

WKÖ¹ POSITION PAPER FOR WTO-MINISTERIAL CONFERENCE (MC12)

WKÖ-Position on the World Trade Organisation and Multilateralism

- A multilateral trading system based on non-discrimination, gradual opening of markets, elimination of unjustified trade barriers and fair trade rules is of utmost importance for the Austrian economy. Such a system plays a crucial role in promoting global and sustainable economic growth, employment and prosperity in Austria and all of its trading partners.
- The necessary modernisation of the WTO's multilateral trade rules involves reforms and adaptations in all its three main disciplines: creating global trade rules, monitoring these and ensuring compliance through effective dispute settlement.
- The last decade has seen an increasing number of bilateral trade agreements worldwide, including those of the EU. Nevertheless, there must be coherence and convergence between such agreements and the multilateral trading system. Plurilateral, regional and bilateral agreements in goods and services should not be an obstacle to the completion of the WTO's Doha Development Agenda (DDA), which was launched in 2001. Development must remain at the heart of the DDA and therefore the concerns and interests of LDCs must be prioritized, which is why it is regrettable that progress in the overall trade negotiations has been so slow.

We call on all WTO members to show the necessary flexibility and willingness to compromise to conclude the trade round, which has already taken far too long.

WKÖ Expectations regarding the 12. WTO-Ministerial Conference:

Time to prepare WTO MC12 is short: It is important to sound out some realistic and feasible goals and also to establish a reform programme for the period after that until MC13. To show a distinct sign of life to the World Trade Organisation, visible successes of the MC12 are needed.

- **Trade and Health Initiative**

MC12 is expected to finalise the Trade and Health Initiative to contain the current Corona-pandemic and also to avoid future trade disruptions and shortages of medical and pharmaceutical goods in times of crisis. The spread of COVID-19 is a major global challenge. Despite hopes for recovery of the world economy and new growth, the tools to contain the pandemic must be available to all countries on fair and equal terms, to which the WTO can make a definite contribution. Protectionism is not the answer; the focus must be placed on cooperation among members and together with the private commercial sector to distribute affordable vaccines. The international initiative launched in 2020 to facilitate trade in health products was a good start.

Complementing the Ottawa Group's original proposal on the Trade & Health Initiative, which did not include provisions on intellectual property or support for vaccine production, the European Commission presented its own proposal in June earlier this year, which contains the general key elements of the trade and health dimensions, but also specifically addresses the currently prevailing Covid-19 vaccine shortages:

¹ WKÖ is the Austrian Federal Economic Chamber and represents the interests of 550,000 businesses in Austria.

- Export restrictions and trade facilitation
- Support for scaling up production and
- An intellectual property component, notably through compulsory licensing under the TRIPS Agreement.

This negotiating policy response of the European Commission to the "waiver" proposed by South Africa and India (suspension of key parts of the TRIPS agreement on patent rights, during the Covid-19 pandemic) finds strong support in the Austrian business sector.

These measures should be adopted by the broader membership and incorporated into a consensus statement to establish new WTO commitments on trade and health. At MC12, the Trade and Health Initiative should be concluded regarding the current pandemic, but should avoid future trade disruptions and shortages of medical and pharmaceutical goods in times of crisis.

- **Establish a concrete work programme to re-establish the Dispute Settlement System**

The dispute settlement system must be restored to its reliable capacity and competence with its two instances. It is of utmost importance for the global economy and the credibility of the WTO. Only a fully functioning WTO dispute settlement system will ensure fair competition in international trade in times of increased protectionism. The multi-party interim appellate arbitration system is temporarily set up by the EU with some other WTO members (including China, but not the US) and it can only be used between all applicant members of the organization as long as the WTO Appellate Body is not fully operational. It is, however, no substitute for WTO dispute settlement.

WTO members must therefore continue to work intensively towards a fully functioning dispute settlement in the interest of international business and urge the USA to restore the full functionality of the WTO Appellate Body. A concrete work programme should already be formulated at the MC12 and a working group must be set up for this purpose.

- **Achieving results in plurilateral agreements**

Plurilateral agreements within the WTO are legitimate and valuable mechanisms for advancing the necessary rule-making efforts and adapting them to the economic realities of the 21st century. A breakthrough in these areas could also offer significant opportunities for small and medium-sized enterprises, which is why the WKO supports the following three Joint Statement Initiatives and regards them as important possible "deliverables" of the MC12:

1. **E-Commerce Initiative:**

The MC12 should set a one-year deadline for the conclusion of negotiations on the development of e-commerce rules. These plurilateral WTO negotiations were launched in January 2019 in Davos, Switzerland, with the participation of 76 member countries. The number of participating members now stands at 86 and six main issues are currently being discussed: enabling e-commerce, openness and e-commerce, trust and e-commerce, cross-cutting issues, telecommunications and market access.

During the pandemic, JSI E-Commerce has made significant progress and achieved consensus in several disciplines. It now must be the goal to accelerate progress and ensure a high-level outcome at MC12.

2. Investment Facilitation for Development

The Investment Facilitation for Development initiative should become a presentable outcome of the next Ministerial Conference and the basis for a new multilateral agreement (Investment Facilitation Agreement) for areas that are important for investment facilitation. The creation of increased transparency and predictability as well as the development of networks or databases to connect investors and companies is important for the business community. The agreed rules are intended to minimize risks for companies and strengthen information flows. Currently, more than 100 member countries are already participating in this joint initiative, which was published at MC11 in Buenos Aires in December 2017. The future framework will also help to address the priorities and needs of developing and least developed countries in investment facilitation. Participating countries are also committed to intensify the work on further developing the FDI Facilitation Framework and to work towards a concrete outcome at MC12.

3. Services on Domestic Regulation Initiative

This plurilateral initiative provides new disciplines to ensure transparency, legal certainty, and predictability, as well as quality and facilitation of regulation in the services sector. This brings significant benefits to the global economy and removes unnecessary barriers to trade and services.

The drafts for this plurilateral initiative need to be finalized quickly to achieve a result at MC12. An agreement by all participating WTO members at MC12 would show that the WTO can deliver tangible results for the real economy. The goal must be to get even more WTO members to participate in this initiative to maximize global economic benefits.

- **EU Trade and Climate Initiative**

In November 2020, a "climate initiative" was launched at the WTO. The EU, together with 23 other WTO members, is seeking "structured discussions" to advance environmental protection and sustainability globally. Specifically, this includes identifying possible contributions of international trade to a climate-neutral, resource-efficient and circular global economy, information exchange, transparency, technical assistance to underdeveloped countries and much more.

Achieving the Sustainable Development Goals (SDGs) and supporting international environmental commitments, promoting conservation, sustainable use and restoration of biodiversity, careful management of natural resources including marine fisheries and land degradation, deforestation and desertification, climate change mitigation and adaptation, and promoting sustainable production should be at the center of this.

It must be the aim to get as many other members as possible on board at the 12th Ministerial Conference to achieve concrete results and develop initiatives and next steps. The MC12 statement must contain sound elements on environmental protection and climate change mitigation towards a level playing field at WTO level. Ideally, a statement should also present a work plan for the MC13 on this topic.

- **Avoiding new conflicts caused by carbon border adjustment mechanisms (CBAM)**

More and more countries are adopting a faster course in climate protection policy. The objective is to reduce CO₂ (carbon dioxide) emissions. The pace of CO₂-reduction will vary from country to country, so that the pioneers may suffer competitive disadvantages.

As a pacesetter in climate protection, the EU intends to introduce a CO₂ border adjustment mechanism (CBAM). A proposal for the regulation was presented in July 2021. Initially, energy-intensive sectors such as iron/steel, aluminum, cement, fertilizer, and electricity will be affected.

The unilateral introduction of a CBAM by the EU is bound to lead to trade conflicts with partner countries. The latter are likely to impose additional tariffs on European exports, as they already regard the CBAM as an unjustified trade barrier and in violation of WTO rules. Therefore, a solution to CO₂-pricing must be negotiated as soon as possible at an international level by all parties involved (e.g., "Climate Club", G7, G20, OECD).

In the view of the Austrian business community, a plurilateral agreement within the framework of the WTO could avoid trade conflicts caused by trade-restrictive climate protection measures.

- **Micro, small and medium-sized enterprises (MSMEs)**

International trade poses major challenges, especially for micro, small and medium-sized enterprises (MSMEs). They continue to face significant obstacles (such as technical and bureaucratic requirements) and they are disproportionately affected by the economic impact of the pandemic.

To support MSMEs, all WTO members should adopt the full package of recommendations for MSMEs developed by the informal WTO working group.

- **Fisheries negotiations**

The path for a conclusion of the fisheries negotiations should be paved by MC12. Achieving results in these multilateral negotiations is an important sign for the functioning and credibility of the organization as a multilateral trade policy forum and for the achievement of the Sustainable Development Goals. Repeated failure to meet self-imposed deadlines - including the end-2019 deadline agreed by consensus at the 11th WTO Ministerial Conference - has damaged the institution's reputation and failed to halt unsustainable overexploitation of the world's oceans.

Establish a working group on WTO-reform as preparation for MC13

- **Pushing ahead with important reforms**

The WTO is in urgent need of reform. The multilateral trading system must quickly find concrete solutions to various problems (e.g., industrial subsidies, inflexible procedures, unjustified advantages for industrialized emerging countries).

The first steps towards solving the problem of industrial subsidies were taken in January 2020 with a joint declaration by the EU, the United States and Japan. They announced an agreement to tighten existing rules on industrial subsidies and condemned forced technology transfer practices. This push should now be followed by a plurilateral initiative on competition neutrality, which would have industrial subsidies, state-owned enterprises and forced technology transfers as its scope. This initiative should be supported and should quickly bring proposals to solve the challenges with industrial subsidies.

- **WTO rulebook requires comprehensive revision and adaptation to the current needs of multilateral trade**

The inclusion of future issues such as the digital economy or digital trade and global value chains in the negotiation agenda is indispensable. Topics such as climate protection and social aspects should also be included in the multilateral agenda. Also, concrete solutions must continue to be sought with renewed vigor for "old" negotiation topics such as agriculture. The winds of change created by the new Directorate General should be used to make progress in those areas where advances are easily achievable. Flexible negotiation approaches should be pursued and, if a multilateral solution cannot be reached due to different interests of WTO member countries, then plurilateral as well as sectoral solutions should be increasingly developed (examples of this are the e-commerce or domestic regulation initiatives in the services sector).