ICC BUSINESS
WORLD TRADE AGENDA

Business priorities

Initial recommendations

International Chamber of Commerce
The world business organization

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QATAR CHAMBER

This document is a draft for consultation with the ICC global network. Kindly address any questions to Nicolle Graugnard at ngd@iccwbo.org.

Overview

Trade has been the driver for global growth and employment for the past 60 years. This engine of the global economy is threatened by the stalemate in multilateral trade negotiations under the World Trade Organization's (WTO) Doha Round, launched in 2001. G20 leaders have acknowledged this stalemate and, in response to proposals from the International Chamber of Commerce (ICC) and other organizations, agreed in their Declaration at the Los Cabos G20 Summit in June 2012 to have their trade ministers re-engage in negotiations at the WTO to harvest results from the past 11 years of negotiations.

ICC will seek to mobilize business worldwide around the World Trade Agenda (WTA), based on specific agreements that can be concluded to provide an immediate debt-free stimulus to the world economy that will generate badly-needed growth and jobs. The WTA proposals are being submitted to individual governments and to their ambassadors at the WTO.

Among the causes for the deadlock in Doha Agenda negotiations is the recourse to negotiating rules and approaches developed in the last century, which are not always adapted to the 21st century realities of trade and multilateral negotiations. For example, according to the "single undertaking" approach, everything on the negotiating table has to be agreed by everyone or nothing is agreed.

Businesses – from small and medium enterprises to large corporations – produce the goods and services that are traded on a daily basis throughout the world. ICC has consulted its business network to arrive at proposals that represent a pragmatic, business-like approach to reaching agreements at the WTO, including on alternative negotiating approaches.

Business leaders – CEOs, corporate executives, and representatives of business organizations – together with 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 to achieve a 'Doha victory'.

ICC's WTA initiative includes a proposal that governments should begin discussions on 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 that will facilitate cross-border investment, which creates economic growth and job creation.

ICC will be holding consultations with global business on these trade agenda priorities over the next year. The World Trade Agenda Business Summit, set to take place in Doha on 22 April 2013, will be the culmination of the first phase of the WTA, providing an opportunity to hold a high-level dialogue between business leaders and key policy-makers on the WTA business priorities.

Objectives

The WTA initiative aims for business to define, in partnership with governments, a 21st century world trade agenda to achieve a 'Doha victory' by:

- outlining a practical and forward-looking multilateral trade agenda that will result in WTO agreements to stimulate world GDP
- promoting international trade and investment as engines for economic growth and job creation
- pursuing negotiations at the WTO to reach a 'Doha victory', over the next year, based on a harvest of "do-able" elements of the Doha Round.

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At the 8th WTO Ministerial Conference in December 2011, ministers recognized that progress is not to be expected on all items of the Doha Development Agenda (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".[1]

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".[2]

The first four priorities below cover the DDA negotiating items where business thinks tangible outcomes can be achieved in the short term, providing an immediate injection of both confidence and GDP growth into the world economy. The 5th priority is for governments to resume discussions for the development of a multilateral framework on investment.

One of the realities faced by business in the globalized economy is the absence of rules in many crucial economic and financial sectors. Business also has to contend with a complex collection of over 3,000 agreements dealing with investment. The development of a multilateral framework on investment would add buoyancy to the global economy, fostering higher levels of the investments that drive economic growth and job creation.

Improving the capacity of the WTO to expand the international rules for trade and investment is a necessary condition for creating an effective 21st century rules-based multilateral trading system that generates economic growth and job creation in the globalized economy.

The priorities are complemented by five concrete deliverables pursuant to DDA work annexed to this document. Business views these five 'Doha deliverables' as necessary elements for a 'harvest' of negotiations over the past 11 years.

1. Conclude a trade facilitation agreement

Trade facilitation is the series of measures whereby countries reduce red tape and establish efficient customs procedures to facilitate how goods are handled at borders. Cutting red-tape at the point where goods enter a country and providing easier access to regulatory information on customs procedures are two ways of "facilitating" trade.

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.[3] It 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 a globalized economy.

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

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[1] Statement by Olusegun Olutoyin Aganga, Chair of the Ministerial Conference, Nigeria's Trade and Investment Minister, WTO, Geneva.

[2] G20 Leaders' Declaration, Los Cabos, 18-19 June 2012, para. 30.

[3] Hufbauer and Schott, p. 6.

2. Multilateralize trade liberalization under the WTO framework

WTO members advance liberalization through regional and preferential trade agreements (RTAs and PTAs), which 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 tangible economic costs in terms of compliance. 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 main elements of RTAs/PTAs into WTO treaties creates 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 and harmonization of non-tariff measures. A positive first step in this direction would be linking the World Customs Organization's (WCO) recently-established database of preferential rules of origin with the WTO's non-tariff measures database that is under development. Also, strengthening the oversight function built into General Agreement on Tariffs and Trade (GATT) Article XXIV and General Agreement on Trade in Services (GATS) Article V, establishing best-practices guidelines to reduce complexity and variance from the WTO agreements including in rules of origin, and promoting multilateralization of regional agreements, will further encourage the compatibility and complementarity of RTAs/PTAs with the multilateral trading system.

Recommendation: Make permanent the WTO Transparency Mechanisms for RTA/PTAs by the Bali WTO Ministerial Conference and make progress on strengthening WTO procedures and rules to increase compatibility and complementarity between RTAs/PTAs and the multilateral trading system.

3. Liberalize trade in services

The 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 should not be under-estimated. 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, such as, for example, the Agreement on Basic Telecommunication Services or the Agreement on Financial Services. 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. Expand trade in IT products and sustain the growth of e-commerce worldwide

Recognizing 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 in lowering tariff and non-tariff barriers to and increasing trade in IT products, providing a strong stimulus to the world economy. WTO members must continue to support the digital economy by sustaining expansion of electronic commerce, which has generated billions in trade, growth and jobs over the last decade. 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' a formal agreement would foster growth in e-commerce and inject confidence and support for the millions of companies worldwide that provide goods and services to consumers through e-commerce.

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

5. Move towards a multilateral framework on investment

Cross-border investment can generate employment, increase government revenues, and create 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 3000 international investment agreements now exist.[4] This complex network of treaties is too large and complex for investors to handle, and yet these 3000 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 in a time of economic uncertainty to continue employment and wealth generation. 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 dialogue 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: Work towards a multilateral framework for international investment to support economic growth and development.

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[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.

Annex

Doha deliverables

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1. 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 single undertaking principle. Nonetheless, additional large players should start implementing DFQF and also narrow as much as possible the percentage of excluded 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 the achievement of Millennium Development Goal 8 by increasing "the proportion of total developed country imports from developing countries and least developed countries, admitted free of duty".[7]

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.

2. 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 need for most of these subsidy payments.

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

3. Renounce food export controls

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.[8] 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".[9] Furthermore, meaningful disciplines on export restrictions might facilitate a greater readiness by import-sensitive countries to undertake greater market access opening.

[7] Millennium Development Goal Indicator 8.6
[8] Food and Agriculture Organisation.
[9] Asia-Pacific Economic Cooperation (APEC), 2012 Leaders' Declaration, Vladivostok, Russia, 8-9 Sep 2012.

Recommendation: WTO members should commit not to impose export controls, 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.

4. 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 market mechanisms 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. Trade liberalization is essential to the diffusion and deployment of 'greener' and climate-friendly technologies, particularly to developing countries. 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[10] is a positive development and governments should seek to build on it by engaging in substantive negotiations within the WTO.

Recommendation: Make concrete progress in lowering trade barriers to environmental goods and services.

5. 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.[11] 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 agreed to a number of practical modifications to the DSU. These modifications should result in more rapid decisions, greater possibility to settle without going to final judgment, and more transparency of hearings and submissions by parties. Proposals for reform include:

- the 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
- the introduction of remand, allowing the Appellate Body the ability to remand the case back to the panel for factual findings
- the 'sequencing' issue and other problems concerning the suspension of concessions or other obligations, thus clarifying ambiguous language in the DSU
- the enhancement of compensation as a temporary remedy for breach of WTO law
- the strengthening of notification requirements for mutually agreed solutions, and
- the 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.

[10] Ibid, Annex C.
[11] World Trade Organization, Annual Report 2012, pp. 87, 105.