developing world, and I think that will take place.

The positive of Covid-19, it seems to me, is that we have greater emphasis on transparency, and we are following up on that. Members have been co-operative in general. Do we get to a single world market? No, but we make progress. I think we have to be much more cognisant of whether bilateral agreements are good for the system: do they contribute or do they not? For example, the US is saying that, with Kenya, they want to have a 21st-century agreement that is a template for other agreements the US might have with Africa. At the same time, there is a continental free trade agreement. I think it ought to be a mission of the WTO, if the Africans want us to do it, to help in any way we can to make that work because intra-African trade is very limited for a variety of reasons.

I think the future is bright for multilateralism, because there are not good alternatives. In the case of the UK, it would be totally infeasible to replicate what the EU has done with nearly 100 countries. What is feasible is to move ahead with multilateralism, with the multilateral work of the WTO.

One thing I would mention is that the members are in the process of choosing a new Director-General. That is going to be very important. What is the vision that is acceptable to the members and will, therefore, put that person into the position of being Director-General? What is their vision for the future? That we are going to witness after 8 July, when all of the nominations are set. There will be several months of presentations that the world will get to listen to on what the vision is for the future. This is a time of enormous opportunity opened up by current events, opened up by the stresses in the system.

I will circulate to the Committee—you may already have them—the proposals that are already on the table for the initiatives with respect to Covid-19. We have to build on those, I think the members have to build on them, and there is an opportunity to do so. I welcome the interest of this Committee. This kind of inquiry is extraordinarily important to the trading system, and thank you for it.

**Chair:** Thank you very much, Ambassador. It was a cross between an evidence session and a seminar for us. I think members will probably be



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very grateful for the information, and I am seeing some nodding on the screen. I am very grateful for the interaction we have had with you again, Ambassador Wolff. It has been very useful.

Peter, thank you for providing light and shade and tacking into areas that perhaps the Ambassador would not want to tack into. You both seemed very frank, and we are grateful for that, in guiding and not being afraid to contradict and, indeed, challenge us—as you did, Peter—to make more connections.

**Peter Ungphakorn:** I am beginning to regret that, frankly.

**Chair:** I hope we see you both again at the Committee and, Ambassador Wolff, when things improve that we meet again in Geneva when we are next there as a Committee. It is always useful.

Colleagues, I thank you very much for your time and your patience this afternoon. Also, I should tell you that our viewer from Wiltshire is still with us and he is still entranced by the Harris tweed jacket that is being worn by Mark Garnier. I wish you all a nice weekend with your families, in whatever you are doing. Thank you, again, for the stimulating afternoon we have had. It is much appreciated.