

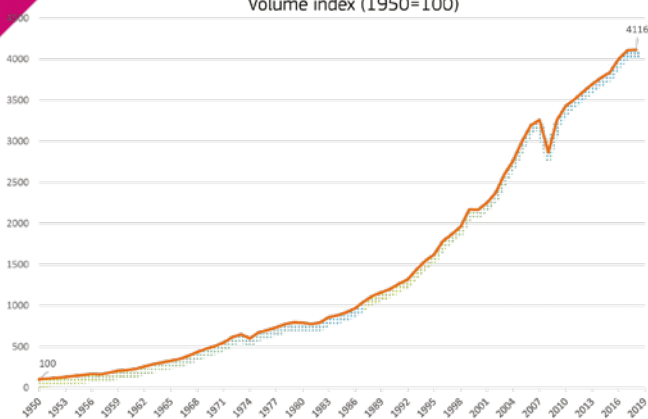
AN OPEN, SUSTAINABLE AND ASSERTIVE TRADE POLICY

FACTSHEET ON WTO REFORM

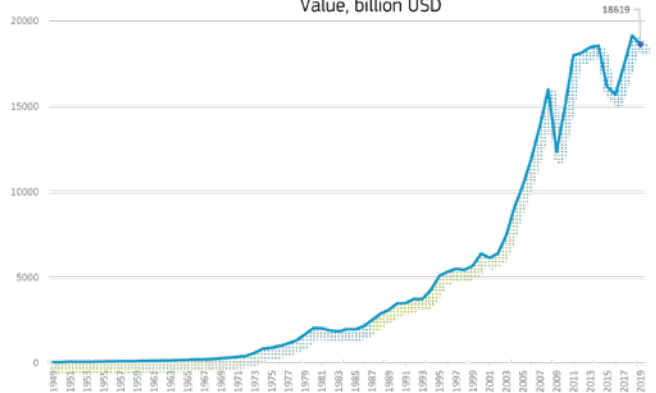
THE MULTILATERAL TRADING SYSTEM – BOOSTING TRADE, REDUCING POVERTY

International trade has expanded over 400-fold (in volume) since the General Agreement on Trade and Tariffs (GATT) was set up in 1947 to liberalise trade and cut tariffs. The GATT and its 1995 successor, the World Trade Organization (WTO), created the multilateral trading system and a stable and predictable environment for international trade.

► Evolution of world merchandise trade, 1950-2019
Volume index (1950=100)



► Evolution of world merchandise trade, 1949-2019
Value, billion USD



The average tariffs applied by WTO members have dropped from 6.44% when the WTO was created in 1995, to 2.59% in 2017*. We have come a long way considering that the average applied tariffs among GATT signatories in 1947 were between 20% and 30%. (Source: [WTO](#))

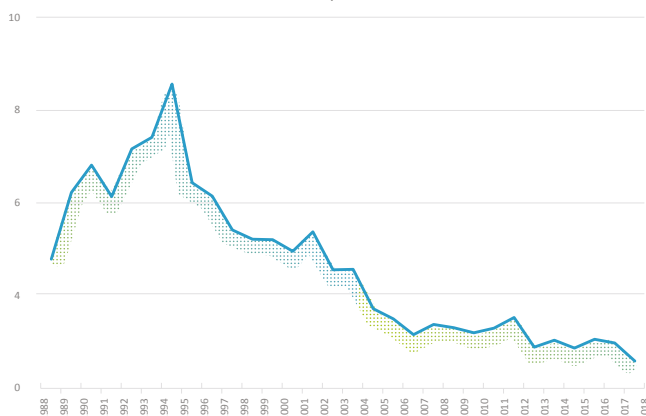
23

GATT signatories in 1947

164

WTO members today

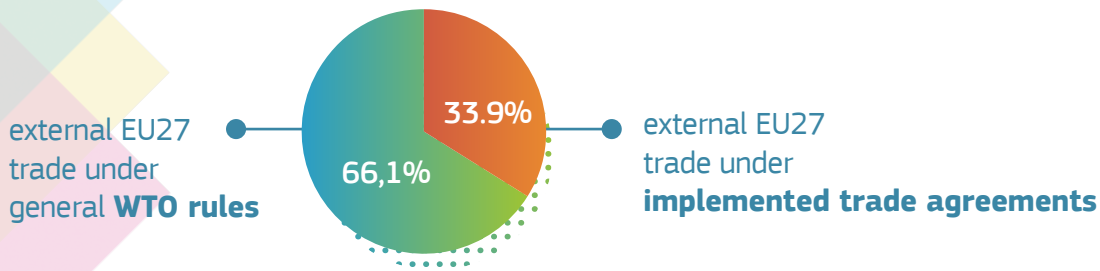
► Tariff rate, applied, weighted mean, 1988-2018,
all products (%)



*applied tariff rate, weighted with volume of trade and all products and all countries in the data (data available for 70 countries in 1995, some 130 countries in 2017)

Even taking into account the EU's successes in negotiating trade agreements with key trading partners, two thirds of the EU's trade with the rest of the world still takes place on the basis of market access and rules that are underwritten by the WTO. This includes our trade with the United States, China, India and Russia.

▶ **PERCENTAGE OF EXTRA EU27 TRADE COVERED BY TRADE AGREEMENTS VERSUS WTO RULES.**



Source: [DG Trade Statistical Guide 2020 Page 58](#)

The WTO:

- Provides a forum for its members to negotiate new rules and agree to further liberalise trade
- Monitors how its member countries apply global trade rules
- Has a mechanism for settling trade disputes between its members

The system enables businesses to invest and compete on global markets. It is based on the 'most-favoured nation' principle, which limits discrimination between goods and services from different trading partners.

Together with gradual reductions in average applied tariffs, this multilateral system has resulted in growth, job creation and increased investment around the world. The multilateral system's economic openness has helped integrate large trading economies and many developing countries into the world economy, lifting hundreds of millions of people out of poverty and decreasing inequalities between countries.

A SYSTEM IN CRISIS

Today, the WTO is in a crisis affecting all three of its functions.

- The WTO's 164 members – whose interests differ greatly – have not been able to agree on new rules to tackle pressing issues such as digital trade or sustainability
- The WTO has not been able to properly monitor how some members apply trade rules because they are not transparent enough about their national trade legislation and practices
- The WTO's Appellate Body has been paralysed since the end of 2019, due to a blockage on the appointment of adjudicators. Accordingly, the WTO's binding, two-tier and independent dispute settlement has not been operating as designed

In addition, major economies like the US and China are largely managing their trading relations outside of the WTO system. Since joining the WTO, China has neither opened its markets to the WTO's other members commensurate with China's importance in the global economy, nor fostered conditions for fair competition.

USING THE WTO TO HELP TACKLE THE CHALLENGES OF TODAY

The WTO could be a forum where its members address the most pressing problems that they all face.

The EU has put forward or strongly supports initiatives in the WTO that aim at:

- Addressing the health and economic challenges arising from the Covid-19 pandemic
- Boosting environmental and social sustainability
- Updating rules for digital trade
- Addressing unfair trading practices that distort competition



REFORMING THE WTO'S THREE CORE FUNCTIONS

The EU has an agenda to reform the WTO. It aims to:

- Make it easier to **negotiate new agreements** to respond to important trade issues. 'Plurilateral' agreements bringing together all WTO members who want to move forward on such issues would stop those who do not from blocking progress. Such agreements would be open to all WTO members and could be later integrated into the WTO's framework of rules
- Find, together with the entire WTO membership, a **lasting solution to the current Appellate Body situation** that would restore fully functional dispute settlement in the WTO
- Make the WTO's **monitoring of its members' trade policies** more effective by:
 - ▶ Increasing transparency of members' trade practices
 - ▶ Improving how the WTO's committees work



WORKING WITH PARTNERS TO ACHIEVE RESULTS BY THE WTO'S 12TH MINISTERIAL CONFERENCE



WTO members participation in plurilateral negotiations:

eCommerce: 86 participants

Services domestic regulation: 63 participants

Investment facilitation: 100 participants

Achieving the above will require engagement by a significant number of WTO members. The 12th WTO Ministerial Conference, to be held in 2021, will be key for the reform process. It will need to:

- Deliver results
- Launch new processes and areas of work as a springboard for further reforms

Areas where decisive progress needs to be achieved ahead of or at the Ministerial Conference are:

- Talks on fisheries subsidies
- The Trade and Health initiative
- The dispute settlement system
- Potential conclusion of the 'plurilateral' negotiations on services domestic regulation.

At the Conference itself, we aim to:

- Launch new initiatives on:
 - ▶ Trade and the environment/ climate
 - ▶ Competitive neutrality (new rules on industrial subsidies, state-owned enterprises, forced technology transfers, etc.)
- Take stock of progress and provide a decisive push in the 'plurilateral' discussions on eCommerce and investment facilitation

The support of the WTO's new Director-General will be essential to achieve such results. The EU is committed to this ambitious agenda and is prepared to continue to show constructive leadership in the efforts to reform the WTO.