



NATIONAL FOREIGN TRADE COUNCIL

# Charting New Pathways at the WTO

POLICY BRIEF | APRIL 2016

## Introduction

For the first time in more than a decade, governments have an opportunity to inject new life into the World Trade Organization (WTO).

The landscape of the global economy has shifted dramatically since Members constructed the last negotiating framework in 2001. New major economic powers have emerged, and technology-enabled startups and small businesses have an opportunity to engage globally on a scale that was unimaginable at the time.

These developments bring new opportunities and challenges for trade policy. Trade rules must be oriented to facilitate the entry and fair treatment of more diverse stakeholders in global commerce, increasingly including very small businesses, individual innovators and nonprofit organizations from developing countries. New rules must also reflect a shared sense of commitment to the global trading system – where developed and developing countries see lowering barriers and increasing transparency around international trade as steps to enable local innovation and economic development rather than concessions to be fought against.

Economies have a chance to create new pathways at the WTO to modernize global trade rules for the 21<sup>st</sup> Century and remind the world of the central rule-making role that the organization can play. It is time to reinvigorate the WTO.

## Good for Development, Good for Business

Conceivably, the WTO could focus on a dozen different priorities that appeal variously to business and development communities – from investment to government procurement to new pathways to address agriculture market access and subsidies issues.

While these and many other issues are important – and should be addressed in Geneva in the coming months and years<sup>1</sup> – members have an opportunity to focus intensively on two areas critical to economic development and business where tangible progress can be made immediately: work-plans to support micro, small and medium-sized businesses and, separately, an open, secure and reliable global digital economy. These initiatives would coalesce development and business interests in support of meaningful new rules at the WTO and, if successful, would reestablish the body's centrality to global trade negotiations.

### A digital trade agenda

An open, reliable and secure global digital economy is essential for business and development. Connected technologies are changing the way all companies operate, facilitating new global networks of traders and making it easier for a broad set of stakeholders in developed and developing countries to participate effectively in international trade, grow their businesses and create jobs. The

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<sup>1</sup> See *A Post Bali Agenda for the WTO*, National Foreign Trade Council, available at <http://www.nftc.org/default/trade/WTO/2014-NFTC-A-Post-Bali-Agenda.pdf>, for an outline of a broader set of issues that could be addressed at the WTO.

expansion of opportunity has been especially striking for small enterprises with digitally-enabled trade opening global opportunities in many cases for the first time.

Members should develop a policy framework under the WTO that promotes innovation and enables access to the global digital marketplace, which serves as a gateway to trade in physical goods and services and accelerates economic development and inclusion. Such a framework could build on existing WTO disciplines to –

- Ensure a default of openness in information flows and that businesses can provide digital services on a cross-border, non-discriminatory basis;
- Guide the development of best practices around national data privacy, security, lawful access to information and other issues that impact the digital economy in ways that regulate appropriately in the interest of the public good without hindering access to the global digital marketplace, being more trade restrictive than necessary, or creating unnecessarily divergent or conflicting rules;
- Define appropriate protections for Internet intermediaries;
- Encourage access to the Internet and communications in ways that promote openness while allowing for reasonable network management;
- Eliminate remaining duties on ICT goods in order to facilitate productivity gains and economic growth;
- Enable access to financial services, including modern payments, crowdfunding, microlending and branchless-banking models that underpin effective participation in the global economy;
- Develop better tools to measure economic statistics and monitor government policies related to the digital economy.

Developing and developed countries have signaled significant interest in advancing an open, reliable and secure digital economy through trade forums. In the past year alone –

- In advance of the December 2015 WTO Ministerial Conference, Kenya's Foreign Affairs and International Trade Minister Amina Mohammed noted that, "Digital trade can revolutionise trading processes globally, but it should be leveraged so that it does not bring a huge digital divide."<sup>2</sup>
- Also in advance of the Ministerial, Chilean negotiators drafted a proposal to expand and reenergize the e-commerce work programme to, "examine the trade-related aspects of digital technologies with a special focus on their role for, inter alia; benefiting traditional industries; supporting the growth and export potential of persons, small and medium-sized enterprises, including small producers and suppliers; and their relation to the increased service content of trade in nearly all economies."<sup>3</sup>
- During the Philippines host year in 2015, leaders from the Asia Pacific Economic Cooperation (APEC) forum instructed their officials "to advance the work to facilitate the Internet and digital economy" and further develop a region-wide Work Plan for Facilitating Digital Trade for Inclusive Growth.<sup>4</sup>
- Through the Transpacific Partnership Agreement (TPP), Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam undertook a series of commitments to promote an open Internet, prohibit taxes on digital products and ICT infrastructure, ensure interoperability of standards, and improve cooperation on cybersecurity.

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<sup>2</sup> Kenya to aim for a trade deal that fights poverty, The Star, Kenya, 15 December 2015, available at [http://www.the-star.co.ke/news/2015/12/15/kenya-to-aim-for-a-trade-deal-that-fights-poverty\\_c1260950](http://www.the-star.co.ke/news/2015/12/15/kenya-to-aim-for-a-trade-deal-that-fights-poverty_c1260950)

<sup>3</sup> US, Switzerland back out of disputed norm in patent law, Live Mint, 20 November 2015, available at

<http://www.livemint.com/Politics/xnmBugKZakEDVlwrQ6PEXK/US-Switzerland-back-out-of-disputed-norm-in-patent-law.html>

<sup>4</sup> 2015 Leaders' Declaration, APEC, Manila, Philippines 19 Nov 2015, available at [http://www.apec.org/Meeting-Papers/Leaders-Declarations/2015/2015\\_aelm.aspx](http://www.apec.org/Meeting-Papers/Leaders-Declarations/2015/2015_aelm.aspx)

## A micro, small and medium-size business agenda

Digital trade policies are only a part of the framework that enables entrepreneurs, small businesses, nonprofit and university stakeholders from Africa to Europe to Latin America to access the global marketplace.

For instance, Kenyan artisans who trade across entrepreneur Catherine Mahugu's e-commerce platform Shop Soko, a mobile to web platform that markets, sells and ships unique fashion to customers around the world, require a suite of policies to facilitate their success in foreign markets.<sup>5</sup> And, as Bobby Miloev, the Sofia, Bulgaria-based founder of online custom tailor Dragon Inside observes, "virtually every interaction we have with a customer or a supplier is international," but that "duties in the textiles space are too high" and "raising the *de minimis* thresholds will be a boon for many business."<sup>6</sup>

The WTO should be at the forefront of policy efforts to enable first-time traders to leverage global markets to support local innovation and economic growth. A micro, small and medium sized business work plan could usefully –

- Deepen transparency initiatives to ensure that regulations and procedures are easily understood and accessible, including provisions for single portals for access to regulations and required filings;
- Further improve physical trade lanes, including by facilitating the transit of the low-value, low-risk packages that characterize many micro and small business' shipments through expedited procedures and increase of *de minimis* thresholds; digitizing customs forms and procedures; maximizing market access for transportation and logistics services providers; and improving market access for goods;
- Address standards and conformity assessment issues to ensure that rules and regulations are compatible across economies;
- Facilitate the exchange of best practices between governments on efforts to enable startups and micro, small and medium-sized business to access the global economy, including around efforts to secure financing.
- Leverage the WTO's research capabilities to improve data on the behavior of small traders in the global marketplace.
- Reinforce the case for a robust initiative to support an open, global digital economy

Developing and developed countries have also demonstrated significant interest in improving access of micro, small and medium sized businesses to the global economy. For instance –

- During its APEC host year, the Philippines initiated and prioritized assistance to help micro, small and medium sized enterprises globalize.<sup>7</sup>
- The TPP includes a chapter on issues specific to small and medium sized enterprises, facilitating on-line access to information and offering a means to address issues of concern.

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<sup>5</sup> See From Slums to Cocktail Parties - African Jewelry is Trending, available at <https://www.youtube.com/watch?v=e6Qt0SyIzZc> for an overview of Soko, and Closing thoughts on the "Harnessing Digital Trade for Competitiveness and Development" conference at <http://blogs.worldbank.org/trade/closing-thoughts-harnessing-digital-trade-competitiveness-and-development-conference> for a summary by the World Bank of a suite of policy issues that impact developing country entrepreneurs' global success.

<sup>6</sup> *Global From the Get-Go: How European Entrepreneurs are Leveraging Global Markets in the Digital Age*, Global Innovation Forum, available at <http://www.globalinnovationforum.com/wp-content/uploads/2015/07/EUstartups-GlobalfromtheGetGo-Download.pdf>

<sup>7</sup> PH highlights gains from APEC hosting, support to globalize MSMEs, Manila Bulletin, 20 November 2015, available at <http://www.mb.com.ph/ph-highlights-gains-from-apec-hosting-support-to-globalize-msmes/>

- National governments are investing resources in programs designed to develop globally-minded startups and attract foreign entrepreneurs to local innovation centers. (e.g. Startup Chile,<sup>8</sup> Rwanda's k-Lab,<sup>9</sup> and the U.S. Commerce Department's Startup Global initiative.<sup>10</sup>)

## Pathways forward

It would be counterproductive to spend too much time debating the right architecture or outcome for either of these initiatives. Ambassador Stuart Harbinson and Bart De Meester observed in a 2012 analysis for NFTC that, "in the Tokyo Round, it would seem that the negotiations among interested parties took place first and that, only when these were completed or nearing completion, was attention turned to methods of implementation."<sup>11</sup> Back then, six "codes" were developed among groups of countries – on Government Procurement, Technical Barriers to Trade, Subsidies, Anti-dumping, Customs Valuation and Import Licensing. Eventually, five of those codes became multilateral agreements through the Uruguay Round.

A similar process could take place today in Geneva whereby members establish a forum for discussion, table priorities that would support these critical themes and then roll up their sleeves to begin the hard process of negotiations.

As these negotiations progress, members could think creatively about potential outcomes – whether codes, reference documents or full-fledged agreements – that would help ensure access to the global digital economy and support the participation of micro, small and medium sized businesses in the global trading system.

## About the NFTC

The National Foreign Trade Council is a leading business organization advocating an open, rules-based global trading system. Founded in 1914 by a broad-based group of American companies, the NFTC serves hundreds of member companies through its offices in Washington and New York.

### » WTO Working Group

This brief reflects input from NFTC's Working Group on the World Trade Organization, which the Council founded in 2001 to advocate for an ambitious negotiating agenda in Geneva and to support the centrality of the WTO in the global trading system.

### » Global Innovation Forum

This brief was also informed by feedback obtained through the Global Innovation Forum, an effort under the NFTC Foundation to engage startup, small business, nonprofit and university stakeholders in dialogue around the opportunities and challenges of accessing global markets.

[nftc.org](http://nftc.org) | [globalinnovationforum.com](http://globalinnovationforum.com)

<sup>8</sup> About Startup Chile, available at <http://startupchile.org/about/>

<sup>9</sup> Rwandan government crucial to country's rejuvenation through tech, Disrupt Africa, 9 April 2015, available at <http://disrupt-africa.com/2015/04/rwandan-government-crucial-to-countrys-rejuvenation-through-tech-klab/>

<sup>10</sup> U.S. Department of Commerce and the Global Innovation Forum Announce Partnership to Help Startups Tap Global Markets, available at <http://www.globalinnovationforum.com/startup-global-partnership/>

<sup>11</sup> A 21st Century Work Program for the Multilateral Trading System, National Foreign Trade Council, February 2012, available at <http://www.nftc.org/newsflash/newsflash.asp?Mode=View&id=236&articleid=3420&category=All>