ICC BUSINESS
WORLD TRADE AGENDA

Business priorities

Initial recommendations

International Chamber of Commerce
The world business organization

غرفة قطر
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.

<u>Recommendation</u>: 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).

<u>Recommendation</u>: 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.

<u>Recommendation</u>: 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]

<u>Recommendation</u>: 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.

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Annex

Doha deliverables