**C. Pauletto**[1]

# IN PLACE OF A FOREWORD: Russian Panelists Debating at the WTO Public Forum 2019 on Multilateralism and Digitalization

**The Institute of Trade Policy, National Research University Higher School of Economics (HSE) had a memorable day in Geneva last October. Every year, the World Trade Organization holds in its Geneva headquarters an international public forum. The 2019 edition was entitled "Trading Forward: Adapting to a Changing World", including a specific dedicated theme called "the next generation — what do Millennials & Gen Z want to see from global trade". So, on 10 October 2019, in a meeting room with a nice view on the Lake of Geneva, a panel of Russian speakers presented their views on "Multilateralism - Expectations from the new generation" in a fully-packed room, where some of the audience was standing on the back of the room and several even behind the panel. The four panelists were Prof. Aleksandr Daniltsev and Prof. Maxim Medvedkov, of the Institute of Trade Policy, National Research University Higher School of Economics (HSE), Alexandra Mochalova, Consultant with the Department for Trade Negotiations, Ministry of Economic Development of the Russian Federation and Daniil Orlov, Master's candidate at the World Trade Institute, University of Bern. The moderation was ensured by Prof. Christian Pauletto of the International University in Geneva.**

**Key words:** *blockchain, digitalization, internet of things, multilateralism, trade in services.*

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## Introduction

### Scope

The presentations touched on many mind-boggling questions. Will digital reality overtake the "physical world"? Will distance learning, distance medicine, distance finance, distance management substitute current methods of commerce? What

*1 Christian Pauletto – Professor, International University in Geneva (IUG), Switzerland. E-mail: <cpauletto@iun.ch>.*

new realities next-generations of experts and politicians face? What will we trade in? Will it be exchange of objects, thoughts or feelings and emotion? Will the WTO be able to overcome obstacles and assume its role as the central pillar of the world trading system? What do we, as the global community, have to do to ensure the bright future of the multilateral trading system? How can experts address the major challenges to trade and multilateralism?

## Future role of trade rules

Speaking first, Prof. Daniltsev explained the current state of play and starting point. He depicted a "new and dramatic era" entailing dramatic changes in technology, business and trade. Much is still unknown, he said, governments do not even agree if digital products should be considered as goods or as services. Many things will change, unavoidably, but the main trust of trade policies will remain. New instruments of protectionism will replace the old ones: as border tariffs and quota will become unsuitable and ineffective to protect a country's market, they will give way to so-called "behind-the-border" measures. Against this background the main principles of the rule-based multilateral trading system will be more important than ever, and must be preserved. The main principles are non-discrimination, transparency and openness. The task of the new generation of policy-makers will be to find ways to implement these principles in the new technological environment (see Fig. 1). Prof Daniltsev expressed his hopes that in doing so the next generation will resist the temptation to be conservative.

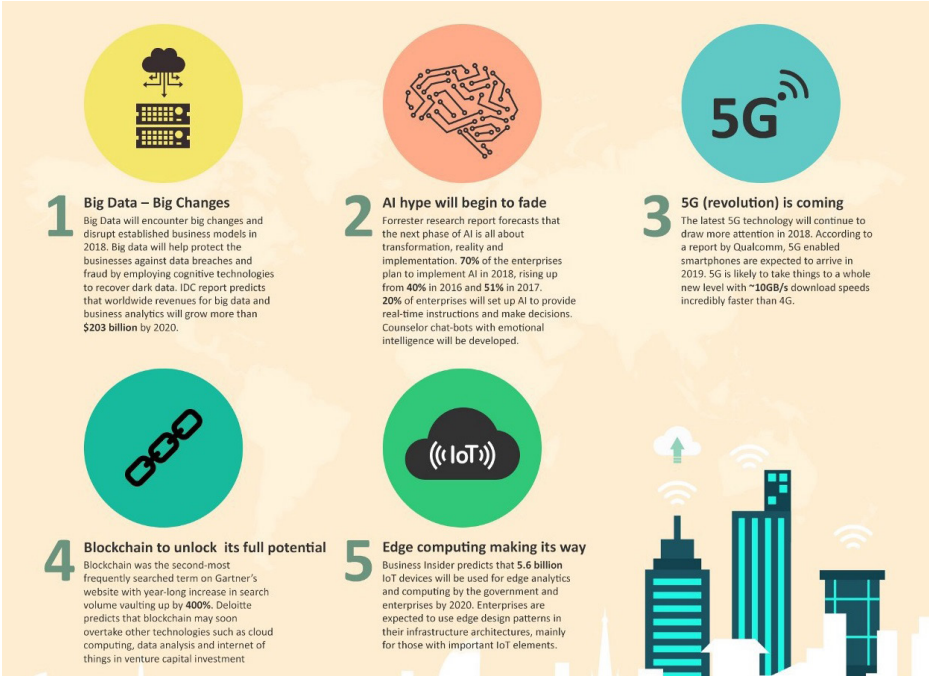


Figure 1. Top digital transformation trends

*Source:* [1].

## Latest technological advances

Alexandra Mochalova followed-up on that by providing to the public a glance into the future. Trade is subject to constant transformation, she noted. Old-days computer used to take the size of a room, and now they can be in your hand. Fixed desk devices were replaced by portable and mobile ones. Digital platforms, internet-enabled services, Internet of Things, blockchain will shape and alter trade flows and economics of production. Advanced robotics, Artificial intelligence (AI) and digital reality will overtake the physical world (see Fig. 2).

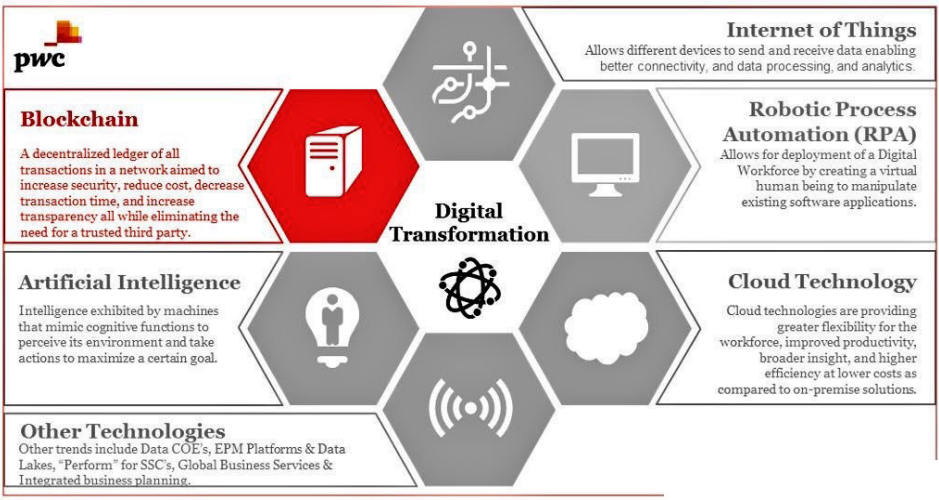


Figure 2. New technological products.

*Source: [2].*

The future will be packed with robots that (or who) will replace human workers: cleaners, butlers, chefs, waiters, but also bankers and lawyers. Because with more advanced technologies, robots will "compete" not only with manual and repetitive tasks, but also with complex jobs. Virtual reality and augmented reality will open the way for new services, and new ways to supply services. For example, they will transform the tourism and leisure industry and the transport and logistics sector. Air taxis, rockets and commercial space transport will be part of our life as much as space tourism and space hotels.

Three-dimensional printing will revolutionize the directions of trade. With 3D everyone can become the manufacturer of one's own cloth, at home. Car industry will be transformed because car components will no longer be imported but produced on-site, with imported raw material such as iron, aluminum or plastics. International shipping will shrink, while the exchange of data will boom exponentially. This will transform all global value chains. "Hi, am I talking to a human or a machine?" Soon this question will sound normal. 3D printing will allow to produce body parts anywhere and spur human engineering, while human-machine

interfaces and nano-implantation of chips in the body will allow direct interaction with machines. Translating software will eliminate language barriers while machines will act as surrogates for humans. How will that affect the global economy?

Information sharing will be pervasive. In a world of connectivity of everything with everything, any movement of your finger will rely on data sharing, even pressing on the button of your coffee machine. Most of that data sharing would occur across border. Physical borders will disappear and the concept of distance will be eroded. As a result, competitiveness between nations will be redefined, and will depend on data, AI and knowledge. Companies and countries that have AI and virtual reality will be competitive. Will the WTO become virtual? No. The rule-based trading system will continue to matter, in order to provide a level playing field for all nations. The principles named by Prof Daniltsev of non-discrimination, openness and transparency will gain even more importance.

## WTO regulatory framework

The WTO was precisely the topic of Prof. Medvedkov, former Russian chief negotiator. He started with a very telling example. The GATT contains a hard-fought provision on cinematographic films. However, in those days the provision was limited to exposed films. Thus, today the clause is meaningless. History may repeat itself. Our future will be filled with robots, which will provide all sorts of services and replace humans, as stated by Ms. Mochalova. Hence, according to Prof. Medvedkov, the WTO General Agreement on Trade in Services (GATS) should treat robots as service suppliers, just like the GATS "mode 4" covers natural persons traveling abroad to supply services. This would be a transformational change in trade policy. If robots were mere goods, then the GATT would prohibit the application of quantitative limits or quotas. But if robots are considered as service suppliers, then entry quotas are possible just like entry quotas for persons supplying services are allowed. In the same vein, when a foreigner supplies services, the competent authority would check if all qualifications requirements are fulfilled. What about performing maybe the same service remotely from another country? IT-enabled remote service supply will be the routine, but who is responsible for the safety and appropriate level of qualification? The next world trading system will need to provide an answer to that question.

Prof. Medvedkov touched on bilateral investment treaties and asked if they can survive 3D printing. There are more than 3,000 such treaties at the moment, with increasing number in Asia, but with that new technology, a major reason to invest abroad will disappear (see Fig. 3). Investors will more and more invest at home. That's will be a challenge for investment treaties.

Sharing with the public his vision of the future WTO, Prof. Medvedkov stated that some of the potential new prospects for the WTO would include regulations governing the use and development of artificial intelligence, ensuring privacy and security of information, preventing "neurohacking", and organizing and managing

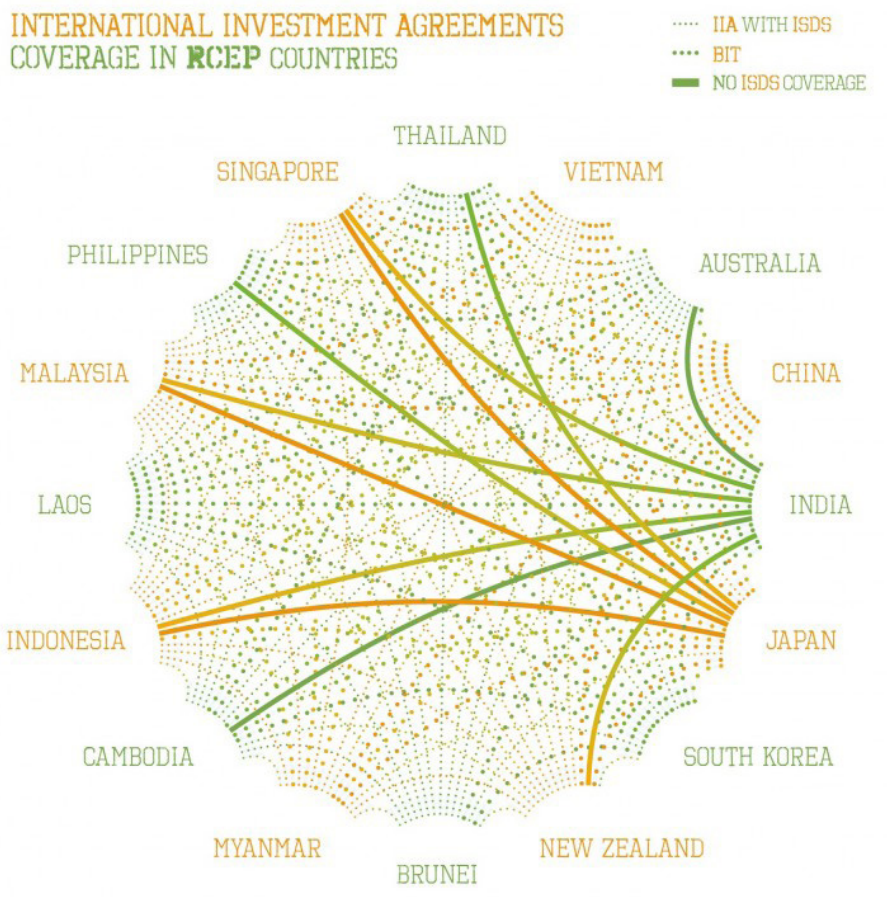


Figure 3. Investment agreements among Asian countries.

*Source: [3].*

data flows. Competition rules at the multilateral level will have to be developed, and will include pro visions relevant for access and use of technology. WTO's Dispute system will have to become more efficient as artificial intelligence will become progressively involved in it. Failure of the WTO to reform and expand may lead to domination of rules of trade developed by companies for companies and (indirectly) for governments. Abuse of market power by technological leaders and transnational companies will make necessary to develop additional rules of their activities.

More importantly, the following questions will have to be answered: digital product – is it a good or a service? When robots start to replace humans in various spheres of activities – will such machines be treated as services (as robots would essentially be classified as natural persons) or as goods, and how necessary certification is to be performed?

## AI-based trade regulation

Daniil Orlov also added his view on how trade in goods and services will be affected by new technologies. There will be a necessity for governments to implement commitments regarding technological leaders and the participants to global value chains and monopolies. This is because new technologies will define the competitiveness and the level of development of countries, which may result in a widening development gap between nations. Advanced countries will be able to influence the development of developing countries by deciding if and how technology is shared. If this happens, it would totally contradict the aim of the WTO which is to ensure well-being and prosperity to all countries. As a result, governments and international organizations would need to act in order to define what is a fair access to global value chains and what is a fair access to data. Maybe they would need to establish specific regulations on data sharing in the WTO. But in any case, it must be avoided that once technological giants have induced others to depend on them and their data, they suddenly increase the price of access to such data. This would be a clear market failure, which would call for government corrective measures. The basic rules such as national treatment or the most-favored-nation need to continue to apply to data, technology and AI.

On a different note Mr. Orlov depicted tomorrow's negotiator. He predicts that AI which evolved dramatically over roughly a century (see Fig. 4) might replace negotiators and be involved in activities such as treaty making or dispute settlement, thanks to their powerful capacity to compute and anticipate all possible scenarios. So, different countries could negotiate through their respective AIs. They would just have to feed their AIs with big data, the negotiating objectives, the rules of engagement, and limits to respect. While history-based AI has the limitation of creating scenarios based on historical data, the more dynamic self-learning AI has the disadvantage of being less predictable. Mr. Orlov also noted that implanted chips and interconnection may allow to control even people's mind.

The fact of the matter is that in a faster changing world, with rapid technological transformations, the WTO dispute settlement system if far too time-consuming. New, technology-based business cannot wait for so long. At the time when a decision on a dispute is reached, it is already irrelevant for the parties. Here, AI may help. Assuming AI have a perfect knowledge of all possible information, and assuming they are unbiased, then decisions in respect of legal disputes could be reached in minutes rather than months or years as is now the case. There would be no need for any kind of appeal, and thus for the Appellate Body. Similarly, the pace of the WTO is too slow in terms of rulemaking.

## Concluding remarks

Prof. Pauletto, who teaches inter alia Digital Diplomacy at IUG, added a few words to state that the very philosophy of the WTO will have to be adapted to the emerging environment. The three fundamental pillars of the organization (i.e. goods

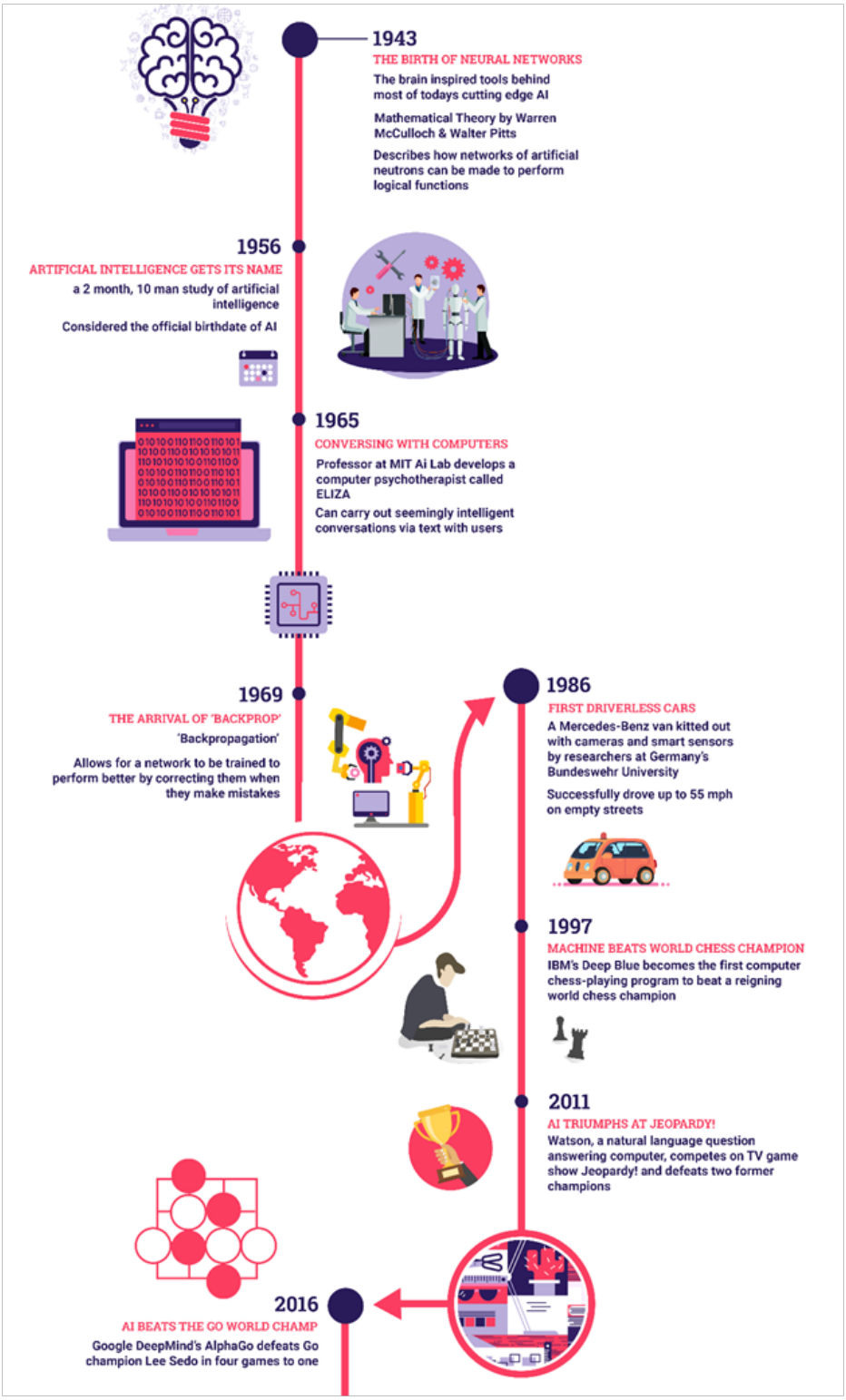


Figure 4. Evolution of AI technologies.

*Source: [4].*

ruled by the GATT, services ruled by the GATS, and intellectual property ruled by the TRIPS) will have to account for the emergence of products of "dual nature", i.e. products that cannot be attributed to one single category. New technologies do not only break the notion of physical borders, they also induce a convergence in what used to be clear and distinct concepts. And they brought a new animal: data. The legal challenge posed by the categorization of "data" is not unique to trade policy, by far. Domestic private law, such as property law, will also need to tackle that question. This is because in the new world data may carry value in the same manner as classical assets, and the tradability of data has no comparison with the times when the only carrier of data was something called paper.

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**Полетто С.**[1]


# *Вместо предисловия: обсуждение мультилатерализма в торговле и цифровизации российскими экспертами на Общественном форуме ВТО — 2019*

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*1 Полетто Кристиан – Профессор, Международный университет в Женеве, Швейцария. E-mail: <cpauletto@iun.ch>.*

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**Ключевые слова:** *блокчейн, интернет вещей, многостороннее регулирование, торговля услугами, цифровизация***.**

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