

On New Challenges for the WTO and International Trade

The following article briefly outlines current challenges faced by the WTO and multilateral trading system, assesses the roles of governments and multilateral organisations within the paradigm of the technological disruption of international trade and attempts to propose hypothetical solutions to this challenges through implementation of artificial intelligence at national and international levels.

Key words: *WTO, international trade, technological development, digital trade, artificial intelligence.*

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Introduction

In the recent days, the urgency of the WTO being reformed appears as clear as never before. Current crisis of the Appellate Body is not the only reason for the concerns of the global community. Since the beginning of 2020 the topic of the WTO reform has been actively brought to public attention by the WTO Director-General (DG) at various events: the World Economic Forum in Davos held between 21st and 24th of January [1]; the Washington International Trade Association Conference on 4 February; and it is likely to be on the table for the WTO's 12th Ministerial Conference in the upcoming June in Kazakhstan. At the Washington International Trade Association Conference, DG Roberto Azevêdo stated that structural changes are required for the WTO and “a few coats of paint won't be enough” [2].

Elaborating on the reasons for such a deep change DG Azevêdo mentioned that some of the rules become outdated as those were developed back in 1994, the necessity for the system “to deliver more and quicker”, and that wide coverage of the aspects of cross-border economic activity is required [Ibid]. Indeed, it can be seen that current dissatisfaction with the system stands on these particular grounds.

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At the same time, some other questions are worth to be considered as the reasons of potential concerns for the WTO and its Members in the future. Namely: What is the future role of the governments in international treaty making? Is there a necessity for the governments to impose commitments on technological leaders, monopolies and participants of global value chains? What are the mechanisms of dispute settlement and implementation which may be effectively used in future? What are the major changes which will be necessary for the WTO and other multilateral institutions in order to meet new challenges and cover respective needs? What is the future of the World Trade Organisation?

These questions were addressed among others during the session “Multilateralism - Expectations from the new generation” held by the Institute of Trade Policy, National Research University Higher School of Economics (HSE) during the WTO Public Forum 2019. [3] However, these topics were predominantly covered from the perspective of technology: the disruption it brings to the established practices and opportunities it presents for the future development. The fact that technology affects multilateral trade (the goods and services traded, the way we trade them, the way we consume products) means that not only economies and businesses, but also governments and international organisations have to adapt to these transformations [4]. Coupled with the fact that some of the regulations currently in place do not adequately address the challenges which new technologies present, actions from the governments will be required to address these issues at international level.

Artificial Intelligence as a guiding force for trade

With the current pace of development of Artificial Intelligence (AI) it appears to be reasonable to assume that with time AI will be involved in the majority of areas of our lives (see Fig. 1).

As for international treaties, at first, governments could use AI as an assistant in the process of treaty preparation. For instance, it could be used to perform detailed analysis of the existing treaties and search for occurring conflicts and identification of problematic areas. Then AI could be used to develop potential solutions for these areas at international levels by means of comprehensive simulations of outcomes of the proposed decisions.

As the technology advances, AI could even be brought to a level when it will be able to analyse global economic environment for the possibilities of new trade agreements and necessary treaties to support them. Effects of these treaties at both country and international levels will be accounted in order to find an optimal solution and prepare the necessary steps for its implementation. In this case one of the roles for the governments will be to develop AI which will act on their behalf in the future.



Figure 1. Usages of Artificial Intelligence

Source: [5].

If we assume that AI gets involved in monitoring of trade flows and customs (AI could check compliance of goods and services crossing borders with international standards and tariffs and other charges applied at the borders or behind the borders with international standards), collaboration of governments will be required in order to develop and maintain standardised databases and keep communication between AI from different countries.

However, implementation of AI in such an important part of global economic stability is associated with certain risks. AI is highly dependent on the quality of the input data, which is frequently not available for some regions, which might lead to inaccuracy of the decisions. Of course simulations could be employed to fill in gaps in the data, but then it will be subject to the quality of simulated data.

On the other hand, the behaviour of self-learning AI might appear unreasonable or unpredictable, especially if the decisions made are long-term [6, pp. 15-16]. If not programmed correctly, AI might suggest decisions which come at too high costs, appear unlawful or violate morale standards in the long run.

Therefore, some boundaries to the performance of the AI need to be set, which might affect final outcomes. In this light it will be for the governments to facilitate development of the necessary AI in the fields of treaty making, set necessary development goals, boundaries and analyse AI's performance, with an extremely strong focus on cyber-security, privacy of personal data and protection of citizens being exposed to cyber threats. Global collaboration from all of the governments will be required especially in the fields of prevention of international terrorism abusing these new technologies.

Role of the regulatory framework

The next point that was discussed is the necessity for the governments to impose commitments on technological leaders, monopolies and participants of global value chains. It is likely that technology will define levels of business competitiveness and countries' development, as new inventions allows to produce innovative goods and services, frequently enhancing productivity.

At the same time, even nowadays the technological divide is rising, meaning that in the future some countries will fall behind even more and others will get tools to manipulate levels of development of the outsiders through decisions to share their technologies or not [7].

Furthermore, in Global Technological Chains exchange of technology might occur only among those who are involved in the chain and from this perspective goods and services within each chain will be outside of external competition pressure. For instance, unique data will be available only to the participants of the chain. To add more, if market failures such as monopolies occur or some partic-

ular product appears of extremely high demand, certain businesses might get an enormous advantage over others, further widening the gap. For example, if data storage and computational power become crucial aspect of our lives, Businesses are likely to manipulate prices on data storage facilities, CPUs, and other technology. Such behaviour will contradict WTO principles on ensuring global prosperity and will require further regulation at national and international levels.

Collaboration between national authorities in the fields of antitrust and competition management will be required in order to address such a comprehensive situation. This could be avoided by means of the treaties on access to GVCs, data sharing and sector-specific regulations. However, those would be quite challenging to implement as the owners of information might find it burdensome to share their resources with the outsiders. Ensuring fair access to the vital recourse, which in the future will include information and technology, is a crucial task for the multilateral trading system which will help to avoid conflicts on the global arena.

WTO basic principles in the future

In this light, what are the mechanisms of dispute settlement and implementation which may be effectively used in future? It seems reasonable to assume that fundamental WTO principles of National Treatment (NT) and Most Favoured Nation (MFN) will be of even greater importance than they are today. Perhaps, they will be applied to regulation of access to data and technology, rather than purely goods and services.

Classic mechanisms of dispute settlement (such as conciliation, conflict resolution, mediation, and negotiation) probably will lose significance due to their inefficiency, as these will be challenged by innovative technologies. For instance, the process could be automated with AI, which will mitigate or even prevent conflicts between trading partners. This brings the discussion to the next question: What are the major changes necessary for the WTO and other multilateral institutions in order to meet new challenges and cover respective needs? The challenges which seem of particular importance are:

- The fact that technology develops so rapidly and there is no clear vision in the community on how exactly it operates and what it is capable of, therefore conflict of interest between businesses and governments occur.
- Reflecting the complexity of the world WTO dispute settlement seems quite sophisticated and time consuming. The world becomes more and more high-paced, increasing the cost of participation in timely disputes.
- Another challenge is the principle of consensus – the fundamental principle of the WTO which is also a foundation of the current crisis.

However, as of today there is no solution to these challenges, therefore an innovative solution is required. But what is the future of the World Trade Organ-

isation in this uncertainty? WTO will probably exist in the future, however, it is unlikely to remain in the form we know it today. Simply, because currently it is not fully meeting the needs of its members and does not address the challenges mentioned earlier, which is reflected in the recently uncovered tensions around Appellate Body.

Implementation of AI could be a radical solution to address all of these issues. It could replace panellists and judges, as well as assist WTO in fulfilling its main functions of administering WTO trade agreements; providing forum for trade negotiations; handling trade disputes; monitoring Members' trade policies; providing technical assistance and training to developing and least developed economies; cooperating with other international organizations. In this light crisis of the WTO Appellate Body would not matter, as in theory Parties of a dispute appeal believing that decisions are biased or unlawful. With AI employed both of this issue could be solved as technology will have "perfect knowledge" of all the laws, rules, previous cases and will remain "perfectly unbiased" under any circumstances. And with AI monitoring trade and automatically detecting and preventing any rule violations, settling disputes outside of official dispute settlement process.

However, it would be naïve to believe AI to be a panacea. Development and implementation of such a complex, sophisticated and unbiased systems appears rather unrealistic nowadays, especially with the current WTO decision-making system in place. Furthermore, any AI would have a bias of its designer, raising concerns of the society regarding the very essence of its implementation at the first place. In some cases, AI might neglect moral standards if programmed to achieve particular goal at any costs, which some might find disturbing. Therefore, the discussion of the solutions to the challenges listed above remains open.

Conclusion

It is hardly possible to predict how our world will be shaped in 70 years from now. There are as many gaps in our knowledge as opportunities for development. But it seems clear that the solution to the challenges which new technology brings to the society needs to be developed at the level of international organisations, making sure that no countries are left behind. Such an approach will ensure global prosperity in the long run, just as the WTO did over the last 25 years of its existence by lowering trade barriers and enhancing trade.

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О новых вызовах для ВТО и международной торговли

В данной статье кратко излагаются проблемы, с которыми сталкиваются ВТО и многосторонняя торговая система в настоящее время, оценивается роль правительств и международных организаций в рамках парадигмы изменений в международной торговле, связанных с технологическим прогрессом и предпринимаются попытки предложить гипотетические

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решения этих проблем посредством внедрения искусственного интеллекта на национальном и международном уровне.

Ключевые слова: *ВТО, международная торговля, технологическое развитие, цифровая торговля, искусственный интеллект.*

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