



THE EUROPEAN UNION AND THE WORLD TRADE ORGANIZATION

The World Trade Organization (WTO) works to guarantee a rules-based international trading system. Despite the impasse in trade negotiations, ways to modernise WTO rules and address new global challenges are being explored. Under the Lisbon Treaty, Parliament legislates jointly with the Council and has an important scrutiny role on international trade policy.

In the early decades of the 20th century, trade issues prompted countries to engage in increasingly complex interactions, creating the need for a platform to facilitate and regulate trade relations. The resulting 1947 General Agreement on Tariffs and Trade (GATT) not only provided a round-table discussion forum, creating a multilateral approach to trade, but also established a system of internationally recognised rules on trade. The underlying idea was to create a level playing field for all members through the ‘substantial reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international commerce’^[1].

As international trade moved beyond the exchange of tangible goods to include services and ideas, the GATT was transformed and institutionalised as the World Trade Organization (WTO). It was established in 1995 as a result of the Uruguay Round of trade negotiations and it incorporated earlier trade agreements, such as the GATT itself, the Agreement on Agriculture and the Agreement on Textile and Clothing, as well as other general agreements. The most significant new agreements were the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). In February 2017, the Trade Facilitation Agreement – the first multilateral agreement completed since the WTO was created – entered into force. Furthermore, ideas are being explored on how to bring about new developments in the WTO, which could modernise the system, for instance in the areas of e-commerce, investment facilitation and industrial subsidies, in order to make it more effective and adaptable to a rapidly changing trade world.

Statistics show a clear link between free and fair trade and economic growth. The creation of the WTO was a significant step towards a more comprehensive and thus more dynamic international trading system. The WTO works to promote free trade, namely by ensuring that countries keep up the momentum in dismantling barriers to trade in trade talks. Currently, two thirds of the WTO’s members are developing

[1]GATT Agreement (1947), introductory paragraph.



countries, which enables transition economies and least developed countries (LDCs) to use open trade to advance their development efforts.

THE TRADE DISPUTE SETTLEMENT MECHANISM

One of the WTO's most important achievements has been to consolidate its Dispute Settlement Body, which has the power to rule on trade disputes and to enforce its decisions. This dispute settlement mechanism works on the basis of predefined rules enabling WTO members, regardless of their political weight or economic clout, to lodge complaints over alleged breaches of WTO rules and to seek reparation. This mechanism has led to a reduction in unilateral defence measures, to which countries previously resorted and which often provoked retaliation by the countries targeted, at times leading to fully-fledged trade wars.

So far, the WTO dispute settlement system has served to guarantee that stronger members do not prevail over weaker ones and has provided clear rules on retaliatory measures. However, the Appellate Body is now effectively defunct as its members have reached the end of their mandates and vacant positions have not been filled. To overcome this situation, the EU, together with 22 WTO members, has started an initiative for an alternative mechanism called the multi-party interim appeal arrangement (MPIA), consisting of 10 arbitrators who will hear appeals of WTO panel reports under the MPIA .

Since the creation of the WTO, the EU has been one of the biggest users of its dispute settlement system. The Union has been involved in 187 dispute settlement cases, 102 as complainant and 85 as defendant^[2]. In 200 other cases, it has requested third-party status, which allows WTO members to monitor disputes involving other parties. The EU, which is represented by the European Commission, has also often sought to improve and clarify WTO agreements by requesting rulings from its panels and its Appellate Body.

The European Parliament closely monitors the evolution of disputes involving the EU. Parliament's Committee on International Trade presents its views on trade disputes through reports, public hearings, and oral questions to the Commission and the Council. This is the case, for example, with the Airbus-Boeing dispute between the EU and the US.

THE DOHA ROUND AND BEYOND

Since 2001, the WTO's members have been engaged in a broad round of multilateral trade negotiations known as the Doha Round, or Doha Development Agenda (DDA), the main goal of which is to place development at the heart of the world trade system. The Doha talks seek to give developing countries an increasing role and to strengthen their capacity to benefit from international trade and help them combat poverty.

[2] Figures as at 30 September 2020:
https://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm



The DDA was based at the outset on the principle of a ‘single undertaking’^[3], and is still open. Like the previous rounds, it seeks to further liberalise trade.

The DDA is based on three pillars:

1. Market access for agricultural products (including tariffs and subsidies), for industrial goods (also referred to as ‘non-agricultural market access’ or ‘NAMA’), and for services;
2. Rules, for example, on trade facilitation and anti-dumping; and
3. Development.

However, the talks have stalled over major issues, mainly related to market access. The most significant differences are between the positions of major emerging countries and those of industrialised countries or blocs concerning the way the international trading system should be reshaped.

The EU supported the launch of a broad and ambitious round. It saw it as the best way to deliver economic growth and development gains for all participants and to allow for the necessary trade-offs. Yet, despite the considerable efforts of a number of participants (notably the EU), the successful conclusion of the negotiations as a whole does not seem to be within reach.

In order to overcome the impasse in the Doha negotiations and keep protectionism at bay, WTO members have focused on achieving results in less controversial areas, which could largely deliver on development goals. In December 2013 the first multilateral legal instrument since the WTO was established 22 years ago was agreed – the Agreement on Trade Facilitation. Two years later, in December 2015, there was further tangible progress with an agreement on rules restricting trade-distorting support for agricultural exports – an area of specific interest to least developed countries.

Although less far-reaching than the Doha Round’s initial agenda, these positive developments, particularly the entry into force of the Trade Facilitation Agreement in February 2017, confirm the commitment to the multilateral trading system. They pave the way for revamping the WTO in order to address new global trade challenges and help shore up the multilateral trade rules. The European Parliament has been following WTO talks closely. It has adopted various reports assessing the state of the discussions.

The Parliamentary Conference on the WTO, co-organised by the European Parliament and the Inter-Parliamentary Union, regularly offers an opportunity for constructive participation (see below for more information on this conference). On several occasions, Parliament has called for negotiations to resume, emphasising the importance of the Doha Round for world trade and economic development.

Parliament has also been closely associated with negotiations for more limited agreements. It sent a delegation to Nairobi and Buenos Aires, in December 2015 and December 2017 respectively, to attend the WTO ministerial meetings. Parliament

[3]The ‘single undertaking’ principle essentially means that ‘nothing is agreed until everything is agreed’.



continues to follow developments in the WTO, notably in view of the next WTO ministerial meeting – the next one is to be held in June 2021.

THE EU AND THE WTO

So far, the EU has played a central role in developing the international trading system since World War II. Currently, the EU is exploring the possibility of modernising the WTO^[4].

Like the GATT (and later the WTO), the EU was itself originally designed to remove customs barriers and promote trade between its Member States. The EU single market was partly inspired by GATT principles and practices. The Union has always been among the main promoters of effective international trade based on the rule of law. Such a system helps ensure that its businesses enjoy fair market access abroad, and thus supports economic growth, both domestically and in third countries, particularly less developed ones.

The EU's common commercial policy is one of the areas in which the Union as such has full and exclusive competency. In other words, the EU operates as a single actor at the WTO and is represented by the Commission rather than by the Member States. The Commission negotiates trade agreements and defends the EU's interests before the WTO Dispute Settlement Body on behalf of all 28 Member States. The Commission regularly consults and reports to the Council and the European Parliament on the content and strategy for the multilateral discussions. Under the Lisbon Treaty, the Council and Parliament are co-legislators with an equal say on international trade matters.

Through the WTO, the EU has also sought to promote a multilateral framework for trade negotiations, intended to complement bilateral negotiations. However, the stalemate in the Doha Round and the fact that other trading partners have turned to bilateral agreements have compelled the EU to partly reconsider its long-standing strategy and return to regional and bilateral negotiations.

The current impasses at the WTO are also a sign that the international trading system has changed dramatically in the past 20 years. The system has evolved, with new actors – essentially transition and developing countries – playing a central role. The liberalisation of the international trading system has benefited some developing countries, which have experienced an unprecedented phase of sustained economic growth. The EU is well aware of these new dynamics. It has pointed to the need to move beyond the negotiation approach of the past years and try innovative approaches to address the increased importance of regulatory issues, as compared to tariffs.

THE PARLIAMENTARY CONFERENCE ON THE WTO

The Parliamentary Conference on the WTO is jointly organised by the European Parliament and the Inter-Parliamentary Union (IPU) and is intended to strengthen

[4] Press release on the [European Commission's comprehensive approach for the modernisation of the WTO](#).



democracy internationally by bringing a parliamentary dimension to multilateral trade cooperation.

The first formal meeting of parliamentarians at the WTO dates back to the December 1999 WTO Ministerial Conference held in Seattle. In 2001, the European Parliament and the IPU agreed to pool their efforts and sponsor a parliamentary meeting during the WTO Conference in Doha. This meeting laid the foundations of what has become the Parliamentary Conference on the WTO.

This conference provides a forum in which parliamentarians from all over the world exchange opinions, information and experiences on international trade issues. Participants monitor WTO activities; promote the effectiveness and fairness of the WTO; advocate transparency in WTO procedures; work to improve the dialogue between governments, parliaments and civil society; influence the direction of discussions within the WTO; and build up national parliaments' capacity in international trade matters.

The Parliamentary Conference on the WTO meets during WTO Ministerial Conferences. The last meeting took place in Geneva, on 6 and 7 December 2018.

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