

35TH CONFEDERATION OF ASIA-PACIFIC CHAMBERS OF COMMERCE & INDUSTRY (CACCI) CONFERENCE
"SUSTAINABLE AND RESILIENT GROWTH THROUGH A ROBUST WORLD TRADE"

2 NOVEMBER 2021, 08:50-09:25 CET

Run of show:

08:30-08:50 – Presentation by Dr. Andrew Stoeckel, Honorary Professor, Centre for Applied Macroeconomic Analysis, Australian National University on the results of the CACCI study on "Achieving a Successful World Trading System", which aims to examine the operations of the WTO and to stress the need for the business community to recommend what reforms are necessary in the WTO and how to achieve them.

08:50-09:10 Angela Paolini Ellard, "Making the WTO More Adaptable to the Economic and Trade Realities of Today". Ms. Ellard will share her views on how WTO members can work together to address the economic and health consequences brought about by the COVID-19 pandemic, what policy responses are needed to get the global economy going again, what challenges are currently faced by the WTO, and what should be done to make the WTO stronger, more agile, and more adaptable to the economic and trade realities of today.

09:10-09:25 Q&A Session

NB: On 29 October, DDG Gonzalez spoke at a CACCI Event "Achieving a Successful World Trade System". She has officially received CACCI report on Rebuilding the World Trading System.

Good afternoon from Geneva,

It is a great pleasure to speak to the Confederation and its members today – thank you for the invitation.

First of all, I would like to congratulate the Confederation on its 35th Annual Conference and its leadership over the past 55 years. You have made an important contribution into increasing business interaction and enhancing economic growth in the Asia-Pacific Region. Thank you also for the Policy Statement and the accompanying Report that you have transmitted to my colleague, Deputy Director-General Gonzalez.

I met with the Confederation and its members in my previous role on Capitol Hill in the U.S., and I look forward to continuing collaboration in my new capacity at the WTO.

Today, I am going to speak about how the WTO can help address the consequences of the COVID-19 pandemic, as well as how to address some of the challenges that the Organization faces today.

Let me start with the COVID-19 pandemic, which brought the global economy to a standstill for a significant period. When the pandemic struck, production and consumption across the world scaled back, and international trade appeared to be on its way to a persistent decline. However, in the summer of 2020, global merchandise trade began to recover, and by the end of the year, it was strongly rebounding in many countries and sectors, but not all.

In the first half of 2021, global trade continued to grow, as value chains recovered and demand in advanced economies increased. According to the latest

WTO forecast, the volume of global merchandise trade is predicted to grow by 10.8 percent in 2021, followed by a 4.7 percent rise in 2022.

WTO rules have slowed, and even prevented, countries from taking very damaging measures. And our Trade Facilitation Agreement, although not designed with the pandemic in mind, has played an outsized role in worldwide recovery. Countries that have embraced and rapidly implemented trade facilitating measures and infrastructure have generally proven more resilient, more adaptable, and better equipped to keep trade flowing despite COVID-19-related lockdowns, travel restrictions, and social distancing.

However, many developing countries are not experiencing the same economic growth pattern, and this trend is deeply concerning because the economic recovery rate is predicted to be faster for countries with higher vaccination rates. For many developing countries where vaccination rates are low – on average 3 percent – the path to recovery will be long and uncertain unless urgent measures are taken.

So, first and foremost, we need to make sure that people in developing countries have broad and unfettered access to vaccines, therapeutics, and other essential products and technologies needed to combat the pandemic. This is not just a moral imperative, but also a strategic and economic one. And, as you note in your Policy Statement, "[f]ree trade is the only solution" to this problem.

In fact, contributing to the global effort to combat the pandemic, in particular ensuring equitable access to vaccines, has been one of the top priorities of the WTO administration and membership. Our work has been focused on two dimensions: supply chains and intellectual property waiver negotiations.

As regards supply chains, we all know that producing vaccines is an extremely complicated process, involving facilities in many different countries. And this implies a lot of cross-border shipments of vaccine ingredients. Think about vaccines as a puzzle that comes together only when you have all the right pieces, but those pieces are strewn all over the world.

Trade enables the cross-border transfer of technology and development of supply chains for COVID-19 vaccine manufacturing. Trade helps manufacturers of vaccines and other products necessary to combat the pandemic to source highly specialized inputs that are not produced at home.

The WTO has played an important role in keeping the supply chains open and scaling up vaccine production. In this regard, I would like to highlight our work in preparing a list of trade-related bottlenecks and trade-facilitating measures on critical products to combat COVID-19. The WTO has also prepared an indicative list of critical COVID-19 vaccine inputs and a report on COVID-19 vaccines production and tariffs on vaccine inputs. This work is intended to help policymakers see the blockages and opportunities.

All of this may sound simple and straightforward, but it is not. Governments need know what exactly goes into a vaccine, and what are the products necessary to distribute and administer it, to make the necessary policy decisions to remove tariff and regulatory restrictions on imports of such goods. And while

the average tariff on vaccines is merely 0.76 percent, average tariffs on vaccine ingredients, such as preservatives and adjuvants, are anywhere from 3 to 16 times higher.

Pandemic response, insofar as it concerns export restrictions, trade facilitation, and regulatory coherence, is on the agenda of our 12th Ministerial Conference, which is less than a month away. And we are also striving to develop a framework for addressing future pandemics. Ambassador Walker of New Zealand is working with Members to forge a ministerial outcome in this area.

The second stream of our pandemic-related work negotiations is focused on the proposal by India and South Africa to waive obligations under the WTO TRIPS agreement with respect to intellectual property. While those discussions are not as far along, it is essential to see a balanced and effective outcome.

Our experience with the pandemic has once again confirmed that trade has been and remains a powerful engine for economic growth. But we can't take the ability to trade for granted. Exporting to foreign markets requires effort, and business needs to have confidence that the operational framework of trade is predictable, transparent, and relatively consistent. This is where the WTO, as the guardian of multilateral trade rules, comes into play.

But there is no way around the fact that the last few years have been difficult for the WTO and for trade's reputation in general. The key element permeating discussions in the WTO these days is that we all acknowledge that the Organization needs reform. This was the Director-General's message when she ran for the office, and we hear it from countless WTO Members, academics, and business representatives.

So, how can we make the WTO stronger? In my view, the best way to repair the Organization is to achieve results in key areas of our work. The upcoming 12th Ministerial Conference is an important milestone that offers a great opportunity for us to achieve concrete outcomes.

In addition to the pandemic work that I have just described, our top priority is to conclude the fisheries negotiations, which have been ongoing for 20 years. In those two decades, we have witnessed a sharp and alarming decrease in global fish stocks, which particularly threatens vulnerable artisanal fishers and damages ocean ecosystems.

Delegations are showing increasing engagement, and many are now signalling new flexibilities. We need to capitalize on all elements of convergence that are emerging as time is short. At this stage, we need political decisions to get to a balanced and robust outcome. This is important for the livelihood of millions of fisherwomen and men from coastal communities, and for the oceans and the fish. And it's important to the credibility of the WTO as well, so even if you are not focused on this negotiation, you should care very much about the outcome.

The COVID-19 pandemic has brought about unprecedented growth in the digital and e-commerce sectors, which proved to be a lifeline for many businesses. It is

estimated that the share of e-commerce in retail sales has risen from 16 percent in 2019 to 19 percent in 2020.

The WTO can create a harmonized policy-based framework for e-commerce to develop in an inclusive manner. At the same time, while acknowledging these benefits, many Members have also raised concerns regarding their ability to harness that potential given the digital divide. Some prevailing challenges in infrastructure, finance, resources, and governance still hinder broader e-commerce uptake. These concerns need to be addressed if e-commerce is to continue to play a supporting role in the global economic recovery.

WTO Members have deepened their engagement on e-commerce issues — both under the multilaterally-agreed Work Programme on e-commerce as well as under the Joint Statement Initiative plurilateral discussions among 86 Members co-convened by three Asia-Pacific countries.

Sixty-five of our Members have completed negotiations for a Joint Statement Initiative on domestic regulation, aimed at ensuring that existing market access and national treatment commitments are not nullified by opaque and complex authorization procedures. The draft text contains a novel provision on non-discrimination between men and women in the context of authorization procedures for service suppliers. This will be the first provision of its kind in a WTO negotiated outcome.

As we know, there are many MSMEs in the services sector, and they will be the major beneficiaries of the new rules on domestic regulation and e-commerce.

Another area where we see progress is environment and climate change. Of course, the WTO is not the place to establish global climate policy and how goals will be reached. But the WTO plays an important role because its rules govern measures and instruments that are relevant for implementing climate policies, such as tariffs, subsidies, and even regulation.

To transition to a low-carbon economy, countries need affordable access to advanced technologies. And open trade plays a critical role in providing such access. For example, the WTO can bring down tariffs on goods needed to get to net zero, such as solar panels and wind turbines, through an Environmental Goods Agreement.

The international community is now converging on the urgent challenges of climate and sustainability. Therefore, at MC12, we need a clear political signal from trade ministers that they recognize the importance of addressing these challenges, in particular through trade.

In addition, we need to update our rules on agriculture, an important and challenging issue for many Members. While negotiations are proving difficult, many Members believe that MC12 must have an outcome on agriculture.

Members have been working on draft ministerial text circulated by the Chair of the negotiations. But gaps persist on the key issues of domestic support and public stockholding, which will set the level of ambition for the overall agriculture

outcome. But if they are out of reach, we should still aim for outcomes on food security and transparency, and set a clear path for addressing other issues such as the special safeguard mechanism, cotton, export competition, and market access.

Finally, both old and new rules are toothless if there is no effective and efficient way to enforce them. We need to reform and revitalize the dispute settlement function to make sure that Members can seek redress and that there are effective remedies to violations of WTO rules.

The importance of a successful MC12 can hardly be overstated. It's necessary to show that the WTO is back on track, fit for addressing the challenges of the 21st century, and can deliver for Members and people relying on trade to drive a strong economic recovery. To get there, we need a strong commitment and political will from all WTO Members, and the business community, to get tangible results.

At the same time, we have to be realistic because some issues may be more difficult and won't conclude at MC12. For such issues, MC12 may focus on working toward a future outcome, with work programs to be developed in some areas.

It is also important to work to restore trust between Members, which has been shaken over the years. This is particularly visible in the relationships between developed and developing country Members of the WTO. Some developing countries feel that they are precluded from taking full advantage from the benefits and flexibilities provided to them as developing countries. By contrast, some developed countries have expressed concerns that certain countries with a high level of development unfairly benefit from being self-designated as developing.

MC12 is a good opportunity for Members listen to each other and increase the level of trust, through specific outcomes and by setting the table for next year.

I'd like to conclude with a plea. If you value the WTO, then it is important to make the case that it is relevant and that it is worth improving and modernizing. We can't take for granted that everyone believes in the value of trade and establishing a rules-based system governing trade.

We very much appreciate your views on what reforms are needed, as expressed in your Policy Statement. The Confederation and its members are well-placed to make outreach directly with decision-makers in the region, as well as with the public at large. We have to demonstrate where the WTO has been successful, be honest about where it has not, and be ambitious as to how we can make it better. Businesses must be a voice for good, on matters that are in their immediate interest, as well as broader issues like climate change, fisheries, and access to vaccines.

We count on you.

Many thanks for your attention. I look forward to your questions and comments, and I look forward to working with you in the years to come.

2177 words (18+ minutes)

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