

The future of the WTO – reform proposals

- By Czech Republic, Denmark, Estonia, Finland, Ireland, Netherlands and Sweden

The rise of protectionism and economic nationalism has significantly undermined the capacity of the WTO to serve its members. It is widely acknowledged that the multilateral system has faced severe systemic challenges for some time now which must be addressed if we wish to see the WTO return to a place at the heart of international trade and economic development. According to article 21 of the TEU, the EU should furthermore “promote an international system based on stronger multilateral cooperation and good global governance.” In other words, multilateralism is a key objective of EU external action and multilateral solutions should always be our first trade policy option.

Against this background, the following submission to the EU Trade Policy Review aims to outline three blocks of issues that are mutually supportive of long-term EU objectives regarding the multilateral trading system: (1) confidence-building measures, (2) issues for the future and (3) functioning of the organisation. The areas are not listed in order of priority but in a ‘confidence-building’ sequencing order.

While we should work closely with like-minded partners, for instance in the Ottawa group, the EU should liaise with all major actors recognizing that their engagement will be required in all major decisions on WTO reform. We should also consider how we can best show leadership and create leverage vis-à-vis actors with opposing agendas. If the multilateral path is blocked, the EU should engage in plurilateral negotiations, preferably on an MFN basis.

Block 1: Confidence-building measures

A positive negotiating agenda at the WTO requires confidence-building and agreement on critical issues that allows the organisation to function as intended. The new US administration could create a window of opportunity for progress on several such issues.

- As a first confidence-building step, the DG election process needs to be finalised quickly and effectively.
- Together with like-minded WTO partners, we should engage with the new US administration to ascertain how concerns over the Appellate Body functioning can be addressed and new Appellate Body members appointed.
- As another confidence-building step, it is necessary to complete one or two current negotiations ahead of MC12. The negotiation on fisheries subsidies is a realistic candidate in this regard and finalisation requires constructive EU engagement. The negotiation on domestic regulation is another potential candidate for conclusion at MC 12 or before.
- In order to further leverage trade as an instrument for fighting current and future pandemics, action is required by the international community. The WTO can play a role in facilitating trade in healthcare goods and services, including essential products such as vaccines. In this context, the EU’s multilateral trade and health initiative aimed at

improving transparency and eliminating barriers to trade in goods, including export restrictions, should be our near-term priority.¹ Initiatives to further improve market access for goods (including tariff reductions), facilitate trade in healthcare-related services and to advance regulatory simplification, should also be considered.

Block 2: Staying relevant - issues for the future

Restricting industrial subsidies

The EU, the US and Japan agree that WTO rules governing industrial subsidies must become more effective. As indicated in the trilateral statement,² transparency should be reinforced, and new types of prohibited subsidies should be included in an updated Agreement on Subsidies and Countervailing Measures. Updated rules for state-owned enterprises and forced technology transfer should also be considered in this context.

Promoting the environment: climate neutrality and the circular economy

In accordance with our Green Deal objectives, a key EU priority at the WTO should be to liberalise trade in climate-related goods and services and to strengthen global rules regarding fossil-fuel subsidies. To do this, the EU should revitalise its efforts regarding negotiations on environmental products (including environmental services). Improved transparency and compliance with notification requirements for subsidies are also crucial for this work. In order to build broader coalitions, we support efforts by the Commission to seek deeper dialogue with developing countries on issues such as climate mitigation and the circular economy.

Advancing digitalisation and trade in services

In light of the rapid digital transformation and growth of the digital economy, we should finalise WTO negotiations on e-commerce. The EU should work for ambitious rules, including on data flows and data localization requirements. We should also include the accession of new countries to the ITA I and II agreements in the e-commerce negotiations.

Trade in services is becoming increasingly important, both in its own right and as part of product packages that involve goods and services. At the same time, service liberalisation is underdeveloped, particularly at the global level. When the appropriate conditions are met, we should therefore consider resuming the negotiations on a plurilateral trade in services agreement. We can also promote services in ongoing negotiations and possible future initiatives linked to sectoral issues such as e-commerce or the environment. Since women are overrepresented in the service sector, liberalising trade in services would also contribute to gender equality.

Increased participation of developing and least developed countries

Furthermore, the EU should promote increased participation of developing and least developed countries in international trade and trade negotiations. Special and differential

¹ https://trade.ec.europa.eu/doclib/docs/2020/june/tradoc_158776.pdf

² https://trade.ec.europa.eu/doclib/docs/2020/january/tradoc_158567.pdf

treatment should be based on real needs in specific sectors rather than on self-declared development status. We should also increase and make Aid for Trade more effective, particularly for least developed countries. Sustainability and gender aspects should be integrated in future EU initiatives in this area.

Block 3: Functioning of the organisation and other systemic issues

The WTO and its regular bodies should also be improved. In particular, the EU could act to:

- make the dispute settlement system more efficient by streamlining procedures and increasing transparency,
- identify mechanisms to incorporate plurilateral agreements in the WTO architecture
- improve strategic planning by the Secretariat,
- ensure transparency and timely notification among members, including through enhanced technical assistance
- strengthen the secretariat's capacity to improve transparency and monitoring, and
- explore possibilities to involve the business community and other stakeholders more.

Finally, the WTO must contribute to breaking up silo thinking and increase cooperation with other international organisations, not least in areas such as health, sustainability and digitalisation. In this context, we also encourage the Commission to make better use of Member States in the outreach activities on topics we want to promote in Geneva.

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