

Business priorities

Introduction

Trade has been a driver of growth and employment for the past 60 years. This engine of the world economy is threatened by the stalemate in multilateral trade negotiations under the World Trade Organization's (WTO) Doha Development Agenda (DDA), launched in 2001. The increase in trade and investment restrictions fueled by the global economic downturn is damaging the business climate and prospects for recovery, precisely when global trade and investment liberalization could provide a debt-free and much-needed boost to the world economy.

Global value chains have become a dominant feature of today's global economy, and as a result there is growing evidence and recognition that the nature of trade is changing. World trade is now characterized by the international fragmentation of production driven by technological progress, cost, and access to resources and markets. Traditional measures of trade that record gross flows of goods and services each time they cross borders do not reflect the value that is added in a country in the production of any good or service that is exported. Nor do such measures reflect the role of imports of intermediate goods and services in export performance. These changes in the nature of world trade have considerable implications for the policy choices and global rules that will allow governments and business to leverage trade and investment in the most effective way.

Businesses – from small- and medium-sized enterprises to large corporations – produce the goods and services that are traded on a daily basis throughout the world. One of the challenges faced by business in an increasingly integrated global economy is the absence of global rules in many crucial areas. Improving the capacity of the WTO to expand the international rules for trade and investment is a necessary condition for creating an effective multilateral system. For these reasons, the International Chamber of Commerce (ICC), in partnership with Qatar Chamber, is mobilizing business input into a practical and forward-looking approach to global rules for trade and investment that moves the WTO “beyond Doha”.

Business leaders – CEOs, corporate executives, and representatives of business organizations – in the presence of WTO Director-General Pascal Lamy launched ICC's WTA initiative at a trade policy conference at the WTO in Geneva in March 2012. Participants began the work of defining the elements of a business world trade agenda, underscoring business' collective will to move global trade talks out of the current deadlock. ICC hopes that these proposals represent a pragmatic, business-like approach to reaching agreements at the WTO.

Both the Trans-Pacific Partnership and the recently announced Transatlantic Trade and Investment Partnership negotiations are positive efforts of certain members to strengthen their economies through trade and investment. Now all members must strive for progress at the multilateral level that will extend the benefits of trade liberalization to the global economy.

The priorities outlined in this document are seen by business as necessary for a “harvest” of WTO negotiations over the past 11 years where business thinks tangible outcomes can be achieved at the 2013 Bali WTO Ministerial, and for moving forward elements of a longer-term policy agenda to complete the DDA and advance “beyond Doha”. It is hoped that concrete progress on these priorities will provide an immediate injection of both confidence and momentum into the world economy.

The WTA initiative aims for business to define, in partnership with governments, a 21st century world trade agenda to stimulate economic growth and job creation by:

- promoting international trade and investment as engines for economic growth and job creation
- pursuing negotiations at the WTO to reach an immediate agreement on deliverables by the 2013 Bali Ministerial
- moving trade policy “beyond Doha” by outlining elements of a 21st century trade agenda.

Achieving tangible outcomes by 2013

Among the causes for the deadlock in Doha Round negotiations is the recourse to negotiating approaches developed in the last century, which may not be well adapted to the 21st century realities of trade and multilateral negotiations. At the 8th WTO Ministerial Conference in December 2011, ministers recognized that progress was not to be expected on all items of the DDA at the same time. They “commit[ed] to advance negotiations, where progress can be achieved”. They also recognized that “members need to more fully explore different negotiating approaches while respecting the principles of transparency and inclusiveness”.

More recently at the G20 Summit in Los Cabos (Mexico), G20 leaders reaffirmed their “commitment to pursue fresh, credible approaches to furthering trade negotiations across the board” and said they would “continue to work towards (...) outcomes in specific areas where progress is possible, such as trade facilitation, and other issues of concern for least-developed countries”.

Business understands that to achieve tangible outcomes by the 9th WTO Ministerial Conference in Bali 2013, a balanced proposal needs to be presented to WTO members for agreement. The five business priorities below represent a possible set of issues that could be agreed upon by the Bali Ministerial.

Appreciating that these are business priorities, ICC fully supports progress being made by WTO members in other areas in the DDA. Of particular importance to ICC is the eventual completion of the DDA, which necessarily entails addressing the concerns of developing countries. These countries now account for approximately three-quarters of WTO members. It is clear that if they are to support moving certain elements of the DDA forward on a priority basis, they have to feel strongly confident of making concrete and reliable gains in access to developed country markets as well as benefiting from further trade liberalization among themselves. This is especially the case for products in which they have a competitive advantage such as agricultural products. In addition to ICC’s recommendation for an immediate agreement on agricultural export subsidies, ICC supports improving agricultural market access - for developing country agricultural products in particular - and eliminating or substantially reducing trade-distorting subsidies.

1. Conclude a trade facilitation agreement

Trade facilitation is a series of measures whereby countries reduce red tape and simplify customs and other procedures for handling goods at borders. A WTO agreement on trade facilitation is expected to deliver gains of at least US\$130 billion annually, with most of the gains benefitting developing countries.¹

An agreement on trade facilitation should significantly reduce costs, speed up and streamline administrative and other official procedures, and create a more transparent, predictable and efficient environment for cross-border trade. Furthermore, by making their trade processes more efficient, countries also become more attractive as destinations for foreign direct investment. More efficient trade processes allow countries to leverage the opportunities that flow from the strong complementarity between cross-border trade and investment as effective means for companies to produce and deliver their goods to market in an integrated world economy.

Recommendation: A WTO agreement on trade facilitation should be concluded by the 9th WTO Ministerial Conference in Bali, Indonesia in December 2013.

¹ Gary Hufbauer and Jeffrey Schott, “Will the WTO Enjoy a Bright Future?”, ICC Research Foundation commissioned report (Peterson Institute for International Economics: Washington DC, 2012) p. 6.

2. Implement duty-free and quota-free market access for exports from least-developed countries

At the 6th WTO Ministerial in December 2005, developed countries agreed to provide duty-free and quota-free (DFQF) market access for at least 97% of exports from least-developed countries (LDCs). While many WTO members are already able to meet this 97% threshold and some have already agreed to implement this measure, the DFQF commitment is subject to the DDA single undertaking. Nonetheless, additional large players should start implementing DFQF and also narrow as much as possible the percentage of excluded products categories. It is precisely by exporting goods in these excluded categories that LDCs will have a greater possibility of benefiting from the commercial opportunities created by this commitment. LDCs account for less than 1% of world trade and having all developed countries meet this commitment will directly support greater integration of LDCs in the world economy.

Recommendation: Developed WTO members that have not already done so should implement DFQF commitments unilaterally as of now, while simultaneously removing as many exclusions as possible, to ensure that there is the broadest possible product coverage and that other behind-the-border barriers do not erode the benefits of this measure. Large developing countries should also consider extending DFQF commitments to LDCs.

3. Phase out agricultural export subsidies

Members reached a conditional agreement during the 6th WTO Ministerial in 2005 to phase out agricultural export subsidies and disciplines on all export measures with equivalent effect by the end of 2013. Members agreed to a progressive phasing-out, such that a substantial part would be realized by the end of the first half of the implementation period. In recent years, high commodity prices and national budgetary constraints have further reduced the level of these subsidy payments.

Recommendation: WTO members should agree to phase out agricultural export subsidies by the Bali Ministerial in December 2013.

4. Renounce food export restrictions

The food crisis of 2007-2008 underscored the need to address food security at the global level. A confluence of soaring fuel costs, erratic weather patterns, restrictive trade policies and changing consumer demand led to a new peak in the prices of food commodities.² At the 2011 Cannes Summit, G20 leaders recognized this need and agreed to remove food export restrictions or extraordinary taxes for food purchased for humanitarian purposes by the World Food Programme. Recently, Asia-Pacific Economic Cooperation (APEC) leaders reinforced their commitment to “ensure fair and open markets, reduce price volatility, and establish greater regional and global food security”.³ Furthermore, meaningful disciplines on export restrictions might facilitate a greater readiness by import-sensitive countries to undertake greater market access opening.

Recommendation: WTO members should commit not to impose export restrictions, or at least agree to exempt food shipments contracted by the World Food Programme from export restrictions, make best efforts not to tighten other restrictions on food trade, and remove “buy national” requirements that impede the distribution of food supplies.

² Food and Agriculture Organisation.

³ Asia-Pacific Economic Cooperation (APEC), 2012 Leaders' Declaration, Vladivostok, Russia, 8-9 Sep 2012.

5. Expand trade in IT products and encourage the growth of e-commerce worldwide

To build upon the benefits of the Information Technology Agreement (ITA), preliminary talks have begun on expanding product coverage under the ITA. Given the key role that information technology (IT) plays in driving global growth, ITA expansion could make a significant contribution to eliminating tariffs and increasing trade in IT products, thereby providing a strong stimulus to the world economy.

Since the ITA came into force almost 15 years ago, numerous information technology products incorporating increasingly sophisticated technologies have entered the world market. This has resulted in disputes regarding the classification of certain information technology products and whether they are covered by the ITA. Set-top boxes (STBs), multifunctional machines (MFM), and flat panel displays (FDPs) are examples of products subject to recent disputes. It is vital that product coverage under the ITA is broadened using the widest possible definition of IT goods.

Recognizing the importance of e-commerce for the world economy, WTO members agreed in 1998 to a 'standstill' whereby they refrained from taking measures that would have a damaging effect on digital trade and business. More specifically, they agreed to impose no customs duties on e-commerce transactions. This "standstill" has been repeatedly extended; however, it remains an informal agreement. Agreeing to make the "standstill" permanent would inject confidence in the growth of e-commerce and the millions of companies worldwide that provide goods and services to consumers through e-commerce.

Recommendation: Eliminate barriers to trade in information technology products and services by expanding product coverage under the WTO ITA; and make the "standstill" commitment on e-commerce permanent by the Bali WTO Ministerial Conference.

Completing DDA to advance "beyond Doha"

Improving global trade rules and achieving greater liberalization through negotiation is an essential function of the WTO. Unless WTO members are able to successfully discharge this function collectively by completing the DDA, one of the key roles of the institution – that of providing an effective forum for multilateral trade negotiations – will be called into question. As a result, the WTO's dispute settlement system will be placed under increasingly strain should rule making and trade liberalization occur through adjudication rather than negotiation. In such circumstances, ICC is concerned that the two main pillars of the rule-based multilateral trading system would be significantly weakened. ICC is committed to a strong and effective WTO, one whose members collectively negotiate the lowering of trade barriers and the strengthening of global trade rules.

The following five business priorities combine DDA issues with issues beyond the mandate of the Doha Round. ICC encourages movement in these areas to advance trade and investment policy "beyond Doha" on subjects increasingly important to business in the interconnected global economy. This includes a longer-term proposal that governments should begin discussions towards a multilateral framework on investment. With more than 3,000 agreements on investment already in place, it is time to move towards a single multilateral framework to facilitate cross-border investment, which will encourage economic growth and job creation.

1. Encourage moving towards a high-standard multilateral framework on investment

Cross-border investment generates employment, increases government revenues, and creates trade opportunities. Domestically, foreign direct investment links local companies to global value chains, underwrites trade and export opportunities, and facilitates the inflow of capital, technology, and skills across sectors.

Over 3,000 international investment agreements now exist.⁴ This complex network of treaties is too large and complex for investors to handle. Yet these 3,000 treaties only protect two-thirds of global FDI and cover only one-fifth of possible bilateral investment relationships. UNCTAD predicts that a further 14,000 bilateral treaties would be needed to provide full coverage of international investment.⁵

Business needs a stable and predictable investment environment, especially in a time of economic uncertainty, to continue to generate employment and wealth creation. Therefore, broad discussion should be encouraged on investment issues, such as dispute settlement in international investment agreements, the rising importance of international investments by state-owned enterprises, and how public-private partnerships – including co-investment by host states and private investors – can contribute to break down barriers to investment. This should be done in partnership with international organizations where dialogue is already underway – such as the OECD, UNCTAD and the WTO.

Overlap between the GATS and bilateral investment treaties increases the need to address investment-related issues within a WTO context. The objectives should be to promote mutual understanding among governments and between governments and business, and to build a common framework for international investment in the interest of all stakeholders.

A recent positive development in this respect occurred at the G20 Summit in Los Cabos (Mexico), where G20 leaders “recognized the importance of investment for boosting economic growth” and committed “to maintaining a supportive business environment for investors”.⁶

Recommendation: Encourage moving towards a high-standard multilateral framework for international investment to support economic growth and development.

2. Liberalize trade in services

The General Agreement on Trade in Services (GATS) provides a legal framework for negotiating and binding multilateral liberalization of trade in services. With the exception of members who recently acceded to the WTO, the GATS has not been used to its full extent by WTO members as a driving force for services liberalization and reform. Nonetheless, the potential for liberalizing services multilaterally through WTO negotiations is considerable. Indeed negotiations under the GATS have already shown that they can produce impressive results (e.g. post Uruguay Round negotiations on basic telecoms and financial services).

Recommendation: Make concrete progress on the liberalization of trade in services through alternative negotiating approaches, including plurilateral approaches and approaches focused on particular sectors, including the International Services Agreement. These approaches should be pragmatic, results-oriented, consensus-based, transparent, as inclusive as possible, and should lead to multilateral outcomes across all modes of supply.

⁴ World Investment Report 2012, United Nations Conference on Trade and Development, p. xx

⁵ World Investment Report 2011, United Nations Conference on Trade and Development, p. xvii

⁶ G20 Leaders' Declaration, Los Cabos, 18-19 June 2012, para. 27.

3. Foster “greener” economic activity through trade

A “green economy” emphasizes the importance of sustainable growth and access to open, well-functioning, and efficient markets. It recognizes that markets can play a key role in the evolution of both societies and businesses towards “greener” economic activity and prosperity. Business has developed knowledge and skills that have produced many efficient and environmentally effective technologies and products across all sectors.⁷

There is an urgent need to open trade for a wide range of sectors across global value-chains that sustainable growth depends on. Ideally, trade should be liberalized not only for “environmental goods and services”, but for the broad range of technologies and sectors that will be needed to realize the full potential of a sustainable economic activity. However, trade liberalization is essential to the diffusion and deployment of “greener”⁸ technologies and options from all sectors, particularly to developing countries. More broadly, the avoidance and removal of “non-tariff” barriers posed by some unilateral environmental policies is imperative. The synergy of trade liberalization and green growth is best realized through collaborative policies and approaches.

Discussions in the WTO Trade and Environment Committee towards lowering tariffs and other barriers to environmental goods and services in the context of the Doha Round have not produced tangible results. The APEC leaders’ non-binding commitment to liberalize by 2015 over 50 environmental goods is a positive development and governments should seek to build on it by engaging in substantive negotiations within the WTO. This is a significant step toward worldwide diffusion of “green” technology, products and services. But the initiative is regional and so far limited to tariffs.

More countries need to join this initiative to develop a truly global agreement with a view to eliminating most barriers to trade and service in this key area. Engaging the EU is important, as together with APEC, these regions would represent more than 95% of world trade in clean and energy efficient technologies. These parties could reinforce their commitments by bringing them into the WTO.

Recommendations: Make concrete progress in lowering trade barriers to environmental goods and services, building upon the APEC initiative to discuss at the WTO an agreement to eliminate barriers to trade in environmental goods and services. Encourage cooperative approaches and alternatives to unilaterally-imposed environmental rules that are trade-restrictive or create barriers to trade.

4. Reform the WTO Dispute Settlement System

The WTO Dispute Settlement Understanding (DSU) is a cornerstone of the rules-based multilateral trading system. It provides an assurance that WTO members will respect their commitments. Since the creation of the WTO, over 400 disputes have been filed with the Dispute Settlement Body and over 100 reports have been issued by the WTO Appellate Body.⁹ These disputes have involved a broad spectrum of issues brought by WTO members at all levels of economic development.

As part of the work achieved during the Doha Round, members seem inclined toward practical modifications to the DSU. These modifications should result in more rapid decisions, greater

⁷ *ICC Green Economy Roadmap*, International Chamber of Commerce, 2012, p 14.

⁸ *Ibid*, p 16, defining “greener” as products and services that are scientifically proven to have sustainability advantages (e.g. more resource or energy efficient, climate-friendly).

⁹ World Trade Organization, Annual Report 2012, pp. 87, 105.

possibility to settle without going to final judgment, and more transparency of hearings and submissions by parties.

Proposals for reform include:

- extension of third-party rights, provided that an adequate balance between the rights of main parties and third parties is maintained
- improved conditions for members seeking to be joined in consultations
- introduction of remand, allowing the Appellate Body the ability to remand the case back to the panel for factual findings
- “sequencing” issue and other problems concerning the suspension of concessions or other obligations, thus clarifying ambiguous language in the DSU
- enhancement of compensation as a temporary remedy for breach of WTO law
- strengthening of notification requirements for mutually agreed solutions, and
- strengthening of special and differential treatment for developing country members.

Recommendation: WTO members should implement the proposed modifications to the DSU by the Bali Ministerial Conference.

5. Multilateralize trade liberalization under the WTO framework

In addition to multilateral trade liberalization, WTO members advance trade opening through regional and preferential trade agreements (RTAs and PTAs). These may bring faster results than the multilateral process, may enable parties to conclude levels of liberalization beyond the multilateral consensus, and may be able to address specific issues that do not register on the multilateral menu.

The resulting achievements in trade liberalization can be substantial complements to the WTO system, and they can be important building blocks for future multilateral liberalization. However, regional and preferential trade agreements must maintain and strengthen momentum towards global economic integration. Business is concerned that regulatory fragmentation may increase with the continued proliferation of RTAs and PTAs, thus increasing cost of doing business, especially in a world where trade increasingly takes place through global value chains. This proliferation makes it increasingly difficult especially for small- and medium-sized companies to participate in international trade since they often lack the capacity to adapt to each new set of conditions posed by these agreements.

Integrating the advances of RTA/PTAs into WTO rules helps create a level playing field for all companies in every region of the world. Business, therefore, strongly supports increasing the capacity of the WTO to foster convergence between RTAs/PTAs and WTO rules. Implementing and making permanent the WTO Transparency Mechanisms for RTA/PTAs will strengthen the oversight function built into General Agreement on Tariffs and Trade (GATT) Article XXIV and General Agreement on Trade in Services (GATS) Article V. This should facilitate the establishment of best-practice guidelines to reduce complexity and variance from the WTO agreements including in rules of origin, and promote the integration of RTAs/PTAs gains into the WTO. Therefore, business strongly supports the application of the transparency mechanism for RTA/PTAs as practical measure that should encourage greater compatibility and complementarity of RTAs/PTAs with the multilateral trading system.

Recommendation: Encourage multilateralization of trade opening achieved through RTAs/PTAs, strengthen WTO rules to increase compatibility and complementarity between RTAs/PTAs and the multilateral trading system, and make permanent the WTO Transparency Mechanism for RTAs/PTAs by the Bali Ministerial Conference.
