

**TALKING POINTS
WTO DEPUTY DIRECTOR GENERAL YI XIAOZHUN**

PARLIAMENTARY CONFERENCE ON WTO

**GENEVA, WTO HQs
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Check against delivery

Honorable Members of Parliament

Excellencies,

Ladies and gentlemen,

Good Afternoon.

I am pleased to join you today on behalf of Director-General Roberto Azevêdo who unfortunately could not be here himself. The Director-General has asked me to convey his gratitude for holding the Parliamentary Conference on the WTO at the WTO Headquarters.

This has become a tradition for years now whenever your Conference is held in Geneva.

The Director General had also the pleasure to speak to your Members in 2017 when the Conference was held in Buenos Aires, Argentina alongside the WTO's 11th Ministerial Conference.

Our partnership with both the Inter Parliamentary Union and the European Parliament has been improving throughout the years. The Parliamentary Conference on the WTO held at the WTO Headquarters or during our Ministerial Conferences has become an important fixture on our calendar.

I would like to take this opportunity to reiterate our firm commitment to working with Parliamentarians as you are the key transmission belt between international institutions, negotiations and the public in general.

Beyond the constitutional facets of your duties, including scrutinising and ratifying International agreements; your role is more vital today than ever before as Trade tensions are on the rise.

Your role in contributing to a well informed and objective debate on trade is crucial at this juncture.

Two words characterize the current state of the global economy: uncertainty and tension.

Trade tensions continue to escalate and we are now entering uncharted waters. The new tariffs announced this year cover hundreds of billions of dollars in trade. Further measures have been proposed. And at present, continued escalation is a real possibility.

All this may pose a real threat to stability, jobs and growth - should this trend continue. It will take time to see the full impact, but we are seeing early warning signs that we all need to take seriously. Indicators show that businesses are holding off on making job-creating investments and export orders are on the decline.

As many of you know, the WTO has revised its trade forecasts downward in September. We are now forecasting growth of 3.9% for 2018, down from 4.4% previously, which means that trade will continue to expand at a more moderate pace than previously forecast.

This downgrade reflects the heightened tensions that we are seeing between major trading partners. It is also a recognition of the fact that there are no signs that trade tensions are diminishing. The possibility of an outright "trade war" has become a recurring theme.

It is therefore more critical than ever for WTO Members to continue to work through their differences and be willing to find compromise.

No solutions have been found yet, but Members are talking to each other.

They are also continuing to seek peaceful resolution of disagreements on trade issues through the WTO's dispute settlement system.

Against this backdrop of escalating trade tensions, it is important to keep reminding ourselves that the establishment of the WTO in 1995 represented the biggest reform of the international trading system since

World War II. At its core, it provided a platform for countering protectionism, fostering economic security and easing international tensions.

The WTO's redesigned dispute settlement system encouraged Members to turn to the WTO to resolve their trade differences – in a *peaceful and efficient* manner.

The WTO has also delivered some tangible negotiated outcome to its members. Notably the Trade Facilitation Agreement, which entered into force last year. Our forecast is that full implementation of this Agreement could cut Members' average trade costs by over 14% - by means of simplifying and speeding up global customs procedures. [This impact would be potentially greater than the elimination of all remaining global tariffs.]

The Information Technology Agreement and its expansion, which has increased worldwide access to high-tech goods by eliminating tariffs on a wide range of IT products, was another notable success.

The WTO was also successful at attracting new Members, at all levels of economic development. The WTO today has 164 Members, covering 98 per cent of global commerce. For the first time, we have a truly universal and inclusive system, in which all Members, have a voice and a role to play.

In a nutshell, the Multilateral Trading System is a Worldwide Public good. It has facilitated - and continues to facilitate - open trade, shared rules, effective trade resolution and multilateral cooperation. Nonetheless, there are no doubt many areas where we can improve.

Given the context of increased trade tensions it is natural that discussions among our Members about a so-called "WTO reform" and "modernization" has been gaining momentum.

We are seeing some ideas being presented and a variety of activities being organized in different formats and amongst different players.

The ministerial meeting convened by the Canadian government in Ottawa last October showed that there is a high level of interest in this debate. The Director-General was there of course, at the invitation of the organisers.

These issues are also on the agenda of the G20 and will probably remain under the Japanese leadership of the G20.

The format of engagement among Members has varied widely. Some have raised concerns and identified priorities, others have gone as far as sharing draft proposals on broad or specific reform areas.

In this context, some of the issues that have already emerged include:

- The need for faster and more effective trade dispute resolution;

- The need for addressing a variety of trade distorting practices that are either not covered or are just partially covered by existing disciplines;
- Undermining protectionism and unilateral measures;
- Ensuring progress in current work; and
- Enhancing transparency and the use of notifications.

Again, let me reiterate that this is not an exhaustive list but only a set of issues that has already surfaced as part of the current exchanges *vis-à-vis* a possible reform.

On the flipside, some Members have continued to reiterate their view that there is no need for reform.

At this point, it is too early to establish if and how discussions might evolve. But we should all remember that this is a shared system that belongs to all its Members.

For this reason, it is also our shared responsibility to safeguard – and where necessary – strengthen the system.

It is clear, however, that Members continue to have differing views on specific issues in the negotiations – on substance and process. And, it is fair to say that deep divisions and frustrations among the WTO membership remain on a range of issues.

The divide remains, in particular, on the question of whether or not Members can, or should, discuss other areas before completing work on the so-called Doha issues.

The WTO membership continues to discuss longstanding issues such as agriculture, services, fisheries subsidies and development, but progress is proving very hard to come by. Fisheries subsidies is one bright spot, with high levels of engagement, as Members look towards next year's deadline.

At the same time, some Members have also begun to explore other issues such as - e-commerce, investment facilitation, MSMEs and women's economic empowerment. These issues have encountered engagement for a sizeable number among our Membership.

The Director-General has often indicated the need *"to find ways of increasing the levels of flexibility" that members show to each other."*

And we know that there a range of flexible approaches open to us. *For example, in terms of specific initiatives, we have:*

- *flexibility in substance and implementation, with the multilateral Trade Facilitation Agreement as an obvious example,*
- *flexibility in geometry, with the plurilateral initiatives like the Government Procurement Agreement or the Information Technology Agreement,*

- *and we are now seeing these exploratory open-ended conversations on specific issues.*

In a system with 164 Members of different sizes, different priorities and different stages of development, these kinds of flexibilities are essential.

We should continue our work in all areas of negotiations – in a constructive and open manner – even as we seek to tackle the other challenges before us today.

This brings me to another critical systemic issue, the crisis in the dispute settlement system.

The WTO's Appellate Body is now down to only three Appellate Body members – the minimum required to hear an appeal.

The Director-General has recently reported to Members that more than 30 disputes have been initiated this year alone. This is the highest for many years, and there are still few more calendar weeks to go in 2018.

It suggests that Members still believe in the effectiveness of the dispute settlement mechanism.

However, it is also likely to result in more appeals, and this will put an additional burden on the already strained system.

The impasse on the Appellate Body selection processes must therefore be resolved rapidly if we are to stand a chance to preserve this essential part of our work.

On all the mentioned issues and tasks ahead of us, the multilateral trading system will continue to rely on the support of legislators.

Because, despite all the challenges it is facing, the system remains a key pillar of global governance. It operates based on the premise of international cooperation.

The system needs you all to stay engaged and to support it.

I thank you
