



REFORMING THE GLOBAL TRADING SYSTEM OF THE WTO

Global Business Coalition issues statement ahead of the G20 Summit in Buenos Aires

November 28, 2018 - The multilateral trading order has proven to be essential for our businesses. For decades it has been the foundation of our global economic success. However, the World Trade Organization (WTO) is increasingly under stress. For years, WTO members have not shown the necessary willingness to advance market access and the rules of the multilateral trading system in order to make the organization fit for 21st century trade patterns. Although the Trade Facilitation Agreement and the ban on agricultural export subsidies were important achievements, the WTO is not sufficiently equipped to deal with trade distortions caused by non-market economies including subsidization, the overwhelming role of State Owned Enterprises (SOEs), forced technology transfer, and the theft of intellectual property. In addition, the WTO's critical dispute settlement mechanism is under threat as nominations to fill the vacant posts of the appellate body are being blocked, and WTO members cannot agree on a positive reform agenda.

We are deeply worried about the stability of the global rules-based trading system. To generate prosperity, business needs reliable modern international rules, predictability and stability as well as strong and impartial referees. Quick fixes or simple fine-tuning will not do. International cooperation is essential. We need a positive agenda that enhances the strengths in the global trading system while addressing its shortcomings in an effective way. Concrete measures must be taken to enhance all three pillars of the WTO – rule making, transparency and dispute settlement.

Leading WTO members have started different initiatives to enforce and speed-up the modernization process that is urgently needed. Among others, the Ottawa Ministerial on WTO reform hosted by Canada in October 2018 and the trilateral talks between the EU, Japan, and the USA, have facilitated a constructive debate. The joint proposal by Argentina, Costa Rica, the EU, Japan, the USA on procedures to enhance transparency and strengthen notification requirements under WTO agreements from November 1, 2018, is an encouraging and important step in the right direction.

The lack of timely and full notifications and the lack of transparency on trade measures like subsidies make the WTO ineffective in leveling the playing field in global competition. SOEs have been gaining influence in the global economy over the past years. As long as state-owned enterprises continue to be a permanent feature in the economic landscape, it is fundamental to develop new transparent international rules that ensure no party is granted access to any non-commercially available benefit based exclusively on its ownership. It is alarming that some major economies are adopting measures that are obviously inconsistent with WTO rules. Developing

countries would lose most by a potential collapse of the multilateral trading system and should be included in the current reform debate. Without progress in the modernization progress, the WTO might severely suffer from deteriorating political support and relevance for business.

We call upon the G20 leaders to:

1. **Revitalize their leadership role in the multilateral trading system. The functioning of the WTO and the compliance with multilateral rules need to be enhanced.** For this reason, the enforcement of notification requirements and the role of the WTO secretariat in addressing shortcomings by members need to be strengthened. We explicitly welcome and support the proposal on procedures to enhance transparency and strengthen notification requirements under WTO agreements submitted by Argentina and other members in November 2018.
2. **Address unfair competition, trade-distortive subsidies, forced technology transfer, and cyber-enabled theft, wherever possible via WTO provisions.** Measures should include the revitalization of the WTO working group on Trade and Competition Policy, new rules on transparency as well as measures against trade-distortive subsidies, forced technology transfer and joint venture requirements. In this regard, we welcome and support the measures and aims agreed in the Charlevoix G7 Summit Communiqué to address non-market orientated policies and practices. These include the full and prompt implementation of the recommendations by the Global Forum on Steel Excess Capacity and the development of a new set of guidelines for government-supported export credits by the International Working Group on Export Credits.
3. **Prioritize establishing measures that ensure that state-owned enterprises (SOEs) do not have privileged access to non-commercial assistance in order to allow for a level playing field for investment and trade.** Foster a plurilateral agreement on government-driven competitive distortions. As a complement to a plurilateral agreement to phase out government-driven competitive distortions and grant a level playing field in international trade, the G20 should promote regulatory consistency in competition regulations, at national level as well as in preferential trade agreements.
4. **Urgently engage in negotiations in Geneva to unblock the nomination of Appellate Body members and to make necessary reforms to improve and strengthen the dispute settlement procedure of the WTO.** The reform should also lead to a streamlined process. Currently, a WTO dispute case takes 5 to 10 years which is inconsistent with a “prompt settlement of disputes”.
5. **Intensify the e-commerce discussions within the WTO with an aim to build consensus for launching negotiations as soon as possible.**



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This statement is issued by the Global Business Coalition members, in Berlin, Brasilia, Brussels, Buenos Aires, Istanbul, London, Madrid, New Delhi, Ottawa, Paris, Rome, Seoul, Sydney, and Washington, D.C.

ABOUT GBC

The Global Business Coalition (GBC) brings together leading independent business associations from the major world economies and advocates on behalf of more than 6.8 million small, medium and large companies. GBC, established in 2012, operates as a worldwide platform of exchanges between national business communities, and aims at building consensus and developing common positions on issues critical for enterprises. Through its broad-based representation, GBC engages policy-makers at a global scale and advocates policies that contribute to growth and job creation at regional and international levels.

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