



APEC NEWS RELEASE Issued by **The APEC Business Advisory Council (ABAC)**

WTO fundamental to economic recovery and sustainable and inclusive growth

Asia-Pacific business leaders from the APEC Business Advisory Council (ABAC), meeting virtually this week, called on the region's Trade Ministers to take the lead in a credible, relevant and strengthened World Trade Organisation (WTO) in the face of the COVID-19 pandemic.

“Globally, we face significant health and economic challenges. Fundamentally trade can and must be at the centre of tackling both the immediate crisis and of laying the groundwork for a return to growth. The WTO is core to that effort,” said ABAC Chair Dato’ Rohana Tan Sri Mahmood of Malaysia.

Dato Rohana explained that ABAC had issued a statement of support for a reformed WTO ahead of the meeting of APEC Ministers Responsible for Trade (MRT) taking place on 25 July. She said that ABAC had been deeply concerned at the levels of human suffering and severe economic contraction caused by the pandemic.

“Our message to Ministers is that global problems demand global solutions – and the WTO’s multilateral rules-based system must be at the heart of those solutions,” said Dato Rohana. “We are calling on APEC economies to lead a process of reform in the WTO to ensure that trade rules remain fit-for-purpose.”

She said that we need to liberalise trade in essential medical supplies and facilitate the movement of essential workers, so that for this and any future pandemics, those critical products and services can get to where they are needed most. Likewise, APEC economies should reaffirm their commitment to well-functioning agriculture markets, so that we do not add a food security crisis to the disruption of the pandemic.

“We also need to ensure that the WTO’s rules remain relevant and credible. It is imperative that we get the WTO’s dispute settlement system fully functioning again by appointing new members to the Appellate Body. We need more transparency around what economies are doing on trade. We must complete the unfinished business of the Doha Round, including by eliminating fisheries subsidies, making meaningful cuts to trade-distorting domestic support in agriculture and helping services and investment to work better,” she added.

Dato Rohana said that just as importantly, the WTO needed to stay responsive to modern business and social concerns. There is a need to review the rules in other areas to ensure that they are doing the job. The rules must also be updated for the digital age and support aspirations for sustainable and inclusive growth. That means substantive outcomes on e-commerce and a permanent moratorium on Customs duties on electronic transmission, tools to transition to a low-carbon economy by eliminating inefficient fossil fuel subsidies, and better ways for women and small businesses to succeed in trade.

ABAC STATEMENT ON THE WORLD TRADE ORGANISATION JULY 2020

The APEC Business Advisory Council (ABAC) is deeply concerned about the fundamental challenge to global wellbeing represented by COVID-19. We face a “crisis like no other”. The multilateral rules-based trading system, with the World Trade Organisation (WTO) at its core, has a key role to play in our response in both the short term to the pandemic and for longer-term economic rebuilding. ABAC urges APEC economies to lead work in the WTO both to enhance short-term responses, and for the longer-term strengthening of the multilateral rules-based trading system.

A strong commitment to a credible, relevant and strengthened WTO that reflects evolving business needs and models is crucial to help rebuild business and investor confidence and to improve the trade landscape in the age of COVID-19.

APEC economies should thus reaffirm their support for urgent reform of the WTO in the strongest terms. The process to appoint a new Director General must not be allowed to distract from the following critical tasks, but rather must contribute to achieving them:

1. Drawing on the lessons of COVID-19, reform WTO rules for better responses to crises

WTO rules for trade in goods and services can enable essential medical supplies, essential workers and food supplies to get to where they are needed most. APEC economies should lead an initiative in the WTO to enable economies to respond more effectively to crises, including by:

- committing to the permanent elimination of tariffs and non-tariff barriers on a sectoral basis, covering an agreed list of essential medical supplies such as medical equipment, medicines and basic hygiene products such as hand sanitizer and personal protective equipment;
- committing to measures to ensure that supply chains are resilient, even in times of crisis;
- committing to removing barriers to the movement of essential personnel in times of crisis;
- committing to shoring up trade in food and agriculture, by removing unjustified export restrictions and non-tariff barriers and strengthening value chains; and
- enhancing transparency to make the trade and investment environment more predictable.

2. Work to strengthen the multilateral rules-based trading system

The WTO provides a crucial foundation for sustained prosperity. The Great Depression of the 1930s and the Global Financial Crisis of 2008 have shown that declining trade, worsened by protectionism, exacerbates the depth and duration of economic contraction. On the other hand, trade based on WTO principles of openness, non-discrimination, predictability and transparency can help to revitalise growth for the longer term, including for the most vulnerable.

(i) Resolve the unfinished business from the Doha Round

Meaningful improvements are needed to the existing framework of rules, commitments and obligations to revitalise trade and achieve more sustainable and inclusive growth. APEC economies should take the lead in pressing for concrete outcomes, including on the following items of ‘unfinished business’ from the Doha Round:

- the elimination, as quickly as possible, of ‘**fish subsidies**’ that contribute to illegal, unregulated and unreported fishing and the destruction of global fish stocks;
- a meaningful cut in **trade-distorting domestic support in agriculture**, to drive better outcomes for markets, for food security, for development and for the environment; and
- improvements to rules for the **domestic regulation of services**, to enhance the ability of the sector to drive economy-wide productivity gains and create jobs.

(ii) *Fully functioning dispute settlement is fundamental to the multilateral trading system*

The WTO dispute settlement system has resolved over 400 disputes, and forestalled many more. Every economy will be worse off if this system cannot operate to its fullest extent. APEC economies should:

- support the urgent appointment of a full slate to the WTO Appellate Body; and
- engage constructively to implement necessary reforms to the Appellate Body

recognising that some economies have joined the Multi-Party Interim Appeal Arbitration Arrangement as a temporary option to settle appeals.

(iii) *Initiatives to reflect the evolution of trade will revitalise the multilateral trading system*

WTO rules must better reflect modern business and societal concerns. APEC economies should:

- commit to **enhanced transparency**, to demonstrate that the system remains fair and balanced for all and to promote predictability in international trade;
- drive agreement on substantive outcomes in the WTO negotiations on the trade-related aspects of **e-commerce**, to enhance the key role of digital technologies as a dynamic enabler of trade, including in response to the pandemic;
- seek agreement to a **permanent moratorium on Customs duties on electronic transmissions**, to avoid stifling innovation and growth in the digital economy;
- advance work on **investment facilitation** with a view to facilitating flows of investment;
- support the initiative to eliminate inefficient **fossil fuel subsidies**, consistent with a commitment to transition to a low-carbon economy, in response to climate change;
- support other initiatives that encourage **more inclusive participation** in trade, including by women, small businesses and young entrepreneurs, who have been disproportionately affected by COVID-19; and
- encourage greater involvement of the **international business community** in WTO processes, that would enhance transparency and improve predictability in the trade environment.

APEC economies should ensure that all of these outcomes are consistent with WTO principles and are designed with a view to serving as building blocks to multilateral outcomes in the future. Global challenges demand global solutions. The APEC Business Advisory Council and the wider Asia-Pacific business community fully supports APEC’s leadership in this most critical area.

APEC Business Advisory Council

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APEC Member Economies: Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; Russia; Singapore; Chinese Taipei; Thailand; United States of America; and Viet Nam.

ABAC was created by APEC Leaders in 1995 to be the primary voice of business in APEC. Each economy has three members who are appointed by their respective Leaders. They meet four times a year in preparation for the presentation of their recommendations to the Leaders in a dialogue that is a key event in the annual Leaders Meeting.

Under Malaysia's leadership, ABAC is pursuing a work program under the theme "Integration. Innovation. Inclusion." to respond to the challenge of maintaining the economic vitality of the Asia-Pacific Region and ensure it benefits all.

ABAC 2020 Chair is Dato Robana Mahmood and the Co-Chairs are Richard von Appen (Chile) and Rachel Taulelei (New Zealand), with five (5) working group chairs, namely: Sir Rod Eddington, Regional Economic Integration Working Group (REIWG); Nobuhide Hayashi, Finance & Economics Working Group (FEWG); Hafimi Abdul Haadi, MSME & Entrepreneurship Working Group (MSMEEWG); Ning Gaoning, Sustainable Development Working Group; and Peggy Johnson, Digital & Innovation Working Group (DIWG)

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