



STRENGTHENING THE RESILIENCE AND STABILITY OF GLOBAL INDUSTRIAL AND SUPPLY CHAINS

COMMUNICATION FROM CHINA; LAO PEOPLE'S DEMOCRATIC REPUBLIC AND PAKISTAN

*Revision**

The following communication, dated 19 February 2024, is being circulated at the request of the delegations of China; Lao People's Democratic Republic and Pakistan.

1 BACKGROUND

1.1. The formation of global industrial and supply chains is a gradual process resulting from international trade and investment. Maintaining their stability is crucial for the smooth operation of international economy and trade, while free flow of trade is essential for the stable development of these chains.

1.2. From the 1980s to the early 2000s, the global industrial and supply chains operated smoothly and efficiently, and the global economy secured rapid growth of more than 3% in most years. These chains have not only driven the growth of developed country Members and large multinational corporations, but also underpinned the prosperity of developing country Members and micro, small and medium-sized enterprises (MSMEs).

1.3. However, these chains are exposed to risks and vulnerabilities such as political conflicts, policy interference, and force majeure like natural disasters. After the 2008 global financial crisis, some Members took protectionist measures that negatively impacted the stability and connectivity of global industrial and supply chains. To address this situation, the G20, APEC, and other mechanisms have pledged both standstill and rollback of such protectionist measures. At the request of G20 Members, the WTO and other international organizations have been monitoring trade and investment measures of their Members on a regular basis and in an effective manner since 2009.

1.4. The Multilateral Trading System with the WTO at its centre has played a positive role in the smooth and efficient operation of industrial and supply chains. In recent years, global industrial and supply chains have faced severe disruptions due to the combined impact of COVID-19, geopolitical conflicts, and trade frictions. Supply shortages and chain disruptions have occurred frequently, adversely affecting the normal economic operations of many Members.

1.5. Those disruptions hindering global trade have drawn high attention from the WTO. In March 2022, the WTO Secretariat hosted the first Global Supply Chains Forum to explore causes and solutions for the soaring freight costs and transport congestion hindering global trade, and to promote understanding and collaboration among stakeholders from every link in global supply chains. In February 2023, the WTO Secretariat released a report showing that the opportunity costs of decoupling into two rival blocs relative to more liberalization are estimated at 8.7% of real income at the global level, varying between 6.4% for developed countries, 10.1% for developing countries, and more than 11.3% for least developed countries. Under such circumstances, it would be more

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difficult for poor countries, small and vulnerable economies, landlocked developing countries, as well as MSMEs to integrate into the global industrial and supply chains. They might even be squeezed out of those chains, further exacerbating global development imbalance. Nevertheless, some WTO Members have adopted good practices in this field.

1.6. Industrial and supply chains take shape as the result of global division of labour against a background of economic globalization. They represent important global public goods. Only by maintaining the resilience and stability of global industrial and supply chains can the cake of the world economy become bigger and more benefits be delivered to the people of all Members. As the post-pandemic economic recovery enters a critical stage, it is more urgent than ever to maintain the stability of global industrial and supply chains. An open, non-discriminatory and predictable Multilateral Trading System is helpful for alleviating the adverse impact of supply shortages on industrial chains. WTO Members should adopt a responsible attitude, strengthen cooperation, restore the stable operation of global industrial and supply chains as soon as possible, and promote steady recovery of the world economy.

2 PROPOSAL

2.1. Taking into account the aforementioned factors, China proposes that the 13th WTO Ministerial Conference issue a joint Ministerial Statement as follows:

Recalling the MC12 Ministerial Declaration on the WTO Response to the COVID-19 Pandemic and Preparedness for Future Pandemics on the importance of preventing unnecessary disruptions in supply chains;

Emphasizing that maintaining the openness, efficiency, stability and resilience of the global and regional supply chains is crucial for promoting international trade and investment;

Reaffirming that the Multilateral Trading System provides institutional safeguards for enhancing the resilience and stability of industrial and supply chains;

Taking into account that developing country Members and MSMEs are among the most vulnerable to supply chain shocks;

Recognizing that the restrictive measures related to the pandemic, geopolitical conflicts, coupled with protectionist and unilateral measures, have severely impacted global supply chains;

Acknowledging and respecting the differences among WTO Members in their respective development stages and domestic circumstances;

2.2. WTO Members agree to cooperate in the following areas:

1. Endeavor to promote openness and inclusiveness, firmly uphold the multilateral trading system, abide by WTO rules, strengthen the resilience and stability of global industrial and supply chains, and promote global division of labour and cooperation.

2. Promote trade liberalization and facilitation, oppose protectionism and unilateralism, reduce unnecessary trade barriers, and jointly foster a free, open, fair, non-discriminatory, transparent and predictable market environment.

3. Make efforts to remove trade restrictions related to the COVID-19 pandemic and avoid disruptions to global industrial and supply chains. Implement the MC12 Ministerial Decision on TRIPS, decide as soon as possible on its extension to cover COVID-19 diagnostics and therapeutics, and enhance the capacity of developing country Members to participate in the industrial and supply chains of vaccines, diagnostics, therapeutics, and other products.

4. Implement the WTO Trade Facilitation Agreement (TFA). Strengthen exchanges and cooperation in areas such as simplifying and streamlining customs procedures, improving international logistics efficiency, and enhancing connectivity. Encourage more collaboration among international logistics companies to ensure smooth transportation in supply chains. Fully leverage the WTO Trade Facilitation Agreement Facility (TFAF) to provide technical assistance and enhance capacity building to developing country Members.

5. Strengthen exchanges and cooperation on trade in services to address barriers to trade in services. Facilitate cooperation activities among government authorities, industry associations, businesses and the academia on areas such as business opportunity matchmaking, capacity building, trade in services statistics, trade in services standards, and professional service and related business services.
 6. Make efforts to deepen cooperation in technological innovation and cooperation, focus on trends in technological development, and encourage enterprises of different Members to cooperate in joint technological research and development in various segments of industrial and supply chains, to jointly promote technological progress and industrial development.
 7. Encourage green ways of life and work, promote the application of green technology, green manufacture, and green products in various fields and segments, jointly build green and low-carbon industrial and supply chains, and avoid protectionism in the name of the environment, to address climate change, environmental pollution, resource shortage, and other common global challenges facing humanity.
 8. Explore the opportunities brought by the digital economy and digital technologies, tap into the important role of new-generation information technologies in promoting industrial upgrading and economic recovery, advance innovation and application of new technologies, strengthen cooperation in industrial ecosystems, work to accelerate the development of digital, networked and intelligent industries, and facilitate the transformation of production modes. Deepen exchanges and cooperation in e-commerce, promote the wide application and development of e-commerce around the world, and accelerate the formulation of international rules for e-commerce.
 9. Encourage key industries such as integrated circuits, new energy, and biomedicine to make better use of global resources, support businesses in cooperation with their upstream and downstream partners along their industrial chains, and jointly ensure sustainable supply in key sectors.
 10. Take into full consideration the challenges faced by developing country Members, especially the LDC Members, as well as MSMEs, and encourage other Members to provide capacity building and technical assistance to help them increase added value and integrate into global and regional industrial and supply chains.
 11. Encourage Members to share best practices and case studies on improving the resilience of industrial and supply chains with measures in compliance with WTO rules to increase crisis responsiveness at the Council for Trade in Goods and other relevant WTO regular meetings.
 12. Encourage the WTO Secretariat to conduct comprehensive studies on industrial and supply chains, to enhance dialogues with relevant international organizations, the private sector and the academia, and to put forward policy recommendations on the basis of such dialogues to promote the stability and development of global industrial and supply chains.
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