

29 November 2013

BUSINESSEUROPE POSITION ON THE BALI MINISTERIAL CONFERENCE (MC9)

KEY MESSAGES



- 1** BUSINESSEUROPE remains a strong supporter of the World Trade Organisation (WTO), which remains the guardian of multilateral trade rules and standards, hosting also an unprecedented dispute settlement system.
- 2** BUSINESSEUROPE expresses however its deep concern regarding the current impasse in the Doha round negotiations.
- 3** The European business community is eager to see the conclusion of a Trade Facilitation agreement during the WTO Ministerial conference in Bali (MC9), which would significantly boost international trade by lowering transactions costs and modernizing customs procedures.
- 4** Overall, the WTO needs to further adapt to an evolving trading environment by committing to new trade liberalisation efforts and including a broader range of issues in its core agenda.

WHAT DOES BUSINESSEUROPE AIM FOR?



- *With this position paper, BUSINESSEUROPE makes proposals how to revitalise the WTO's core negotiating function which, in recent years and mainly due to the stalemate in the Doha round negotiations, has been diminished.*
- *BUSINESSEUROPE expects WTO members to deliver a package deal at the Bali Ministerial conference, including a Trade Facilitation agreement which will help take the Doha round negotiations forward to produce modernized and clear rules for global trade.*
- *BUSINESSEUROPE would like to emphasize that business as usual will not be an option in case of a failure in Bali. WTO members will have to start tackling the issues which are of importance in the 21st century.*



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BUSINESSEUROPE is very supportive of the WTO

From the very first day since its creation, BUSINESSEUROPE has been and remains a strong supporter of the multilateral trading system and the WTO as the only international organisation creating rules and setting standards on trade at the multilateral level. The WTO continues to play a strong role as a guardian of free trade in times of protectionist attempts around the globe. Moreover, the WTO dispute settlement system has proven itself to be recognised as the most reliable and recognised enforcement instrument for trade rules at multilateral level.

BUSINESSEUROPE also strongly supports the WTO core principles – non-discrimination, national treatment, most-favoured nation principle, transparency – which must be maintained and implemented in order to further open up trade at a global scale.

BUSINESSEUROPE is concerned that the WTO negotiations on trade liberalisation remain stuck and harm the multilateral system.

In recent years the WTO and its members have failed to deliver in the WTO's core function of trade liberalisation. There have been some limited achievements, such as the revisions of the plurilateral Government Procurement Agreement (GPA), but overall these results fall short of the Doha round negotiations where, until today, WTO members are not able to agree on trade liberalisation in the core areas of goods, services and agriculture.

BUSINESSEUROPE is very concerned that support for both the WTO and the multilateral trading system as a whole could diminish as a result of the disappointing Doha round negotiations. Consequently, there must be a strict distinction between the WTO as an organisation and the Doha round negotiations.

Regardless of the outcome of the Doha round negotiations in Bali, BUSINESSEUROPE needs to underline that it is extremely important to safeguard the multilateral trading system and the WTO as the only international organisation setting and enforcing rules on multilateral trade.

The changing trade landscape and its impact on multilateral trade

The world has changed tremendously during the last decade, i.e. since the launch of the Doha round negotiations in 2001. Today, global production is organised to an increasing extent by international or global value chains. Goods and services are not produced in a single location, but are the result of a combination of tasks executed in different countries. The lion's share of traded goods in these global value chains are intermediates. This puts pressure on the WTO and its members to find answers on



how global value chains can be better supported. At global level, comprehensive elimination of tariffs and non-tariff barriers, and facilitation of trade and investments are the right answers to this new international trading environment.

The trend towards global value chains has been accompanied by the rise of new trading powers: emerging economies that had previously been developing countries. Benefitting from the multilateral system, they have increased their share in global production and trade. However, their increasingly important role in international trade has not been accompanied by taking up more responsibility for the development of the multilateral system.

Against this background however, a trend has taken place to shift from the multilateral approach to the negotiations of bilateral and plurilateral agreements. This is in part a result of the frustration over the lack of progress in the Doha round negotiations. Prominent examples are the on-going negotiations for the Transatlantic Trade and Investment Partnership (TTIP) between the US and the EU, the Trans-Pacific Partnership (TPP) between a number of American and Asian countries, or the plurilateral Trade in Services Agreement (TiSA). Preferential trade agreements advance free trade, and have a positive effect in the sense that they may generate more trade openness. They can serve as building blocks for the multilateral system, and are a way for countries to further open their economies in order to reap the benefits of increased trade and investments. However, it is also true that compared to the multilateral approach they can only be a second best route and have to be compatible with the WTO rules in order to avoid the negative effects of trade diversion.

BUSINESSEUROPE's expectations from Bali

BUSINESSEUROPE hopes that the intensive consultations leading up to the Bali Ministerial Conference (MC9) will lead to concrete results. In particular, WTO members should conclude a Trade Facilitation agreement. An ambitious outcome would provide a significant boost to international trade by lowering the transaction costs and reducing processing times for customs procedures. This can be achieved by:

- raising transparency by guaranteeing the publication and availability of information related to customs laws, agreements, duties, fees and procedures;
- simplifying required documentation for customs clearance;
- separating the payment of customs duties, taxes and the submission of trade statistics from the physical release of goods;
- establishing pre-arrival clearance;
- introducing simplified, speedier procedures for authorized and trusted traders and operators;
- granting immediate release for expedited shipments;
- minimising or eliminating fees and charges;
- encouraging the establishment of a single administrative window for customs; and
- allowing legal recourse or mediation services in customs disputes.

Especially in the context of global supply chains, it is important to reach an agreement on trade facilitation. Simplified, cheaper and faster customs procedures will be beneficial in particular to developing and least developed countries, allowing them to better integrate in the international economic environment. These countries are



expected to benefit from a \$ 1 trillion increase in two-way trade, and GDP increases of \$ 520 billion¹. Developed and highly competitive emerging countries should set the example by quickly implementing such an agreement without taking recourse to the flexibilities provided in the chapter on special and differential treatment.

BUSINESSEUROPE also hopes that negotiations for an update on the Information Technology Agreement can be concluded successfully, overcoming the current suspension of the talks. A successful outcome will in particular require a significantly improved and more ambitious offer by China.

Besides agreement on the Bali package including a deal on trade facilitation, WTO members have to set the course for a trade agenda beyond Bali, either within or beyond Doha. Business needs to have a perspective for success in the multilateral process.

BUSINESSEUROPE's expectations from the WTO beyond Bali

Looking beyond the Bali Ministerial Conference, BUSINESSEUROPE calls for a renewed approach on trade liberalisation. The WTO must remain the 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 more effectively to the continually evolving global economic landscape. While it has to be applied consequently to the actual areas of negotiations, its coverage should be extended to more areas, responding to the new narrative of global value chains.

Moreover, the WTO should review its current negotiating techniques, including the possibility for WTO members themselves to define the level of commitments they are willing to take, irrespective of their level of economic development or export competitiveness.

BUSINESSEUROPE proposes that the WTO and its members take concrete steps towards further trade liberalisation by moving ahead in the following areas:

- **Market Access:** With the Doha round market access negotiations on industrial goods at an impasse, WTO members should look at ways to negotiate plurilateral tariff elimination agreements in industrial sectors. Promising sectors would be chemicals, machinery, electronics, gems & jewellery and forestry. Country and product coverage are the two requisites necessary for such agreements. Besides progress in different sectors, horizontal trade liberalisation is also important. In addition, further opening of services markets is also essential for all parts of global value chains. WTO members should also work towards a further expansion of both membership and coverage of the Government Procurement Agreement (GPA). An updated and modern WTO rule book would be able to better respond to the needs of business.
- **Non-tariff barriers (NTBs) agreements:** There is widespread agreement over the trade hampering effects of non-tariff barriers. The conclusion of sector specific agreements and the establishment of a mediation mechanism for “out-of-court” settlement of non-controversial NTBs should have gathered sufficient support

¹ Figures taken from an ICC / Peterson Institute study



from all WTO members. Difficulties are also experienced by businesses when countries move away from international standards towards their own interpretation. The implementation of regulation by countries should comply with international standards. Such measures would create a much more transparent environment for business development and hence contribute significantly to global growth.

- Coherence between bilateralism/ plurilateralism and multilateralism: As WTO members increasingly resort 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.
- Further topical issues affecting global trade: WTO members should explore further topics that are essential for the smooth functioning of global value chains. Key areas in this respect are the relation between trade and investment, competition, subsidies, energy or raw materials. Such initiatives could refresh the interest on multilateral trade and underline the central role of the WTO in rule making.

Success in Bali, the last chance for the Doha round

BUSINESSEUROPE very much hopes that WTO members will be able to send via the Bali Ministerial Conference a strong signal that the WTO membership is able to deliver on trade liberalisation. Such a signal would be given through the successful conclusion of the negotiations on trade facilitation. Agreement on the update of the ITA would also be a positive message.

Another failure in Bali would give the signal that the WTO membership can no longer deliver on rule-making and further trade liberalisation. It is of utmost importance therefore that the 9th Ministerial Conference will achieve a positive result.
