

*Position paper sent to: ngo@wto.org
Position paper to be shared with all WTO members*

SUBJECT ICTA call for open chemical trade in response to Covid-19
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1. Introduction

The chemical distribution industry plays an invaluable role in the global fight against Covid-19. Taking up its role as 'crucial' or 'essential' industry, it has provided (input materials for) disinfectants, pharmaceuticals, personal protective equipment, detergents, food ingredients and drinking water chemicals. However, several new barriers to trade have made it more difficult for chemical distributors to undertake their important work. The chemical distribution industry urges WTO and its members to remove these barriers.

2. Chemical distribution and ICTA

Chemical trade is a globalized industry and chemical distributors are almost by definition involved with international trade. They play an essential role in the industrial supply chain, offering over 100,000 chemical products to millions of B2B customers. Aside from trade, storage and transport chemical distributors offer additional services such as blending, formulating, repackaging, compliance support and quality assurance. The global chemical distribution industry accounts for an annual turnover of about €250bn.

ICTA represents the interests of over 1,300 chemical distributors world-wide. As a global chemical association, ICTA coordinates work on health, safety, security and sustainability. Through ICTA's Responsible Care/ Responsible Distribution program, the chemical distribution industry cooperates to create a global business environment that is good for people, planet and profit.

ICTA supports the WTO in its work towards the creation of a rules-based global and transparent system for free trade and fair competition. With a strong and effective WTO, it is possible to raise global living standards and foster economic growth and innovation, benefitting all WTO members regardless of their level of economic development.

3. Barriers to global trade after Covid-19

Three barriers resulting from the Covid-19 pandemic have seriously complicated global trade. These are explained below including suggestions for WTO members to remove them.

3a. Export restrictions

Open borders enable international division of labor and the utilization of economies of scale to create efficient and sufficient supply for all WTO members. Medical products and other items essential in fighting the pandemic crisis are produced by global supply chains. Well-functioning supply chains can help quickly ramp up production. However, at least 72 WTO members have responded to the Covid-19 outbreak by issuing export restrictions¹. This disrupted supply chains for those products and intermediate products when they were needed most, resulting in unnecessary delays and lost production capacity. The export restrictions have harmed faith in the free trade system. In the longer term the increased uncertainty may delay or even undermine investments decisions.

Therefore, ICTA urges WTO members to:

- Refrain from implementing new export restrictions and remove existing ones in order to prevent further supply chain disruptions; and
- Notify any new export restrictions and other trade measures to the WTO pursuant to the QR Decision². The WTO should then swiftly make the information available to the public³.

¹ WTO information note, Export prohibitions and restrictions, see [here](#)

² Decision on Notification Procedures for Quantitative Restrictions, 2012

³ BDI, Export controls and export bans over the course of the Covid-19 pandemic, see [here](#)
[International Chemical Trade Association](http://www.icta-chem.org)

3b. Precautionary regulations

Well before the outbreak of Covid-19, world trade was already experiencing headwinds, see Figure 1. Prior to 2008, world trade grew at twice the rate of economic growth, in part thanks to WTO successful efforts to remove tariffs. However, in the period 2008-2020 growth of world trade was only equal to that of the economy.

A key explanation for this is the increased tendency of WTO members to create precautionary regulations. Stating the intention to protect their citizens from possible risks, WTO members increasingly implement safety and quality regulations based on the precautionary principle. Such regulations often constitute a form of disguised protectionism by in effect denying market access to foreign products.

The pandemic has provided WTO members an incentive to introduce extra precautionary regulations. For instance, the European Commission has stated that Covid-19 “increases the urgency to step up action in the chemicals area to ensure stronger protection of citizens’ health”. ICTA believes WTO members should be careful with introducing regulations in response to Covid-19 that may hinder international trade.

Therefore, ICTA urges WTO members to:

- Develop regulations only based on a risk-based approach using a balanced risk assessment grounded in sound science and internationally accepted standards;
- Perform an impact analysis of each new precautionary regulatory proposal to make sure that it does not cause unintended disruption of supply chains;
- Promote regulatory cooperation and convergence on chemicals and transport, including support for implementation of the UN TDG⁴, GHS⁵ and TIR⁶
- Re-commit to the WTO Trade Facilitation Agreement to help remove regulatory hurdles and bureaucratic inefficiencies; and
- Restore the quorum in the WTO Appellate Body to reinstate the two-step dispute settlement process.

3c. Local supply chains

Moreover, some WTO members now see a need to reinforce local production for certain (chemical) products, thereby interfering with free markets. Look for example again at the European Commission, which identifies a need “to promote EU’s strategic autonomy for essential chemicals”.⁷ ICTA believes that it is a fallacy⁸ to argue that supply chains would be safer if they were solely domestic.

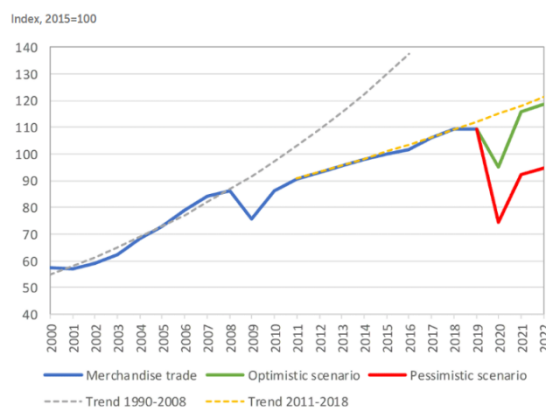
Therefore, ICTA urges WTO members to:

- Renew the global commitment towards free trade under the WTO’s rules-based multilateral trade system and/or through regional or plurilateral agreements;
- Promote foreign direct investment and international respect for intellectual property; and
- Set a positive WTO trade agenda and revitalize WTO.

4. Concluding

ICTA firmly believes in the ability of international supply chains to provide goods efficiently. It stands for free trade and promotes the level playing field. Through its Responsible Care/ Responsible Distribution program, ICTA contributes to safe and responsible work with chemicals.

Figure 1 World merchandise trade volume, 2000-2022 (source: WTO)



⁴ United Nations Transportation of Dangerous Goods

⁵ Globally Harmonized System of Classification and Labelling of Chemicals

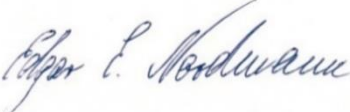
⁶ Convention on International Transport of Goods Under Cover of TIR Carnets

⁷ European Commission, Roadmap for chemicals strategy for sustainability, 9 May 2020, see [here](#)

⁸ FT View, ‘The WTO is needed today as much as ever’, 18 May 2020

Chemical distributors provide the products and solutions to improve global wellbeing and achieve a wide range of societal objectives, including in the fight against Covid-19. The ability of chemical distributors to deliver the goods necessary during the pandemic has been seriously hampered by the recent export restrictions. In the longer term, precautionary regulations and government-induced localization of supply will further disrupt chemical supply chains. ICTA therefore calls on WTO and its members to reinvigorate the global free trade system. This would allow the chemical distribution industry to further expand its contributions to the UN Sustainable Development Goals, in particular goals 3, 6, 8, 9 and 12.

Yours sincerely,

A handwritten signature in blue ink, reading "Edgar E. Nordmann". The signature is written in a cursive style with a blue ink color.

Edgar E. Nordmann, President ICTA