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## 13. WTO Ministerial Conference in Abu Dhabi (26 to 29 February 2024)

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On the occasion of the 13th Ministerial Conference of the World Trade Organization (WTO) in Abu Dhabi from 26 to 29 February 2024, the Austrian Federal Chamber of Labour (AK) and the Austrian Trade Union Federation (ÖGB) wish to highlight the urgent need for reforms to achieve a socially just, less crisis-prone and environmentally sustainable global economy. The WTO must finally be geared towards the goal of achieving decent working conditions and devote its efforts to combating the climate crisis and the urgently needed socio-ecological transformation.

### The WTO in crisis

Rules-based world trade was the WTO's declared aim when it was founded in 1995. Since then, international trade has changed and even WTO Chief Economist Ralph Rossa has noted that the WTO cannot (any longer) fully live up to its aspiration for global free trade. Although the WTO has been able to significantly reduce global tariffs and trade barriers, that development will not necessarily continue worldwide. It is also evident that countries around the world have not all benefited equally from the removal of tariffs or from the WTO rules.<sup>1</sup> **Free trade and economic development are often at odds with each other, such as in matters of food security, technology transfer and the protection or development of domestic industries.** It became clear during the COVID crisis, if not before, that a lack of cooperation concerning the release of intellectual property rights for critical technologies cements global inequalities (e.g. in the health sector and the "TRIPS waiver"). However, strict customs regulations also hinder developing countries in particular. In preparation for the upcoming Ministerial Conference, India argued that the WTO's strict tariff requirements in the agricultural sector (maximum 10%) are an obstacle to food security. India and other G33 countries therefore called for a permanent exemption from the requirements in relation to matters of food security.<sup>2</sup> Industrialised countries – above all the USA and the EU – are strongly opposed to that.<sup>3</sup>

In addition, **free trade often goes hand in hand with a deterioration in working conditions**, as cheap labour in countries of the Global South is an important comparative cost advantage for investors.<sup>4</sup> The lack of inclusion of working conditions and standards is partly due to the fact that trade unions and civil

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<sup>1</sup> Klein, M. (2020). WTO-Reform: Formale Regelgleichheit reicht nicht aus, alle Mitgliedsländer brauchen gleiche wirtschaftliche Chancen. [WTO reform: formal equality of rules is not enough; all member states need equal economic opportunities.] *Wirtschaftsdienst*, 100(5), 315-320.

<sup>2</sup> <https://www.thehindubusinessline.com/economy/us-says-it-is-not-possible-to-meet-indias-demand-on-public-stockholding-at-mc13/article67749229.ece> [14.02.2024].

<sup>3</sup> [https://www.business-standard.com/economy/news/dispute-settlement-reform-agri-e-commerce-discussed-at-2-day-wto-meet-123102500226\\_1.html](https://www.business-standard.com/economy/news/dispute-settlement-reform-agri-e-commerce-discussed-at-2-day-wto-meet-123102500226_1.html) [14.02.2024].

<sup>4</sup> [https://ourworldisnotforsale.net/2021\\_WTO-Turnaround](https://ourworldisnotforsale.net/2021_WTO-Turnaround) [08.02.2024].

organisations are excluded from the WTO. The International Labor Organization (ILO), for example, continues to be denied observer status. The interests of private companies and corporations, on the other hand, are reflected in a large number of WTO rulings. In 80 disputes concerning issues of public interest, 73 decisions were made in favour of corporations.<sup>5</sup>

The WTO is currently in crisis, and not just because the dispute settlement mechanism has been blocked by the USA since December 2019. Director-General Okonjo-Iweala recently stated: "Geopolitical tensions and the resulting uncertainty are the greatest challenge."<sup>6</sup> She also notes that some developing countries are no longer satisfied with the current WTO rules. The increasing formation of blocs in particular has contributed to developing countries' increased self-confidence and led to new alliances. The Indian Prime Minister himself proclaimed, for example, that India wants to unite developing countries under a common umbrella.<sup>7</sup>

To address these questions in the long term, we need an alternative WTO that is up to the challenges of the 21st century and no longer primarily serves the interests of corporations.

## Trade and development

Against the backdrop of such challenges and global inequality, the trade regime must be reviewed with regard to the Global South and the least developed countries (LDCs). It must be ensured that their economic structural change and the protection and promotion of human rights, including workers' rights, are given appropriate consideration. WTO rules must therefore support the industrial and economic development of developing countries and give them the leeway they need for economic diversification.

**In the interests of development, the promotion of local value chains in particular requires general exceptions to be set out in the WTO rules, especially for countries in the Global South.** In order to be able to withstand international competition, developing countries must also be able to take steps to protect their agricultural, industrial and general economic structures. Strict guidelines are currently in place for the allocation of customs duties, thereby placing obstacles in the way of less developed countries in particular. Above all, agricultural products must be completely exempt from regulation, as it is precisely in this field that industrialised countries are de facto given preferential treatment. The EU, for example, subsidises the agricultural industry particularly heavily; in 2019, direct payments to farmers amounted to around 38 billion euros – almost 14 times the GDP of Burundi.<sup>8</sup>

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<sup>5</sup> Public Citizen (2019): Fatally Flawed WTO Dispute System. <https://www.citizen.org/wp-content/uploads/WTO-Disputes-Summary-November-2019-FINAL.pdf> [08.02.2024].

<sup>6</sup> European Commission (2023). Civil Society Dialogue meeting on the reform of the WTO [Video]. [https://policy.trade.ec.europa.eu/eu-trade-meetings-civil-society/civil-society-dialogue-meeting-reform-wto-2023-06-27\\_en](https://policy.trade.ec.europa.eu/eu-trade-meetings-civil-society/civil-society-dialogue-meeting-reform-wto-2023-06-27_en).

<sup>7</sup> <https://internationalepolitik.de/de/die-neue-macht-der-entwicklungslaender> [08.02.2024].

<sup>8</sup> <https://www.europarl.europa.eu/topics/en/article/20211118STO17609/eu-agriculture-statistics-subsidies-jobs-production-infographic> [07.02.2024].

Instead of continuing to drive forward trade liberalisation via the WTO structures according to the motto of "trade not aid", **the Chamber of Labour (AK) and the Austrian Trade Union Federation (ÖGB) advocate a sustainable expansion of development aid.** The Food and Agriculture Organization (FAO), for example, emphasises this requirement and believes there is acute need for action if the goals of the 2030 Agenda are to be achieved.<sup>9</sup>

### **Gear the WTO towards the goal of achieving decent working conditions**

For years, the WTO has turned a **blind eye to the social issues of globalisation.** Around the world, we are witnessing an erosion of workers' rights, increasingly precarious working conditions and worsening income inequality, i.e. a race to the bottom. According to Oxfam reports, the global inflation crisis has further exacerbated inequality, with the poorest 60% becoming even poorer.<sup>10</sup> Instead of contributing to broadly shared prosperity, the WTO's liberalisation agenda has in practice narrowed the scope for political action. It has thus become a serious obstacle to sustainable development and prosperity-oriented policies.

In order to combat poverty in the long term, it must be possible to negotiate living wages. That presupposes freedom of association and freedom of collective bargaining. The ban on child labour, a comprehensive ban on discrimination, especially against women, and the ban on forced labour are the basis for sustainable social development worldwide. Therefore, those **elementary workers' rights in particular must be enshrined as a social clause in the WTO agreements** and thus be legally enforceable and sanctionable. In addition, all ILO core labour standards should be included in the list of general exceptions (Article XX GATT).

To ensure that the ILO core labour standards are enforced in international trade, cooperation between the WTO and the ILO must be brought to life. That requires, for example, the establishment of a joint body in the WTO with the involvement of civil society and trade unions in particular. Another important prerequisite for equal cooperation between the two organisations is the granting of observer status to the ILO in the WTO. The WTO has been an observer at the ILO for years.

Non-compliance with ILO conventions applies in particular to export processing zones (EPZs) and often to the agricultural sector, which is the world's largest employer. In EPZs, the already very low labour standards in developing countries are undermined still further in order to make export production, e.g. in the textile industry, more attractive in those countries. That leads to the massive exploitation of workers.<sup>11</sup> A ban on that type of export processing zone is therefore essential.

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<sup>9</sup> <https://www.welthungerhilfe.de/welternaehrung/rubriken/entwicklungspolitik-agenda-2030/deutsche-oda-in-daten-fakten-und-trends> [14.02.2024].

<sup>10</sup> <https://www.oxfam.de/ueber-uns/publikationen/bericht-soziale-ungleichheit-2024> [14.02.2024].

<sup>11</sup> International Labour Organization (2017): Promoting decent work and protecting fundamental principles and rights at work in export processing zones, Report for discussion at the Meeting of Experts to Promote Decent Work and Protection of Fundamental Principles and Rights at Work for Workers in Export Processing Zones (Genf, 21–23 November 2017), International Labour Office, Enterprises Department, Genf.

## Peace clause for the climate to meet the challenges of the 21st century

According to the 2023 report of the Intergovernmental Panel on Climate Change, there is an urgent need for action on climate issues; according to official estimates, the Paris climate targets are already being missed.<sup>12</sup> With its complex network of global value chains and long transport routes, international trade is a key driver of global greenhouse gas emissions; a massive 45% of global emissions are linked to trade.<sup>13</sup> Until now, WTO law has taken precedence over international environmental law; trade and the environment have been kept separate. That is reflected in the fact that WTO rulings in dispute settlement proceedings have often counteracted trade-related rulings based on environmental agreements. Furthermore, against that background, states often do not even attempt to agree on environmental and climate-related rules if those could hinder trade. Combating the climate crisis and tackling environmental and social dumping must therefore take priority over WTO rules.

**The Austrian Trade Union Federation (ÖGB) and the Chamber of Labour (AK) therefore advocate the introduction of a peace clause for the climate in the structures of the WTO.** Such a clause would ensure that WTO regulations no longer hinder the public promotion of green energy and technologies. As a result, measures taken by states to reduce greenhouse gas emissions should be excluded from the WTO dispute settlement mechanism. Unfortunately, that is not yet the case. For example, Japan and the EU successfully sued Canada for its renewable energy programme, the USA sued India for promoting national solar production, India sued the USA for renewable energy programmes in eight states and Malaysia is currently suing the EU for discrimination against palm oil-based biofuels as part of the EU's renewable energy targets.<sup>14</sup>

Given the progress of climate change and the urgency of the issue, a peace clause for the climate is both indispensable and long overdue as an active industrial and regional policy will be essential for socio-ecological transformation in the future. That affects not only industrialised countries, but also developing countries in particular, which first have to build up climate-friendly industries and other necessary public infrastructure. Developing countries that have historically contributed little to the climate crisis should receive concrete support measures with regard to labour and environmental standards – for example through technology transfer and capacity building.

### Ensure scope for action for public interests: Protect crisis prevention and public services

The WTO's urgent need for reform also affects public services of general interest and infrastructure in particular. However, the GATS (General Agreement on Trade in

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<sup>12</sup> <https://www.umweltbundesamt.de/themen/klima-energie/grundlagen-des-klimawandels/weltklimarat-ipcc/sechster-sachstandsbericht-des-weltklimarates-ipcc#zentrale-kernaussagen-zur-klimaerwarming> [14.01.2024].

<sup>13</sup> Brandi, C. (2017). Trade elements in countries' climate contributions under the Paris Agreement. International Centre for Trade and Sustainable Development (ICTSD) Issue Paper.

<sup>14</sup> Trade Justice, Sierra Club: FAQ: Climate Peace Clause. <https://tradejusticefund.org/wp-content/uploads/FAQ-Climate-Peace-Clause-Final.-1-1.pdf> [08.01.2024].

Services) regulations with their existing exceptions are incomplete and do not guarantee reliable protection of services of general interest. WTO agreements, such as the GATS agreement on services, were created at the height of global privatisation and liberalisation. As a result, the legally secure protection of the welfare state's scope for action in areas such as public services, critical infrastructure and domestic regulation was of secondary interest.

In addition, there is a one-sided focus on the principle of "progressive liberalisation", which repeatedly promotes the expansion of trade policy spheres of influence and aggressive business interests. Repeated public criticism has so far prevented aggressive attempts at liberalisation in areas such as health, data protection, transport, water supply and social services from being implemented without restriction. However, there is still strong pressure from corporate lobbies. It must therefore be made clear, particularly in the WTO, that **public services finally need to be completely and legally excluded from trade agreements.**

Particular vigilance must currently be exercised in areas of negotiation such as "domestic regulation" and other previously contentious regulatory issues (such as subsidies and service concessions). Under no circumstances should **the regulatory freedom of democratic decision-making bodies at local, national or European level be jeopardised** in this respect.

For all those reasons, we consider far-reaching reform of the WTO to be essential. Trade policy can play a key role in meeting the challenges of the 21st century.

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