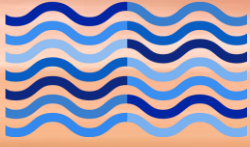


B7

United Kingdom 2021



B7 Trade Statement

Principles and recommendations for G7 Trade Ministers

May 2021

Contents

Chapters

1. Introduction	3
2. Revitalising and refocusing the World Trade Organisation	4
3. Combatting protectionism including in health	8
4. Reorienting trade policy in favour of low carbon goods and services	10
5. Building resilience and opportunities for SMEs	12

Introduction

Now is the time for G7 leadership on trade.

The pandemic has created an unprecedented economic shock and has severely hampered global trade. It has also accelerated the pace of innovation, shown the capacity of business to adapt and deliver for citizens, and has pointed to new opportunities to create jobs and prosperity.

Cross-border trade will be central to an inclusive recovery. G7 leadership will be crucial in an increasingly fractured trading environment. Business will also need to take responsibility, creating growth and jobs and advocating for change.

Business looks to government to set the legal framework and create the right context for a balanced economic recovery. With global trading rules failing to keep pace with changes in technology and commerce, the G7 should champion trade modernisation. Governments should also avoid damaging protectionism, rolling back restrictive measures that were taken during the crisis. They should work with business on identifying business-led solutions wherever possible.

As business associations from G7 countries, the B7 highlights four priorities for the G7's trade strand:

- Revitalising and refocusing the WTO through clear priorities for the Ministerial Conference scheduled for 30 November 2021 and a medium-term plan of collaboration by the G7 which spans G7 Presidencies.
- Combatting protectionism, including in health, with commitments to roll back protectionist measures over the next 12 months.
- Accelerating the race to net-zero by using trade policy to support trade in low carbon goods and services.
- Building resilience and opportunities for SMEs by digitising trade, driving greater transparency in services, and boosting the participation of MSMEs.



Revitalising and refocusing the World Trade Organisation

Principles

- The global trading system needs a single organisation which can effectively agree standards to which every country can commit, monitor implementation of the rules, and broker disputes. Agreements at a global level have a greater positive impact for business than bilateral agreements because they set baseline standards for all and bring a global framework for enforcement. Economic growth and job creation across the world rely on a functioning multilateral trade system. If that system fails to function, business and communities around the world pay the price.
- The WTO needs a reset and the G7 can play an important role in building momentum towards consensus. The WTO requires renewed commitments from its members, greater engagement from business and fundamental reform if it is to perform effectively. It has failed to modernise the rules of world trade and an important element in its dispute settlement system is no longer functioning. These problems reflect differences between WTO members as much as institutional failures. They need to be addressed through a new compact.
- Reform of the WTO, an organisation with 164 members, cannot be settled by the G7 working alone. Change requires much wider consensus, including at the G20. As a first step the G7 needs to find a common ground between its own members on the fundamental issues. The B7 will work closely with the B20 to support reform and to provide governments the licence to act.
- The appointment of Dr Ngozi Okonjo-Iweala, the first female and first African WTO Director-General is a hugely positive signal. Business will support the Director-General as she seeks to bring new direction to the organisation, will engage with the new perspectives she brings, and will actively support progress in key dossiers ahead of this autumn's Ministerial.
- As we come out of the pandemic, the B7 is calling on the G7 to show collective resolve and leadership and adopt a credible cross-Presidency workplan to strengthen the WTO.

Showing the WTO can deliver: three priorities for this year's WTO Ministerial Conference

- Concrete results at November's Ministerial will be critical to rebuild trust. The G7 needs credible targets which do not overload the agenda but show the WTO can deliver outcomes for Covid-19 recovery.
- The G7 should put its political weight behind securing three agreements: the agreement on fisheries and the Joint Statement Initiatives (JSIs) on services domestic regulation and e-commerce. The moratorium on customs duties on electronic transmissions should also be made permanent.
- Concluding an agreement on fisheries at MC12 would turn G7 aspirations to drive greater ambition in biodiversity into concrete action. It will show that the WTO can

deliver on an agreement which covers all the WTO membership, as well as the plurilateral approach represented by JSIs.

- As the WTO Director-General steps up her call for action, including a possible Ministerial meeting, G7 Ministers should respond with determination to deliver results and readiness to make compromises.
- The G7 should also prioritise adoption of the Joint Statement Initiatives as a mechanism for change. By drawing together a wide range of WTO members from all continents they strike the right balance between flexibility and transparency.
- This year's Ministerial should agree the Joint Statement Initiative on Services Domestic Regulation. Services already make up 55% of global trade, are growing faster than goods, and are more likely to create opportunities for women.¹ One recent report projected that the post-pandemic value of international trade in services would rise from \$6.1trn in 2019 to \$8.0trn by 2025, an increase of almost one third (31%) in the value of global trade flows over this period.¹
- While growing faster than trade in goods, trade in services faces more obstacles. The 2019 WTO World Trade Report found that the costs of trading services are almost twice as high as trade costs for goods, due to regulatory divergence and lack of transparency.
- The JSI on Services Domestic Regulation would reduce barriers to entry in countries representing more than 70% of global services trade. It would require countries to publish information about compliance requirements and authorisation procedures, set timeframes for processing applications, and streamline the number of competent authorities deciding on authorisations. It would also require that authorisations do not discriminate on gender grounds.
- Progress on the WTO E-commerce Agreement with a view to promoting data free flow with trust should be the G7's third priority. With e-commerce growing exponentially, consistent rules will be a critical enabler for economic growth across all continents. E-commerce opens markets to new entrants and reduces costs to support inclusion, be that for SMEs or female entrepreneurs. According to UNCTAD, global e-commerce hit \$26.7trn in 2019, up 4% on 2018, making up 30% of global GDP,² with benefits for all continents.
- Business welcomes the ambitious agenda of the e-commerce JSI. It seeks more clarity in areas including e-signatures and authentication, paperless trading, open government data, open internet access, consumer protection, spam, source code and algorithm protection, and digital market access. To enhance certainty and economic opportunity, any agreement should discipline unnecessary or discriminatory data localisation mandates and data transfer restrictions.³

Recommendations

- 1. Rebuild trust in the WTO by putting G7 support behind credible concrete outcomes at this year's Ministerial in November: finalise the agreement on fisheries and the Joint Statement Initiatives on services, and secure progress on the JSI on e-commerce.**

¹ [Women and trade the role of trade in promoting women's equality](#), The World Bank, July 2020, p.8.

² [Estimates of global e-commerce 2019](#), UNCTAD, April 2021

³ [Joint Statement Initiative on E-commerce: co-conveners' update](#), December 2020

2. **Target one clear digital win by campaigning to make permanent the moratorium on customs duties on electronic transmission which is currently renewed every two years.**

A medium-term plan to modernise the WTO's governance

- The B7 wants to work with the G7 on more fundamental reforms. This year's G7 summit needs to agree a timetable for WTO modernisation, with an agreed G7 work plan to address three critical dossiers: dispute settlement, special and differential treatment for developing countries, and subsidies.
- Business is looking to the G7 to come up with a plan before the year's end to reform the dispute settlement system. A viable trading system requires a workable and reliable system of dispute settlement which is fair, proportionate, and efficient. Longstanding concerns around judicial activism at the WTO are genuine and need to be addressed.
- Business understands that a solution will not emerge overnight. But it is time to see G7 consensus and commitment to action. A first step would be for the G7 to set a clear timetable to agree a common approach for change ahead of this year's Ministerial, building on the 'Walker Principles' developed by New Zealand's Ambassador to the WTO. The B7 supports the Walker Principles' emphasis on faster appeals, limits on the scope of appeal, and respect for rights and obligations already provided for in WTO rules.⁴
- The G7 must also agree common principles to modernise the WTO agreement on Subsidy and Countervailing Measures (SCM) to tackle subsidies that are proven to be problematic.
- Subsidies that support businesses to compete on uncompetitive terms on the domestic and global stage create tensions within the world trading system and heighten the risk of imbalances within systemic economies. This problem is most acute in subsidies provided by, and available to, state-owned and state-influenced enterprises.
- The definitions within the SCM Agreement (on terms such as "public body" and on which subsidies should be unconditionally prohibited) must be made more specific so that they truly cover subsidies that are harmful and should be prohibited. This work will need to take account of the new economic climate as governments take actions to recover from the pandemic.
- New ex-ante prohibitions need to be added to the SCM. At the same time, more effective enforcement mechanisms are vital to incentivise notification, as well as to penalise failing notification.
- The WTO secretariat should be resourced and tasked to gather data more effectively and across a greater range of sectors, including from publicly available resources, to give a more accurate picture of distortive subsidies. This would develop a much clearer sense of which subsidies are the source of distortions and how the greater transparency and rigour can be applied to the WTO's notification processes, including by working more closely with OECD and its work on subsidies.

⁴ Report by H.E. Dr David Walker, Informal process on matters related to the functioning of the Appellate Body, July 2019

- The G7 should lead by example providing transparency and timely notification. B7 members stand ready to share insights with government to help this work.
- The implementation of the Special and Differential Treatment for Developing Countries should also be reviewed so that it reflects the economic balance of the world in 2021 and the huge and welcome changes in global wealth over the last 20 years.
- The G7 should work together on proposals to establish watershed criteria to support self-designation of developing countries. Criteria need to be widened to include measures such as shares of global trade and output measured in terms of added value. Flexibilities should be awarded on a limited and case-by-case basis to avoid catch-all exemptions.

A stronger role for business at the WTO

- For the WTO to be successful in developing a global trading system that truly reflects the needs of traders, business needs a stronger voice in Geneva. The WTO's commitment to the Public Forum is welcome but an annual event is not providing the sustained and focused engagement that business requires.
- The G7 should support B7 engagement with the WTO Secretariat to develop new structures for business engagement with representative business organisations. Comparable, proven structures already exist at other international fora, such as OECD's technical advisory groups (TAGs), Business at the OECD (formerly BIAC) and APEC's Business Advisory Council. New structures should meet regularly throughout the year and conduct formal dialogues ahead of every WTO Ministerial Conference.
- Business is ready to bring more expertise to the table, provide greater impetus to existing long-running discussions and speak in public in support of the WTO.

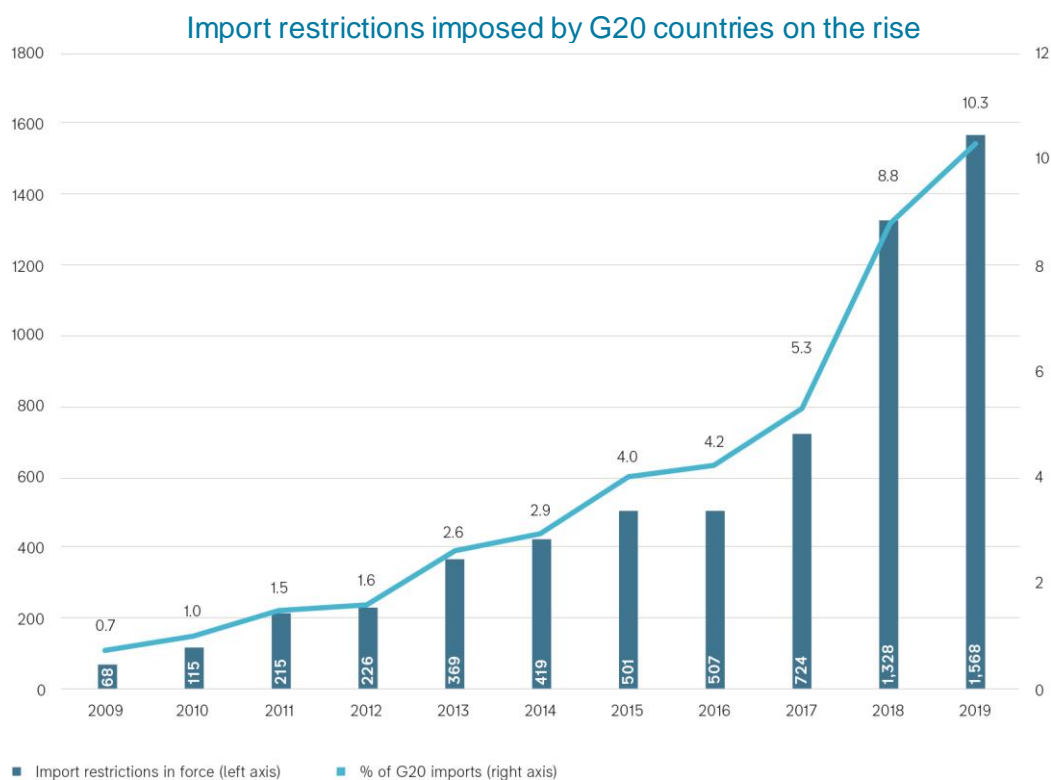
Recommendations

- 3. Develop a common G7 position on major reform initiatives starting with renewed dispute settlement based on the Walker principles ahead of the 2021 Ministerial; launch G7 work on subsidies and special and differential treatment in 2021 and report back in 2022 G7 summit. Agree a cross-Presidency work plan in 2021 to deliver fundamental reform.**
- 4. The B7 will actively support the role of the WTO and free trade and we will liaise with the WTO Secretariat to develop new forms of structured engagement with business representative organisations.**

Combatting protectionism including in health

Principles

- Business is increasingly concerned by rising protectionism. The percentage of imports hit by restrictions by G20 countries increased 15-fold between 2009 and 2019 and now affects 10.3% of G20 imports (\$1.6 trn).⁵ The pandemic compounded the danger by introducing crisis measures which risk becoming permanent.



- Rather than turning inwards, governments should commit to rolling back measures adopted in the crisis and work with businesses on alternative solutions, drawing on the B7 and B20 and our member companies and trade associations.
- Nowhere is this clearer than health where business is working hard to bring solutions. Vaccine manufacturers are now rapidly boosting production to meet unprecedented demand as supplies of critical inputs increase.
- The availability of vaccines is expected to grow rapidly in the months ahead, producing billions of doses barely a year since the emergence of a novel coronavirus – a remarkable achievement and demonstration of the impact that partnership between industry, academia and governments can have.
- Instead of considering export bans, G7 governments should concentrate their efforts on raising supply: building confidence in new and existing vaccines; investing in a supportive research and development (R&D) environment and

⁵ [Report on G20 trade measures](#), WTO, June 2020, p.6

safeguarding free and open markets to support global supply chains involved in the research, manufacture, and equitable delivery of healthcare technologies.

- The B7 supports initiatives that seek to eliminate unnecessary export restrictions on essential medical goods used to combat Covid-19, such as the Ottawa Group trade and health initiative.⁶ Such initiatives ensure accessibility of essential goods and eliminate unnecessary disruption to supply chains, thereby supporting their resilience and robustness.
- At WTO, G7 should target a commitment to update the 1995 WTO Pharmaceuticals Tariff Elimination Agreement at MC12. This agreement eliminates tariffs on finished medicines and some active pharmaceutical ingredients (APIs) for signatory countries, reducing barriers to trade in critical medical goods that have been needed more than ever during the Covid-19 pandemic.
- The list of APIs covered in the agreement was last updated over a decade ago and is now substantially out of date. More than 600 innovative new APIs developed over the last decade continue to be taxed when traded across borders. This increases the cost of medicine production just as national health systems seek to catch up with the backlog of patients who have been unable to access treatment for non-Covid-19 ailments during the crisis.

Recommendations

- 5. Commit to a G7 roadmap to roll back protectionist measures adopted in the pandemic, including export restrictions, over the next 12 months; and commit to prioritising open global supply chains over consideration of export restrictions.**
- 6. Work with WTO Members to facilitate the free movement of medicines, vaccines, and consumer health products, both now and in the future, to ensure timely access to medicines for those who need them.**
- 7. Commit at the WTO Ministerial to update the 1995 WTO Pharmaceuticals Tariff Elimination Agreement to reduce the cost of medicine production by adding new active pharmaceutical ingredients (APIs). In the short term, the G7 should commit to negotiating a permanent pluri-lateral agreement on Trade and Health which, at a minimum, would include tariff liberalisation, disciplining export restrictions and improved trade facilitation for all pharmaceutical products and their components.**

⁶ Covid-19 and beyond: Trade and Health, Ottawa Group, November 2020

Reorienting trade policy in favour of low carbon goods and services

Principles

- With COP26 on the horizon, G7 should enhance the role of trade as an accelerator in the race to net zero and make low carbon trade integral to efforts to revive the WTO.
- A powerful signal for the G7's post MC12 should be to restart negotiations on the Environmental Goods Agreement (EGA), generating momentum in the stalled negotiations from the increasing political impetus behind efforts to tackle climate change and the growing economic benefits from environmental trade.
- The G7 should announce at the November Ministerial that they will support work to update the list of eligible goods and the services eventually provided with those goods. Agreeing this list remains the biggest challenge to securing an agreement.
- Non-tariff barriers should also be discussed, so that tariff liberalisation efforts are not jeopardised. Customs and standards experts should take part in the negotiations to minimise potential complications for customs procedures created by new classifications.
- The WTO should go beyond liberalising tariffs on environmental goods and start the discussions of harmonising regulatory issues to promote international standards of environmental goods.
- Services need to be a greater part of the green agenda as a critical enabler of the shift to low-carbon.
- The Structured Discussions on Trade and Environment Sustainability are a welcome start, but concrete actions must follow. Accelerated talks are needed in the normal negotiating committees on trade in services, recognising how the traditional trade categorisations of environmental services (e.g., waste management) do not encompass the modern business experience of architects designing energy efficient buildings or environmental consultants advising businesses on how to cut their carbon expenditure.
- If a revamped Environmental Goods Agreement proves possible, a fully-fledged Environmental Services Agreement should be the next step.
- G7 countries should also raise their ambition on fossil fuel subsidies around the world, which amounted to US\$478bn globally in 2019.⁷ While acknowledging the important role of support for the transition to a low carbon economy, G7 countries should commit to phasing out distortive fossil fuel subsidies where they exist. They should look to incorporate this in the negotiations on updating the Agreement on Subsidies and Countervailing Measures.

⁷ [Making the green recovery work for jobs, income and growth](#), OECD, updated October 2020

- While multilateral negotiations proceed, the G7 should set an example in green trade. G7 countries should commit to making climate an important component of their trade policies and of the bilateral and plurilateral agreements they are presently negotiating.
- There will be different approaches, with some G7 countries taking unilateral measures to reduce tariffs on green goods, and others looking to tie lower tariffs to additional climate commitments from beneficiary countries. Nevertheless, there should be a clear G7 direction of travel with a commitment to a race to the top.

Recommendations

8. **Relaunch work on the WTO's Environmental Goods Agreement with an announcement at the November Ministerial that the G7 will support work in Geneva to update the list of eligible goods and the services eventually provided within those goods.**
9. **Ensure climate is integral to the WTO's modernisation agenda by promoting environmental services and disciplining distortive fossil fuels subsidies.**
10. **Lead from the front by making climate an important element of G7 trade policies and to the bilateral and plurilateral agreements presently being negotiated by G7 countries.**



Building resilience and opportunities for SMEs

Principles

- Facilitating the role of SMEs in global trade will be central to a successful recovery. SMEs will benefit from actions in the areas above, especially a revitalised WTO. They would also benefit disproportionately from steps to digitise trade, measures to drive greater transparency in services, and support for participation of micro-SMEs.
- Post-pandemic research shows that 27% of businesses now see digital transformation and the increased use of digital tools as a significant opportunity over the next 12 months.⁸ The challenge is to help SMEs digitise internationally.
- Digitising the estimated four billion paper documents that are used each year for shipment of goods and trade finance would cut bureaucratic and monetary costs, reduce delays, and minimise physical contact during the present, and any future, health crisis. These efficiency gains matter most to SMEs which often lack the time and the capacity to manage the estimated 15 documents required per trade transaction.
- The B7 supports efforts by governments to identify obstacles to electronic trade, promote an increased use of electronic transferable records and commit to a timetable to aligning legal frameworks to the UN Commission of International Law (UNCITRAL) Model on Electronic Transferable Records (MLETR). Alignment with MLETR should include documents of transport, bills of lading, bills of exchange, promissory notes, and warehouse receipts.
- The processes which we need to harmonise are complex, vary between countries, and often fall between different ministries in each G7 state. The G7 should therefore identify a single window approach for companies to engage with government on digital trade processes.
- Business also wants to see as many countries as possible creating compatible systems to reduce frictions and risk. The B7 would therefore welcome commitments from the G7 to fund capacity building for developing economies in this area.
- These should be part of efforts to enable and facilitate a greater participation of Micro, Small, and Medium-sized Enterprises (MSMEs) in international trade. The B7 highly commends the practical principles of the WTO's Informal Working Group on MSMEs published in December 2020, which seeks to have a dedicated consideration of MSMEs in trade policy making, as well as to support trade facilitation for these companies through information dissemination and improvements to finance infrastructure. The B7 highlights the burdensome nature of customs procedures and calls on countries to adopt digital customs procedures to ease these difficulties.

⁸ [Trade Barometer Spring 2021](#), Santander, March 2021, p.6

- The G7 should also adopt proposals to drive greater transparency in services trade, recognising the complexity encountered particularly by unregulated suppliers trading internationally. This is especially the case for SMEs, who commonly lack the time, resource, and expertise to identify specific trade barriers applying behind national borders. Such proposals should build substantially on the provisions of GATS, to include:
 - (a) agreement to adopt a negative list approach to inscribing services reservations in subsequent free trade agreements, which will have the effect of consolidating existing low barriers to trade in liberalised markets, while fostering a high level of transparency for sectors which are not fully liberalised.
 - (b) agreement on the need to establish a freely accessible database of barriers to services trade, independently hosted and managed by the WTO. In the first instance the aim should be for G7 nations to agree the rationale for such an approach and engage the WTO on establishing a system architecture.
 - (c) a more ambitious provision would include agreement between G7 nations to provide national treatment to suppliers trading cross-border through a commercial presence (mode 3 liberalisation).

Recommendations

11. Remove obstacles to the use of Electronic Transferable Records in G7 countries by:

- Committing to a timetable to aligning legal frameworks to the UN Commission of International Law (UNCITRAL) Model on Electronic Transferable Records (MLETR).
- Identifying a single window approach for companies to engage with government on digital trade processes.
- Investing in capacity-building in developing countries so they can make the transition to paperless trade.

12. Drive greater transparency for trade in services by:

- adopting a negative list approach to inscribing services reservations in subsequent free trade agreements.
- establishing a freely accessible database of barriers to services trade, independently hosted, and managed by the WTO.
- agreeing between G7 nations to provide national treatment to suppliers trading cross-border through a commercial presence (mode 3 liberalisation).

13. Boost the participation of MSMEs by implementing the practical principles of the WTO's Informal Working Group on Micro, Small and Medium-sized Enterprises (MSMEs).

B7

United Kingdom 2021

