

12 December 2011

THE DOHA ROUND AND THE FUTURE OF THE WTO

KEY MESSAGES



- 1** BUSINESSEUROPE is a strong supporter of the multilateral trading system.
- 2** A renewed approach for trade liberalisation is needed, with the WTO focusing on its core functions.
- 3** A case by case approach will allow the development of new trade rules and restart comprehensive market access negotiations.

WHAT DOES BUSINESSEUROPE AIM FOR?



- *The initial high level of ambition of the Doha Round, launched in 2001, has not been confirmed resulting in the current deadlock of negotiations. A so-called “Plan B” was abandoned in May 2011. The rising uncertainty for the outcome of the 8th Ministerial Conference has mobilised BUSINESSEUROPE to propose that the WTO should take concrete steps towards further trade liberalisation.*
- *Ambitious agreements on trade facilitation and non-tariff barriers should be concluded quickly. This would provide a significant boost to international trade. In addition, plurilateral sectoral agreements should be further negotiated. The WTO should also work towards clearer WTO guidelines on the coherence between bilateral / regional trade agreements and the WTO system. Finally, the WTO should explore new issues, such as the relationship between trade and investment, competition, energy or raw materials.*

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Summary

BUSINESSEUROPE is a strong supporter of the multilateral trading system, whose core functions are: trade liberalisation, rule-making and dispute settlement. With the Doha Round negotiations in serious difficulty, it is important to safeguard the multilateral system. A temporary or complete breakdown of the Doha negotiations should not be allowed to undermining the trading system. For this reason, the WTO should focus on its core functions, i.e. rule-making and trade liberalisation taking account of the significant changes in the international economic and business environment since 2001.

This position paper outlines our critical assessment of the Doha Round negotiations and a renewed approach for the WTO to pursue its trade liberalising mission.

Background

The Doha Round was launched in November 2001 and initially considered to be the most ambitious multilateral trade liberalisation package in history. The Doha Declaration listed 21 subjects in the work programme that would have produced a major reform of the international trading system through the introduction of lower trade barriers and strengthened trade rules. The slide from such an ambitious beginning to the current deadlock on key aspects of the negotiations has been accompanied by a steady weakening ambition. The current deadlock has revolved around the lack of political will to achieve high levels of market access commitments. In particular it seems to be unable to forge any agreement between OECD and emerging country members. Given the shift in economic powers within the WTO membership there is also very little hope that an agreement will be possible in the near future. This lack of leadership now makes the WTO suffer from a malaise for which neither the WTO Secretariat nor the WTO-members seem to have an appropriate remedy to cure.

On the brink of complete failure, WTO Director-General Pascal Lamy has proposed a formula to save the Doha Round. This so-called "Plan B", broke down in May 2011, making the adoption of an early harvest scenario unlikely during the 8th Ministerial Conference in December 2011.

In this climate of great uncertainty, the WTO must demonstrate its ability to deliver results for the business community. After the failure of several "windows of opportunity" during the last years, the growing number of successfully concluded bilateral free trade agreements will bring significant and concrete results to business, instead of the more economically efficient multilateral path.



A renewed approach for WTO Trade Liberalisation

The WTO should focus more on its core functions in the following years, namely trade liberalisation and rule making. As the only international organisation creating rules and setting standards on trade at the multilateral level, the WTO must remain leader in this area and take more action. The existing legal framework provides an excellent basis but needs to be updated in order to respond to a changed global economic landscape. Its coverage should be extended to more areas and it should be able to address the challenges presented by the economic and financial crisis. Moreover, the WTO should address its current negotiating techniques or the possibility of WTO members to define themselves their level of commitments irrespective of the level of economic development or export competitiveness.

The dispute settlement system has proven itself by giving legal certainty to economic operators. Even though Free Trade Agreements may include settlement provisions, the WTO system still remains the most reliable and recognised enforcement instrument at the multilateral level. In addition, the WTO case law provides for precedents, on the basis of which other similar cases could be resolved in the future and which all WTO members can take advantage of.

Against this background and in view of the rising uncertainty on the outcome of the Ministerial Conference, BUSINESSEUROPE proposes that the WTO takes concrete steps towards further trade liberalisation:

1. A Trade facilitation agreement

Negotiations on trade facilitation have proceeded well and recent developments suggest that Members could conclude an agreement quickly. An ambitious agreement would provide a significant boost to international trade and should:

- minimise or eliminate fees and charges;
- allow legal recourse or mediation services in customs disputes;
- encourage the establishment of a single administrative window for customs;
- guarantee the publication of trade regulations; and
- provide accelerated and simplified procedures for release and customs clearance of goods.

2. Non-Tariff Barrier (NTBs) agreements

Negotiations on Non-Tariff Barriers (NTBs) have also progressed to a point where agreement among membership should be reachable. Sector specific agreements and the establishment of a mediation mechanism for "out-of-court" settlement of non-controversial NTBs have gathered wide support among WTO members and should be agreed as soon as possible by all WTO members. These measures would create a much more transparent environment for business development and hence contribute significantly to trade growth.



3. Market Access

With the industrial goods market access negotiations at an impasse, WTO members should look at ways to negotiate plurilateral sectoral tariff elimination agreements in industrial sectors such as chemicals, machinery, electronics, gems & jewellery and forestry. The two requisites necessary for such an exercise are: country and product coverage. Recent proposals on sectorals – such as the EU initiative in 2011 – can serve as a good basis to prompt new negotiations. From the services part, the ICT, financial services and logistic clusters should be negotiated.

4. Coherence between bilateralism/ plurilateralism and multilateralism

As WTO members turn more and more towards regional / bilateral free trade agreements, there is a need for clearer WTO guidelines on the coherence between bilateral / regional trade agreements and the WTO system. This would also facilitate the use of dispute settlement to challenge WTO non-compliant FTAs or chapters of non-compliant FTAs.

5. New issues

Furthermore, in order to gather momentum on new issues that should be dealt with in the WTO framework, the European Commission – in close consultation with the business community – should promote topics which will explore the relation between trade and investment, competition, energy or raw materials. Such initiatives could refresh the interest on multilateral trade and underline the central role of the WTO in rule making.

Conclusion

By advancing on a case by case basis the WTO should demonstrate its ability to develop new trade rules and help its members see the advantages of trade liberalisation. This should then serve to allow the restart of more comprehensive market access negotiations. Otherwise, there is a strong risk that WTO members would pursue trade liberalisation through other ways in an unforeseeable timeframe, resulting in a weakening of the multilateral trade system. Such a scenario should be prevented by all means.
