

Cefic's contribution to the ongoing discussions on the modernisation of the World Trade Organisation (WTO)

The European chemical industry is an important contributor to economic development and growth. It provides modern products, materials and enables technical solutions in the manufacturing economy, contributing to sustainable development globally. EU chemical industry exports reached €155.4 billion in 2017 representing over 25% of our production and delivering a trade surplus to the EU of €48.1 billion. As the vast part of the GDP growth is taking place outside Europe in emerging countries in the next decade(s), we need a strong and proper functioning WTO to secure free, fair and sustainable trade. Cefic is an ardent supporter of the multilateral trade system but notes with concern that the WTO is failing to deliver on its key roles to liberalise trade and set new rules. The stability and effectiveness of the multilateral trading system are essential for companies to guarantee sustainable growth and job creations.

Cefic welcomes the efforts already made by some WTO Members and fully supports the EU in its leading role to modernize the current functioning of the WTO. We support a comprehensive approach to WTO reform as proposed by the EU Commission in its concept paper. Issues include but are not limited to rules on subsidies, competition and state-owned enterprises, forced technology transfer, transparency and notification systems as well as the reform of the dispute settlement mechanism. As fair, undistorted competition on international markets is of great importance to our industry, we specifically endorse the EU Commission ideas in the areas of subsidies, notably regarding state-owned enterprises, notification of subsidies and improved actionability of 'subsidies that heavily distort trade' (including e.g. references to 'dual pricing'). We also share the sense of urgency in reforming the WTO dispute settlement mechanism as the functioning of the system is at risk of collapse.

While Cefic supports reform work on all these issues, we would like to highlight the following areas where the chemical industry can contribute with specific proposals:

1. **Reducing Tariffs:** Cefic encourages a flexible approach to negotiating processes and commitments within the WTO. This approach is fundamental to solve the current impasse of the WTO and to establish a dynamic institution, which is not taken hostage in the future by the consensus principle. In this regard, Cefic fully supports plurilateral negotiations especially in areas where the multilateral negotiations track is not a viable option to achieving meaningful outcomes in a reasonable amount of time. In the area of chemicals, the **Chemical Tariff Harmonisation Agreement (CTHA)** has harmonised chemical import duties at low levels of 6.5%, 5.5% or 0% among key chemicals producing countries. As a way forward, Cefic calls for successive extensions of the participating countries notably to other key producing WTO members, as well as deeper tariff liberalisation. Likewise, tariff reduction on pharmaceutical products should be realized among all WTO-members. The **Pharmaceutical Tariff Elimination Agreement** (zero for zero initiative) already is a multilateral agreement by major pharmaceuticals producing countries to

eliminate tariffs in a reciprocal manner on all finished and partly also components of pharmaceutical products listed under WTO. The list should be updated as its last update was agreed in 2011. Additionally, and more importantly, participation in particular of new producing countries but ideally all WTO countries should be promoted also in order to contribute to achieve the health-related United Nations Sustainable Development Goals (UN SDGs) by reducing red tape to trade costs and reduce costs in the health care system.

2. **Tackling Non-Tariff Barriers:** While tariffs remain important, the removal of non-tariff barriers and behind the border measures in the chemical sector is key to facilitate trade and would potentially yield the most economic benefit in the long-term. This cooperation is ultimately about supporting more efficient, transparent and cost-effective approaches between trading partners while respecting national sovereignty. Convergence of rules on health, safety and environment at global level would also ensure a level playing field for open and fair competition. Cefic therefore supports **regulatory cooperation on chemicals at multilateral level**. In particular, we would encourage work in the following core areas: 1) promotion and collaboration on the implementation of international standards in the field of chemicals such as the UN Globally Harmonized System of Classification and Labelling of Chemicals (GHS) and the OECD Mutual Acceptance of Data (MAD) system; 2) cooperation on prioritisation of substances for review and collaboration on chemical assessment; 3) enhanced scientific cooperation, particularly on emerging regulatory issues. The ICCA (International Council of Chemicals Associations) principles on chemicals management and regulatory cooperation could be promoted as international standards and best practices in the field of chemicals.

Also, the International Conference of Harmonization (ICH) - a multilateral regime regulating standards for pharmaceutical research and development- clinical studies and regulatory aspects could be promoted as international standard and best practice for all WTO-members.

In addition, all WTO members should be encouraged to join the WTO-General Procurement Agreement and all WTO members should promote quality-based rather than quantity-based procurement in particular when health of people and safety concerns are at stake.

3. **Enhancing Sustainability:** In line with addressing societal and environmental concerns about sustainability, Cefic welcomes the fact that **sustainable development** features in the European Commission's proposal as a key theme that should underline and drive prioritisation of negotiation areas and rules-based commitments. While being an essential provider for a low carbon and circular economy as well as for innovative medicines and agricultural productivity, the chemical industry is a key contributor to the achievement of the **2030 UN Agenda for Sustainable Development**. For the chemical industry, increased market access is an opportunity to deliver critical technologies and goods to meet the UN SDGs and improve the human condition, from clean water to sustainable food packaging and healthy, energy efficient building materials as well as delivering innovative medicines to improve health services around the world and achieve Universal Health Coverage (UHC). The European Commission is preparing an analysis of the

Sustainable Development Goals targets to identify ways in which trade policy could contribute to achieving them. Cefic is committed to playing a part in this analysis¹.

A tool that can support achieving the SDGs and deserves to be further explored is the area of **'voluntary commitments'**. The WTO could for example act as a platform that facilitates policy dialogue and stakeholder initiatives on sustainable development, and ultimately encourage the further uptake of voluntary commitments. Programmes such as the ICCA Responsible Care² could serve as inspiration. In this regard, Cefic, via its membership to ICCA, is committed to establish capacity building activities, as a tool to improve chemicals management in developing countries and economies in transition and ultimately improving health, safety and environmental standards.

¹ Building on the Responsible Care programme and the 2012 Sustainable Development vision, Cefic launched its Sustainability Charter. The Charter provides a framework through which Cefic facilitates dialogue with governments, society and industry partners. See www.chemistrycan.com

² For more information on the Responsible Care initiative: <https://www.icca-chem.org/responsible-care/>