

Trade negotiations and discussions

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Changes to the rules of trade require the agreement of WTO members, who must reach consensus through negotiations.



Trade negotiations and discussions in 2019

- **WTO members worked intensively to reach a deal on fisheries subsidies. Although they made substantial progress, meeting an end-2019 deadline proved to be out of reach and they committed to concluding the negotiations by the 12th Ministerial Conference.**
- **Agriculture, services, special and differential treatment for developing countries and the Dispute Settlement Understanding also saw negotiating activity.**
- **The joint statement initiatives drew interest from an increasing number of members. The processes remained transparent and inclusive.**
- **A number of members considered WTO reform a priority for the organization and put forward ideas, papers and initiatives, including on improving the functioning of the Appellate Body.**

Background on trade negotiations

Trade negotiations take place under the Trade Negotiations Committee (TNC) and its subsidiary bodies, which are councils and committees meeting in special session or other bodies especially created for negotiations. The TNC supervises the overall conduct of negotiations.

An agreement on fisheries subsidies will help deliver on the SDGs.



Negotiations

WTO members' main negotiating priority in 2019 was to reach agreement on eliminating subsidies to illegal, unregulated, unreported (IUU) fishing and prohibiting certain subsidies that contribute to overfishing and overcapacity, giving due consideration to special and differential treatment for developing countries. Members worked intensively in the Rules Negotiating Group, first under Ambassador Roberto Zapata (Mexico) and then under Ambassador Santiago Wills (Colombia), to meet a deadline of end-2019. Several proposals were made and ideas put forward. The process was assisted by six facilitators for specific areas (see page 44).

The Trade Negotiations Committee (TNC) Chair, DG Azevêdo, reminded WTO members that an agreement on fisheries subsidies is essential not only for the health of the world's oceans and delivering on the Sustainable Development Goals (SDGs) but also for the credibility of the WTO to demonstrate that multilateral rule-making is still possible. In May 2019, he announced the creation of a WTO fisheries trust fund at the request of least-developed countries to assist their capital-based officials participate in these negotiations.

Although members made substantial progress, meeting the deadline proved out of reach, and they agreed to a new work programme for 2020, committing to conclude the negotiations by the 12th Ministerial Conference (MC12).

A high level of engagement was also seen in the agriculture negotiations under Ambassador John Deep Ford (Guyana). The Chair expressed confidence that progress could be made by MC12. While there was some negotiating activity in services, special and differential treatment

(S&D) and Dispute Settlement Understanding reform, in other areas there was limited or no activity. The TNC Chair stated that progress was essential in all areas.

On the S&D negotiations, the Group of 90 countries presented a revised proposal in November (see page 42). The TNC Chair encouraged the Chair of the Committee on Trade and Development in special session – Ambassador Kadra Ahmed Hassan (Djibouti) – to continue exploring all possible approaches to make progress.

The TNC Chair said that members would soon need to define what would be possible by MC12, not by discarding elements but by actively prioritizing some outcomes. Looking beyond MC12, members would need to maintain engagement and pragmatism to set a plan for work on issues that would need more time to mature.

Work on the joint statement initiatives

The co-convenors and coordinators of the joint statement initiatives (JSIs) provided updates on their work at TNC/heads of delegation meetings. The JSIs cover electronic commerce (see page 48), investment facilitation for development (see page 50), services domestic regulation (see page 53), and micro, small and medium-sized enterprises (MSMEs) (see page 51). Members also received updates on trade and women's economic empowerment (see page 54). The joint initiatives drew interest from an increasing number of members. The processes remained transparent and inclusive – with open meetings and all proposals and reports made available to all members.



DG Azevêdo is the Chair of the Trade Negotiations Committee.



WTO reform

During 2019, a number of members declared WTO reform a priority for the organization. Many expressed a desire to improve its functioning. The G20 summit in 2018 had sent a strong message on the need for necessary reforms in the WTO. Several members put forward ideas, papers and initiatives.

Discussions fell into three broad areas: how to strengthen the work of WTO regular bodies and committees and improve areas such as notifications and transparency; how to improve the dispute settlement system and address the impasse in appointments to the Appellate Body (see page 122); and how to improve negotiating work so as to keep delivering new agreements with real economic impact.

The Director-General said that a reformed WTO would depend on what members set out to achieve and that reform should advance wherever and whenever possible.

Throughout the year, DG Azevêdo reminded members about the urgency of resolving the impasse in the appointment of Appellate Body members and addressing concerns raised regarding the functioning of the WTO's dispute settlement system, in particular the Appellate Body. He noted the work facilitated by Ambassador David Walker (New Zealand) under the auspices of the General Council. The Director-General also continued with his consultations, including in capitals.

In December, DG Azevêdo pointed out that the effective paralysis of the appeals function did not mean the end of the multilateral trading system. Existing WTO rules still applied and would underpin world trade. Members would continue to use these rules to resolve trade conflicts in regular WTO bodies, through consultations, via disputes panels and through other means envisaged in WTO agreements.

On rule-making, the Director-General said, members' choices could contribute to restoring certainty in the global economy and help governments manage interdependence in a fast-changing world. On implementation of existing commitments, members had the scope to make regular committee work an even more effective vehicle for fostering compliance and addressing concerns about each other's trade policies.

On dispute settlement, said DG Azevêdo, members could restore the impartial, efficient, two-step review that most of them said they wanted. Alternatively, members could open the door to more uncertainty, unconstrained unilateral retaliation and less investment, growth and job creation, the DG warned.

The Director-General pointed out that one positive aspect of the trade tensions was that they had encouraged members to speak up in support of the multilateral trading system and multilateralism. He urged members to seize the opportunity to update and strengthen the system. DG Azevêdo urged members to reflect on the compromises they were willing to make to achieve their goals.

Agriculture

- **WTO members held intensive discussions in working groups on all areas of the negotiations in the first half of 2019.**
- **The Chair summarized the ideas and views put forward by delegations at the mid-year point and urged members to identify “doable elements for meaningful outcomes”.**
- **Members circulated several submissions in the second half of 2019 to identify meaningful outcomes for the 12th Ministerial Conference (MC12) and a post-MC12 work programme.**
- **The Cotton 4 – Mali, Chad, Benin and Burkina Faso – presented their first new submission since 2017, calling for phased cuts to trade-distorting subsidies.**

Background on agriculture

The broad objective of the agriculture negotiations is to reduce distortions in agricultural trade caused notably by high tariffs and domestic support measures as well as export subsidies and equivalent measures and export restrictions. The negotiations take place in the WTO Committee on Agriculture, meeting in special session. They are also to take into account the needs of developing countries.

WTO members engaged in the first half of the year in intensive thematic working groups focused on all areas of the negotiations – domestic support (subsidies), public stockholding for food security purposes, cotton, market access, the special safeguard mechanism, export competition and export restrictions.

The working group process concluded in June 2019, with the Chair of the Committee on Agriculture, Ambassador John Deep Ford (Guyana), circulating a state-of-play report in July 2019. This summarized ideas and suggestions put forward by delegations and called on members to identify “doable elements for meaningful outcomes” as soon as practicable.

WTO members had intensive discussions in September and November 2019 in the Committee’s special session. They circulated several new submissions, with a view to identifying potential meaningful outcomes for MC12 related to substance, transparency and a post-MC12 work programme.

Public stockholding for food security purposes

Discussions on public stockholding for food security continued in dedicated sessions. At issue are public stockpiles of food acquired at administered (officially set) prices. The issue remains a priority for developing country proponents, which seek a permanent solution to guarantee their food security.

Other members, however, consider that without effective controls these programmes can lead to over-production and depressed prices, which could affect trade flows and the food security of others. The latter group has called for stronger safeguards, anti-circumvention provisions and enhanced transparency.

The G-33 (a coalition of developing countries) has called for a permanent solution to be agreed at MC12. A previous deadline for agreement was missed at MC11 in Buenos Aires in 2017. The group is seeking a solution that would not impose burdensome transparency and other obligations that could make the use of the solution impossible.

Guaranteeing food security is a priority for developing countries.



The “Cotton 4” countries seek the elimination of trade-distorting cotton subsidies.



Domestic support

Domestic support continued to be the priority issue for the overwhelming majority of WTO members, as witnessed by many submissions. It was the main focus of discussions throughout the year. The key objective is to address trade-distorting domestic support and secure an outcome at MC12. Some ideas and suggestions have focused on addressing trade-distorting support as a whole; others have called for an examination of its individual components.

Members of the Cairns Group of agricultural exporting nations made several submissions summarizing ideas and options and looking at the current situation, trends and potential evolution of domestic support. The African Group and Russia also made written submissions.

Some members continued to consider that negotiations should initially focus on aggregate measurement support (AMS) entitlements. These permit certain members to provide support above their de minimis levels (minimal amounts of trade-distorting domestic support allowed for all members). Others believe that all components of trade-distorting support should be examined. An increasing number of members called for some kind of proportionality, whereby those who have more potential to distort global markets would contribute more to the reform process.

Members widely acknowledged the importance of special and differential treatment (S&D) for developing countries in implementing their WTO obligations. Some members argued, however, that S&D provisions should be designed to fit the specific needs of individual members.

Cotton

In July 2019, the Cotton 4 – Mali, Chad, Benin and Burkina Faso – circulated a new submission, their first since the Buenos Aires Ministerial Conference in 2017. The proposal called for phased-in steps to eliminate trade-distorting cotton subsidies.

Technical work continued through a data collection exercise undertaken on a voluntary basis, with the aim of building a common platform of shared data to support the cotton negotiations.

At the November meeting, the Chair provided an overview of the cotton negotiations and emphasized the successful launch of World Cotton Day on 7 October 2019 (see page 88). Ministers and high-level representatives from the Cotton 4, Brazil, China, the European Union, India and the United States issued a joint statement confirming their commitment to intensify discussions on factors negatively impacting cotton trade and to continue efforts aimed at enhancing monitoring of cotton trade measures.

Members observed “Cotton Days” at the WTO in June and November 2019, consisting of back-to-back meetings on trade-related developments and the Director-General’s Consultative Framework Mechanism on cotton development assistance. The consultative framework meetings track development assistance programmes for cotton and act as a forum for the exchange of information on the linkages between cotton, trade and development.

A joint initiative on cotton by-products, endorsed by WTO members in November 2018, progressed with the organization of an experts' workshop in June 2019 and a partners' conference on the margins of World Cotton Day in October 2019. The Enhanced Integrated Framework has sponsored feasibility studies aimed at improving know-how for the development of cotton by-products in eight African LDCs to be conducted in 2019-20. The goal is to increase the incomes of farmers and small businesses by boosting investments in the local development of commercially valuable parts of the cotton plant that are currently not being exploited.

Market access

WTO members addressed a range of market access issues. The discussions, guided by questions posed by the working group's coordinators, covered tariff predictability, tariff simplification, possible approaches to addressing market access barriers, non-tariff barriers and development issues.

The United States presented analysis of various market access topics. Its submissions focused on complex tariffs, tariff peaks (relatively high tariffs amid generally low average tariff levels) and tariff rate quotas (TRQs – see page 66). Paraguay presented an analysis of policy tools that governments often employ to support their domestic agriculture sectors.

Some members emphasized that progress in market access might not be feasible without progress in domestic support while others maintained there should be parallel progress in market access for industrial goods and trade in services. Some broader issues, including special and differential treatment for developing countries, commitments of newly acceded members and the erosion of trade preferences, were also discussed.

Increasing interest was shown in issues intended to promote transparency and trade facilitation, including transparency of applied tariffs and the treatment of consignments *en route* when applied tariffs change. The discussion was supported by written contributions by Australia, Canada and Russia. TRQ administration procedures and the simplification of agricultural tariff regimes were also raised.

Special safeguard mechanism

WTO members continued to discuss a special safeguard mechanism (SSM) in dedicated sessions, as mandated by the 10th Ministerial Conference in Nairobi in 2015. An SSM would allow developing countries to raise tariffs temporarily to address import surges or price declines. Persistent differences among members on the link between market access and the SSM inhibited substantive engagement and continued to constrain progress on the issue.

Export prohibitions and restrictions

Discussions continued on the exemption from export prohibitions or restrictions of foodstuffs purchased for non-commercial humanitarian purposes by the UN's World Food Programme and on transparency. Proponents addressed issues such as notification requirements, a possible alert system and the need to clarify terms such as "temporarily applied", "net-food exporter", "foodstuff" and "critical shortage". Israel, Japan, the Republic of Korea, Switzerland and Chinese Taipei circulated two documents analysing examples of export-restrictive measures.

Export competition

Several members confirmed their interest in improving disciplines on export measures with equivalent effect to export subsidies, as agreed by ministers in Nairobi, but others reaffirmed their view that the current disciplines were adequate. Many members supported the objective of enhancing transparency in this area, including by improving the rate of replies for an annual questionnaire on export competition drawn up following the Bali Ministerial Conference to improve monitoring of export measures. Canada, Norway and Switzerland circulated a submission on this topic.

Increasing interest was shown in issues intended to promote transparency.

Market access for non-agricultural products

Background

Non-agricultural products are products not covered by the Agreement on Agriculture. These range from manufactured goods to fuels and fisheries. The negotiations aim to reduce or, as appropriate, eliminate tariffs as well as non-tariff barriers, particularly on goods of export interest to developing countries. The negotiations are conducted in the Negotiating Group on Market Access.

- **The Negotiating Group on Market Access did not receive any papers or proposals in 2019 and did not meet during the year.**

Services

- **WTO members engaged in exploratory discussions on market access for tourism services and environmental services.**
- **India circulated a revised proposal for disciplines on domestic regulation relating to the movement of individuals (Mode 4) to supply services abroad.**

Background on services

The General Agreement on Trade in Services (GATS) mandates WTO members to progressively open up trade in services. The negotiations are overseen by the Council for Trade in Services, meeting in special session, and its subsidiary bodies, in particular the Working Party on Domestic Regulation.

The special session of the Council for Trade in Services focused principally on market access for tourism and environmental services. A proposal from Chile, Mexico, New Zealand and Panama underscored the importance of the tourism sector for economic development and trade and suggested areas of interest for improving commitments of the General Agreement on Trade in Services (GATS) in the sector. They stressed that the tourism sector, more than many services sectors, relies heavily on trade and is key to the economic vitality of many communities, including in rural and remote areas.

Australia, Canada, Mexico, New Zealand and Switzerland argued that improved commitments and greater trade in environmental services, including sewage, refuse disposal, sanitation, noise abatement and environmental protection services, would reduce the costs of environmental policies. They would also help governments address climate change and achieve the UN Sustainable Development Goals.

Negotiations focused on market access for tourism and environmental services.



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Domestic regulation

Multilateral negotiations on domestic regulation are carried out by the Working Party on Domestic Regulation, which has a mandate to develop any necessary disciplines to ensure that licensing and qualification requirements and procedures do not constitute unnecessary barriers to trade in services.

In March, the Working Party discussed a revised proposal by India for disciplines relating to the movement of individuals to supply services abroad (Mode 4), including on procedures and requirements for their temporary entry to fulfil qualification and other requirements. While some WTO members expressed support, others raised questions or expressed doubts.

At a Working Party meeting in December, several members expressed concerns about work carried out in the Joint Initiative on Services Domestic Regulation (see pages 53). They said some of the elements of the work provided for obligations at a lower level than those already in effect under the GATS. Such changes could only be made through an amendment to the GATS itself. Participants of the joint initiative affirmed that all disciplines constituted improvements to existing GATS commitments and could be integrated into participants' GATS schedules without recourse to an amendment process.

Trade-related aspects of intellectual property rights (TRIPS)

- **The Chair convened informal consultations with the most active WTO members in the negotiations on a register for geographical indications (GIs).**
- **An informal meeting open to all was held in December; a number of members reaffirmed the importance they attach to a multilateral system for registering wine and spirit GIs.**

Background on Trade-related aspects of intellectual property rights

Negotiations on a multilateral system for notifying and registering geographical indications for wines and spirits are carried out in the special session of the TRIPS Council. The purpose of the register is to facilitate the protection of geographical indications (GIs) for wines and spirits. These are indications (including place names or other terms or signs associated with a place) used to identify products whose place of origin contributes to their special qualities, reputation or other characteristics.

The Chair of the TRIPS Council special session, Ambassador Dacio Castillo (Honduras), convened small group consultations in May 2019 with the most active WTO members and drew attention to the dynamic activity on geographical indications (GIs) in bilateral and regional trade agreements.

An informal meeting open to all members was held in December. A number of active delegations reiterated the importance they attach to a multilateral system for notifying and registering GIs for wines and spirits. They confirmed their view that the WTO is the right forum for these negotiations and their commitment to the parallel advancement of all three TRIPS issues – the GI register, GI extension (a proposal to extend to other products the higher level of protection currently given to wines and spirits) and the relationship between the TRIPS Agreement and the Convention on Biological Diversity. However,

other members said that the moment was not right to engage substantively on GIs. The Trade Negotiations Committee has been kept informed of these discussions.

Historically, members have disagreed on the legal effects the register should have and whether it should create obligations for all WTO members or only those choosing to participate in it. They remain divided on product coverage and on whether, as the negotiating mandate says, the register should be confined to wines and spirits, or whether it could also apply to other products, such as food and agricultural products. Differences also remain over whether linkages should be made between the GI register negotiations and other TRIPS-related implementation issues (see page 94).



Trade and development

- **The G-90 presented a new submission on special and differential treatment (S&D) for developing countries. Reactions to it were mixed.**
- **The Chair said WTO members must move beyond well-known positions and be creative for there to be an outcome on S&D at the 12th Ministerial Conference.**

Background on trade and development

Special and differential treatment (S&D) refers to the special treatment, or flexibility, granted to developing countries in WTO agreements, such as longer implementation periods. Many WTO agreements contain provisions that give developing countries special rights and that allow developed countries to treat them more favourably than other WTO members. Differences among WTO members include the definition of who exactly should benefit from S&D. The special session of the Committee on Trade and Development is mandated to review all S&D provisions, with a view to making them more precise, effective and operational.

Ambassador François Xavier Ngarambe (Rwanda) was elected Chair of the Special Session of the Committee on Trade and Development in April. Later that month he began bilateral consultations with key players representing all geographical regions. There was no shift in members' positions on S&D but neither was there disagreement on the centrality of development and the role WTO rules can play in harnessing it.

Ten agreement-specific special and differential treatment (S&D) proposals were put forward by the Group of 90 (G90) group of developing countries in 2017. The aim of these proposals is to foster industrialization, promote diversification and facilitate structural transformation. In 2019, a call was made for the G90 group to present a revised document. In October, Ambassador Ahmed Hassan (Djibouti) took over as Chair. In the following weeks, she held bilateral discussions with several delegations.

The G90 made available a new submission on 20 November, which was introduced to the special session as a room document – an official

restricted document – at an informal meeting open to all members on 27 November. The group, which includes the Africa, Caribbean and Pacific Group, the African Union and least-developed countries, explained that the same ten proposals remained on the table since the issues raised were still of relevance and concern to them. The new submission spelled out the rationale behind each proposal.

The Chair reported to an informal meeting of the Trade Negotiations Committee (see page 34) in December that reactions to the new G90 submission had been mixed. Some delegations were willing to engage but others felt that having the same conversation, on the basis of the same proposals, would not help advance the work.

The Chair observed that the discussion on the submission had served as a reality check. For there to be a chance of an outcome on S&D at the 12th Ministerial Conference, members needed to move beyond their known positions and be creative. She announced her intention to facilitate discussions in informal settings.



Trade and environment

- **The Chair held bilateral consultations with delegations. WTO members reiterated the importance of discussing trade and environment issues but made no new negotiating proposals.**
- **The WTO Secretariat organized two training sessions for least-developed countries (LDCs) on environment and trade issues.**

Background on trade and environment

The negotiations cover the relationship between existing WTO rules and specific trade obligations set out in multilateral environmental agreements (MEAs), procedures for regular information exchange between MEA secretariats and the relevant WTO committees, and the reduction or, as appropriate, elimination of tariff and non-tariff barriers to trade in environmental goods and services.

The Chair of the special session of the Committee on Trade and Environment, Ambassador Leopold Samba (Central African Republic), held bilateral consultations with delegations on the state of play in negotiations on trade and environmental issues. WTO members reiterated the importance of discussing trade and the environment in the WTO but made no new proposals. Environmental services are being discussed in the WTO services negotiations (see page 39).

During the consultations, the LDCs Group, represented by a large number of delegations, expressed a strong interest in furthering their

understanding of trade and environment issues, particularly those within the mandate of the special session.

The LDCs Group asked Ambassador Samba and the WTO Secretariat to organize training sessions for Geneva-based delegates. Two such sessions took place in 2019, enabling participants to build on their knowledge of key subjects, such as the circular economy (see page 97), climate change, fisheries, environmental goods, multilateral environmental agreements and the work of the Committee in regular and special session.



WTO rules: fisheries subsidies, other WTO rules

- Fisheries subsidies remained the main focus of the Negotiating Group on Rules in 2019.
- Two additional facilitators joined the four appointed at the end of 2018 to take up some of the many cross-cutting issues, such as special and differential treatment for developing countries and notifications.
- WTO members worked intensively to reach an agreement on fisheries subsidies disciplines. At the end of the year, they agreed to a new work programme for 2020 and committed to concluding the negotiations by the 12th Ministerial Conference (MC12).

Background on WTO rules

In 2001, ministers launched WTO negotiations to clarify and improve existing rules on anti-dumping, subsidies and countervailing measures including fisheries subsidies and regional trade agreements, instructing the Negotiating Group to prohibit certain forms of fisheries subsidies that contribute to overcapacity and overfishing. In 2015, the Sustainable Development Goals reiterated this call for agreement in the WTO by 2020 on eliminating subsidies to illegal, unreported and unregulated fishing and to prohibiting certain subsidies that contribute to overfishing and overcapacity, with special and differential treatment integral to the negotiations.

In 2019, the Negotiating Group on Rules continued to focus on fisheries subsidies, working on the basis of agreed programmes for January-July and September-December. The work programmes aimed at carrying out ministerial instructions to reach an agreement on disciplines to prohibit harmful fisheries subsidies by the end of 2019. The sessions were chaired by Ambassador Roberto Zapata (Mexico), with Ambassador Santiago Wills (Colombia) taking over from November 2019.

The 11th Ministerial Conference (MC11) instructed members to agree on comprehensive and effective prohibition of certain forms of fisheries subsidies that contribute to overcapacity and overfishing and the elimination of subsidies that contribute to illegal, unreported and unregulated (IUU) fishing. Special and differential treatment for developing countries

was to be an integral part of the negotiations. Ministers also re-committed to implementation of existing notification obligations in respect of fisheries subsidies.

The 2019 work programmes comprised ten week-long clusters of meetings. Each cluster was equally divided between meetings that delegations organized among themselves and informal meetings open to all members. The meetings open to all members were organized around four main topics: subsidies to IUU fishing; subsidies to fishing where stocks are overfished; subsidies contributing to overcapacity and to overfishing; and cross-cutting issues, including special and differential treatment for developing and least-developed countries, dispute settlement, institutional issues, notifications and transparency.



Negotiating activity on fisheries subsidies intensified in 2019.



The appointment of four facilitators at the end of 2018 – one for each of the main topics above – together with the chair’s own work, helped intensify activity during 2019. The basis for discussions included the sixth revision, carried out in 2018, of a working document compiling members’ proposals, with its numerous alternatives, and a compilation of brainstorming “incubator group” discussions between members from 2018, along with new proposals.

In total, members made 29 new written submissions in 2019, including discussion documents and suggestions of compromise language on certain issues that did not necessarily represent any one member’s position. In addition, at the request of members, the WTO Secretariat issued five factual background papers.

In April 2019, heads of delegation instructed the facilitators – delegates appointed to be neutral parties – to work towards “clean, consolidated” texts as a basis for text-based negotiations in the autumn. Further discussions led to only limited convergence. As a result, the facilitators were not able to produce the requested texts. Instead, they submitted working papers that largely outlined the state of play, identified some possible common points of departure and made suggestions in certain areas for text and/or the structure of legal provisions.

After Ambassador Zapata ended his role as chair in August, the facilitators – now increased to six – stepped up their work, including by holding facilitator-led meetings between and during the monthly clusters of meetings.

During the WTO’s Public Forum (see page 150) in October, a high-level panel urged rapid action to secure a global deal to end harmful fisheries subsidies. Renowned conservationist Sir David Attenborough added his support, noting via video message that a WTO agreement is vital for the sustainable future of the oceans. DG Azevêdo told the Forum: “It is clear today that the harm done by many fisheries subsidies cannot continue. More and more people outside Geneva and outside government circles are aware of this. They are looking to the WTO for a meaningful outcome. The world is now watching because the world cares. So, let’s get this done.”

On taking over as chair, Ambassador Wills immediately consulted with a large number of members and convened two negotiating group meetings at heads of delegation level. Here, it was decided that the facilitators should be empowered to develop negotiating texts.



Trade negotiations and discussions

In December 2019, the six facilitators circulated draft working papers under their own responsibility in the hope that they would help move the negotiations forward, without prejudice to members' original proposals and positions. The working papers set out the current state of negotiations in their respective areas, and in some cases, draft text for possible rules. These working papers were distributed as informal "room documents".

As the December 2019 deadline to conclude negotiations on fisheries' subsidies was not

met, members set a new deadline of the 12th Ministerial Conference. They also agreed to a schedule of meetings for the first five months of 2020 designed to engage members in continuous negotiating mode in the run-up to the ministerial meeting.

The objective of the work ahead of MC12 is to develop a single simplified text with a minimum of options, which can be presented to ministers for a decision. Preparing this text will require increasing intensification of work in Geneva and possibly the involvement of senior officials.

Ambassador Santiago Wills took over as the chair of the negotiations in November 2019.



Dispute Settlement Understanding

- **The special session concluded focused work on the 12 issues under discussion. The Chair issued a report on the state of play in the negotiations.**

Background on negotiations on the Dispute Settlement Understanding

In November 2001, at the Doha Ministerial Conference, WTO members agreed to negotiate to improve and clarify the Dispute Settlement Understanding – the rules and procedures governing the settlement of WTO disputes. These negotiations take place in special sessions of the Dispute Settlement Body.

In 2019, the Dispute Settlement Body in special session concluded focused work, initiated in 2016, on the 12 issues under consideration in the negotiations. The discussions sought to identify the potential for agreement among WTO members, either on incremental outcomes or on a comprehensive result covering several issues.

In the first half of 2019, the special session held seven meetings and addressed four topics: flexibility and member control (involving issues such as whether to introduce interim review in appellate proceedings or to allow the parties to jointly seek deletion of parts of a panel or Appellate Body report), effective compliance with rulings and recommendations (including whether remedies in case of non-compliance can be improved), panel composition and developing country interests.

The other eight issues under consideration had already been discussed in previous years. These are: mutually agreed solutions, post-retaliation (i.e. the procedure to be followed when parties disagree on whether there has been compliance, after retaliation has been authorized), remand (i.e. referral of cases back to panels when the Appellate Body is unable to complete the analysis), sequencing, strictly confidential information, third-party rights, timeframes, transparency and amicus curiae briefs (when someone other than a party or third party to the case provides an unsolicited brief).

In some areas under discussion, it became clear that owing to the passage of time and developments in dispute settlement, there was less convergence than before.

In June, Ambassador Coly Seck (Senegal), then Chair of the special session, circulated a report presenting the state of play of the negotiations, identifying challenges that the group had faced and outlining possible options. The report called for political will and engagement of members to reinvigorate the negotiations and unlock the potential for a successful conclusion. Members praised the report as an accurate reflection of the work and viewed it as a sound basis for future discussions.

In July, Ambassador Seck stepped down and a new Chair, Ambassador Yackoley Kokou Johnson (Togo), was elected. The new Chair consulted with the membership on the future work of the group, including in light of broader discussions on the functioning of the dispute settlement system ongoing in other WTO bodies.

Joint initiatives

Background on the joint initiatives

At the 11th Ministerial Conference, like-minded groups of members issued joint statements on advancing discussions on e-commerce, on developing a multilateral framework on investment facilitation, on launching a working group on micro, small and medium-sized enterprises (MSMEs) and on advancing ongoing talks on domestic regulation in services trade. Finally, 118 WTO members and observers supported the Buenos Aires Declaration on Trade and Women's Economic Empowerment, which seeks to remove barriers to, and foster, women's economic empowerment. The groups said they are open to all and encouraged other WTO members to join them.

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Electronic commerce

- **Members of the Joint Statement on Electronic Commerce began negotiations on trade-related aspects of e-commerce, holding eight meetings in 2019.**
- **Negotiations were organized under six groups – enabling digital trade, openness and digital trade, trust and digital trade, cross-cutting issues, telecommunications and market access.**

A total of 82 WTO members have joined the negotiations on e-commerce.

Members of the Joint Statement on Electronic Commerce began negotiations on trade-related aspects of e-commerce, holding eight meetings in 2019, six of which were substantive negotiating clusters. The meetings continued to be open to all WTO members. They were co-convened by Australia, Japan and Singapore and chaired by Ambassador Frances Lisson (Australia). Proposals, submissions, compilation texts and reports of the meetings were made available to all members.

The negotiations grew out of a joint statement issued by 71 trade ministers at the 11th Ministerial Conference in 2017 declaring their intention to work towards “WTO negotiations on trade-related aspects of electronic commerce”. They stressed that participation would be open to all WTO members and would be without prejudice to participants' positions on future negotiations.

In January 2019, on the margins of the World Economic Forum in Davos, Switzerland, 76 members, accounting for 90 per cent of global trade, announced they were ready to begin negotiations. They agreed to “seek to achieve a high standard outcome that builds on existing WTO agreements and frameworks with the participation of as many WTO members as possible”. All members were encouraged to participate in order to further enhance the benefits of e-commerce for businesses, consumers and the global economy. Since January 2019, six additional members have joined the negotiations, bringing the total number of participants to 82.

At the first meeting in March 2019, the co-conveners encouraged members to submit text-based proposals on a range of trade-related issues. Based on the submissions received, negotiations were organized under six focus groups: enabling digital trade/e-commerce; openness and digital trade/e-commerce; trust and digital trade/e-commerce; cross-cutting issues; telecommunications; and market access.



Six rounds of negotiations were held in May, June, July, September, October and November 2019. Issues covered included electronic authentication and electronic signatures, paperless trading, cross-border transfer of information, location of computing facilities, access to the internet, consumer protection, protection of personal information/privacy, market access, telecommunications, spam, source code, cybersecurity, capacity building and cooperation.

The unique opportunities and challenges faced by WTO members, including developing countries and least-developed countries, as well as by micro, small and medium-sized enterprises, were taken into account in the discussions.

In September, October and November, negotiations were based on streamlined texts prepared by the co-conveners. An organizational meeting was held in December to discuss future work leading up to the 12th Ministerial Conference (MC12). Several open events were organized throughout 2019, giving an opportunity to other stakeholders to enrich the discussions.

Addressing a meeting of members of the Joint Statement in Davos in January 2020, DG Azevêdo urged them to use MC12 to show they really mean business. “Substantive deliverables on e-commerce – if not full agreements, then concrete negotiating texts or partial agreements – would show the world that this process is serious about articulating shared rules of the game for digital trade,” he said.



Investment facilitation for development

- **The initiative made significant progress in 2019 on identifying possible elements of a multilateral framework on investment facilitation for development.**
- **In November, 98 WTO members issued a joint ministerial statement committing themselves to intensify work towards a concrete outcome on investment facilitation at the 12th Ministerial Conference (MC12).**

Discussions on investment facilitation for development, launched by 70 WTO members at the 11th Ministerial Conference in December 2017, made substantive progress in 2019 at the group's 11 meetings. Discussions focused on further developing possible elements of a multilateral framework identified in 2018.

The framework's aim is to improve the transparency and predictability of investment measures and to streamline and speed up administrative procedures and requirements. It also aims to enhance international cooperation, information-sharing, the exchange of best practices and relations with relevant stakeholders, including dispute prevention. Facilitating greater participation by developing and least-developed countries in global investment flows is at the core of the discussions. The initiative does not address market access, investment protection and investor-state dispute settlement.

Just as the WTO is helping to facilitate global trade – with its 2017 Trade Facilitation Agreement (see page 90) – many members argue that the WTO could help to facilitate global investment.

Between January and July 2019, discussions were based on examples and suggestions submitted by WTO members illustrating how the possible elements of the framework could be developed. The examples drew on members' bilateral and regional trade agreements, international investment agreements, domestic legislation and WTO texts.

Building on these text-based examples and focusing on areas of common interest and convergence, and at the request of participating members, the discussions' coordinator Ambassador Eduardo Gálvez Carvallo (Chile) prepared a working document, which formed the basis for work in the second half of 2019.

The meetings were organized thematically. Attendance and participation at the meetings were high, leading to in-depth text-based discussions. Participation in the meetings has been without prejudice to members' positions on the initiative.

In November 2019, following an informal ministerial meeting in Shanghai, 98 members signed a joint ministerial statement committing themselves "to intensify work to further develop the framework for facilitating foreign direct investments, and work towards a concrete outcome on investment facilitation for development at the 12th WTO Ministerial Conference (MC12)."

In December, DG Azevêdo welcomed the progress made in the talks and commended participants for advancing in an open, transparent and inclusive manner. He stressed that trade and investment facilitation policies can help promote economic growth, development and job creation, and that everyone would stand to benefit from a shared investment facilitation framework that also leaves space for members to address their particular circumstances.

DG Azevêdo urged participants, as they move towards MC12, to maintain their high level of engagement and to continue reaching out to other members, to ensure transparency and inclusivity.

Ministers met again in January 2020 at the World Economic Forum in Davos, Switzerland, where they re-affirmed their commitment to work towards a concrete outcome on investment facilitation by MC12 and to keep the momentum in the forthcoming crucial months, including by conducting further outreach activities. They also confirmed the decision taken in December to move into negotiating mode as of March 2020 in order to achieve a concrete outcome.

"MC12 is an important moment to show that the WTO can deliver. A meaningful outcome on investment facilitation would be a huge achievement to that end. It would foster greater cross-border economic activity, contributing to growth, job creation, and development," DG Azevêdo told the ministers in an address.

Discussions on investment facilitation are being conducted by 100 WTO members.



Micro, small and medium-sized enterprises

- The Informal Working Group on Micro, Small and Medium-sized Enterprises (MSMEs) held four meetings open to all members and various workshops.
- Work focused on developing potential outcomes and proposals for the 12th Ministerial Conference (MC12) on issues ranging from access to information to MSME inclusion in rule-making.
- The group grew to 91 members, from 89 at the end of 2018.

The working group on MSMEs comprises 91 WTO members.

The Informal Working Group on MSMEs, launched in December 2017 by 88 WTO members, grew to 91 members with the incorporation of Mongolia and Saudi Arabia. Armenia joined in 2018. The group, which is open to all members, continues to be chaired by Uruguay. Its principal aim is to address obstacles to MSME participation in international trade.

The group, whose members account for around 80 per cent of world exports, held four meetings – in February, June, October and November – and a drafting session in December to discuss proposals for a declaration on MSMEs at MC12. The objective is a declaration that includes recommendations, decisions, calls to action and a work programme.

Proposals submitted include the development of a new online platform with links to useful practical tools for MSMEs (online courses, relevant websites) and policy-makers (useful studies, information on good practices). Another suggestion was for WTO members to actively contribute to the success and prompt operationalization of the Global Trade Helpdesk by responding to a questionnaire to help fill data gaps. The helpdesk was launched jointly by the International Trade Centre (ITC), the UN Conference on Development and Trade and the WTO at the 11th Ministerial Conference in Buenos Aires. It aims to integrate trade-related information into a single online portal.



There was also a call to members to submit MSME-related information in their Trade Policy Reviews (TPRs – see page 104), on the basis of a checklist developed by the group, and to establish a database of the information collected or provided by members through their TPRs. Other proposals submitted by members relate to trade facilitation, trade finance (see page 110) and consultation with MSMEs when new trade-related regulations are developed and on the publication of draft and adopted regulations.

Chairs of various WTO committees and working groups were invited to brief the group on MSME-related discussions in their respective bodies, and representatives of various international organizations gave presentations on their projects and activities related to MSMEs. These included the International Chamber of Commerce, the International Finance Corporation, the International Telecommunication Union, the ITC, the Organisation for Economic Co-operation and Development, the Universal Postal Union and the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT).

On 27 June 2019, to celebrate the United Nations' Micro, Small and Medium Enterprise (MSME) Day, the group hosted a workshop on trade facilitation (see page 90) organized by the United Kingdom's Federation of Small Businesses. Members also participated in the launch of the ITC SME Competitiveness Outlook 2019, "Big Money for Small Business, Financing the Sustainable Development Goals".

The group hosted two other workshops in 2019 – on cybersecurity and trade enablement of MSMEs through the use of technology. It also supported a workshop organized by Romania on MSMEs and the digital economy, co-hosted a presentation of the Global Trade Helpdesk with the ITC at the 2019 Public Forum (see page 150) and participated in a workshop organized by the WTO's Trade Facilitation Committee in October.



Domestic regulation of trade in services

- **Participants in the Joint Initiative on Services Domestic Regulation achieved significant convergence on disciplines to ensure transparent, predictable and facilitative authorization processes for service providers.**
- **The Chair of the talks urged participants to intensify work in early 2020 in order to finalize negotiations by the 12th Ministerial Conference.**

In 2019, the 60 participants in the joint initiative continued discussions, which are open to all WTO members, on the development of regulatory disciplines to ensure that measures related to authorization of service suppliers, such as licensing, qualification and technical standards, are transparent, predictable and facilitate the obtaining of authorizations.

The joint initiative was launched by 57 trade ministers in Buenos Aires in December 2017. The work is organized outside the WTO Working Party on Domestic Regulation, which is mandated to develop any necessary disciplines to ensure that members' domestic regulations do not constitute unnecessary barriers to trade in services.

In May 2019, ministers from participating members pledged to continue working on outstanding issues, with a view to incorporating the outcome in participants' schedules of commitments by the 12th Ministerial Conference. The additional regulatory disciplines would be binding on all participants, who would implement them to the benefit of all WTO members.

During the year, significant convergence was achieved on the proposed new disciplines. Among these are: enhanced transparency in the publication of relevant information and the possibility to obtain relevant information from authorities; impartial and independent administration of authorization processes; and reasonable timeframes for examining and processing applications.

The disciplines also encourage the use of electronic means during the application processes and seek to ensure that such processes are adequate and do not become undue barriers. Participants exchanged draft schedules of commitments in which they indicated how they would incorporate the disciplines into their General Agreement on Trade in Services schedules.

At the last meeting in December, DG Azevêdo noted that the work is of benefit to all members. Businesses need clarity on regulatory processes and to have confidence that regulatory decisions are independent and impartial. "I understand that your work is also converging along these lines. This kind of responsiveness to the users of the trading system can only be a positive thing," he said.

The Chair of the talks, Jaime Coghi Arias (Costa Rica), said significant progress had been made but that work needed to be intensified in the early months of 2020.

Sixty WTO members are participating in the joint initiative on services domestic regulation.

4



Trade and women's economic empowerment

- **WTO members held three workshops on links between trade and gender, as called for in the Buenos Aires Declaration on Trade and Women's Economic Empowerment.**
- **By the end of 2019, 126 WTO members and observers had joined the Declaration, representing 75 per cent of world trade.**
- **Ten of the 12 members undergoing Trade Policy Reviews in 2019 included information on their gender-responsive trade policies, a 66 per cent increase on 2018.**

The Buenos Aires Declaration on women's empowerment is supported by 126 WTO members and observers.

WTO members held three further workshops on trade and gender in 2019, adding to the three organized in 2018, with the aim of better understanding the links between trade and gender. The workshops fulfilled a commitment made in the 2017 Buenos Aires Declaration on Trade and Women's Economic Empowerment to convene six thematic workshops between March 2018 and October 2019. The six themes were: data collection, government procurement, global value chains, trade agreements, digital trade and financial inclusion.

Launched on the margins of the 11th WTO Ministerial Conference, the Declaration provides a platform for WTO members to share information and best practices on how they have been

integrating gender into their trade policies and strategies. By the end of 2019, 126 WTO members and observers had joined the Declaration, representing 75 per cent of world trade.

In March, a workshop was held at the WTO on "Gender Considerations in Trade Agreements". Co-organized by Iceland, Botswana and the United Nations Conference on Trade and Development, in cooperation with the WTO and the International Trade Centre (ITC), it looked at how trade agreements can enhance women's empowerment. "All the evidence shows that giving women the same opportunities as men improves competitiveness and productivity. In turn, this boosts economic growth and poverty reduction," DG Azevêdo told the session.

A workshop in March highlighted the role of trade agreements in enhancing women's empowerment.



A workshop on “Women in Digital Trade” was organized by the European Union, Senegal and Trinidad and Tobago at the WTO in July. Electronic commerce has great potential to boost the economic empowerment of women but only if the necessary conditions are in place, the session heard. It addressed the opportunities, challenges and key issues for women in digital trade. It also heard real-life stories and good practices from entrepreneurs.

At the final workshop on financial inclusion, co-organized by Rwanda, the African Development Bank, the Asian Development Bank, the Intra-American Development Bank, ITC and the Islamic Development Bank, in cooperation with the WTO, participants discussed initiatives aimed at increasing access to trade finance to support women entrepreneurs seeking to export to new markets. The workshop showcased practical examples of collaborations with development finance institutions and investors to support women entrepreneurship.

The Buenos Aires Declaration says the Aid for Trade initiative and Trade Policy Reviews can be used to support members in gathering and sharing information on strengthening women’s economic empowerment. Economic diversification and empowerment of women are key to achieve a fairer and more efficient trading environment, speakers at various sessions told the Aid for Trade Global Review on 3-4 July (see page 134). In 2019, ten of the 12 members undergoing Trade Policy Reviews included information on their gender-responsive trade policies, a 66 per cent increase on 2018.

The 2019 Aid for Trade monitoring and evaluation exercise (see page 132) showed that women’s economic empowerment is high on the agenda for both donors and partner countries. Some 84 per cent of donors’ Aid for Trade strategies and 85 per cent of partner countries’ national or regional development strategies seek to promote women’s economic empowerment, according to a WTO working paper on women’s economic empowerment published in 2019.

