



21 January 2026

(26-0452)

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General Council

Original: English

EU SUBMISSION ON WTO REFORM

COMMUNICATION FROM THE EUROPEAN UNION

The following communication, dated 19 January 2026, is being circulated at the request of the delegation of the European Union.

1 INTRODUCTION

The WTO is at a critical and, in fact, an existential juncture. Without a strong political commitment by the Membership to a process of deep and comprehensive reform, the organization will slide into irrelevance, and with that the rules-based global trading system will further erode. We welcome the discussions that took place in preparation for MC14 and the active engagement of Members in this urgent task. The EU thanks Ambassador Petter Ølberg for his tireless efforts and dedication as Facilitator on WTO Reform. The EU welcomes his valuable report ([JOB/GC/483](#)) as a helpful starting point for further work and welcomes the opportunity to contribute to further shaping the draft work plan post-MC14.

The present paper sets out the EU's vision for a substantially transformed WTO and calls for a reform centred on three pillars: predictability, fairness and flexibility. It builds on and complements the Facilitator's report.

Like many Members, the EU is approaching MC14 as a "Reform Ministerial" and a stepping stone towards a fundamental reform that should take place between MC14 and MC15. The Annex contains the EU proposal for a ministerial decision and concrete suggestions for a work plan for post-MC14 work on reform.

2 TOWARDS A FUNDAMENTALLY REFORMED WTO

Diagnosis

The crisis in the WTO reflects broader shifts in the global trade landscape which has changed fundamentally since the system was set up in 1995. During the past 30 years, we have witnessed the substantial economic development of key G20 players, and of many developing countries resulting in the growth of their relative weight in global trade and their increased integration into global value chains. At the WTO's creation, the balance of concessions was not meant to be static, but to evolve through a successive process of negotiating rounds to further liberalise tariffs and trade, safeguard a global level playing field and modernise the WTO rulebook.

These further rounds, however, did not materialise, cementing the balance struck in 1995 and preventing the Organization to properly reflect the nature of contemporary global trade. The system was not designed to address a range of challenges that have become central to international trade, such as the rise of digital trade and data-driven business models, as well as the increasing use of climate-related measures with significant trade implications.¹ This growing mismatch between the

¹ A recent study shows that digital trade has expanded rapidly and it is estimated to account for around 25% of global trade in 2020, growing faster than non-digital trade since the mid-1990s. Digitally delivered services alone reached around USD 4 trillion in 2023 and have grown at an average annual rate of about 8%, nearly twice as fast as trade in goods. (OECD, Technical Report, Deriving Experimental Estimates of Digital

current WTO rulebook and today's trade environment has contributed to the Organisation's crisis. This crisis is further exacerbated by geopolitical tensions, the weaponisation of trade and tariff measures.

Another root cause for the crisis is the increasingly impactful and far-reaching State interventions leading to overcapacities and systemic imbalances, with negative spillovers on other Members. The outdated WTO rules cannot tackle these negative externalities. This is a well-known priority of the EU already included in our previous Communication on WTO reform in 2023 as a key global trade policy challenge ([WT/GC/W/864](#)).

The increasing number of non-compliant autonomous measures by Members demonstrates that due to the outdated rulebook these imbalances cannot be sufficiently addressed within the current parameters of the system.

A further longstanding weakness is the WTO's governance that is ill equipped to deal with the substantially enlarged and diverse Membership resulting in deadlock and an inability to arrive at decisions. As a result, only two multilateral agreements have been concluded over the past 30 years.

The status quo is not an available option for the WTO as it will merely contribute to a continuous downhill trajectory. The WTO and its Membership therefore urgently need to deliver on a deep and comprehensive reform.

A reformed WTO based on predictability, fairness and flexibility

The key features of a reformed WTO need to address the root causes of the Organisation's crisis and the shortcomings of the system to make it fit for the realities of today.

1. **Predictability:** the reformed system should remain rules-based and underpinned by a fully functioning and effective dispute settlement to enforce the agreed rules. It also needs to address today's pressing trade policy challenges (e.g. industrial policy, digital trade, climate, biodiversity, resilience etc.).
2. **Fairness:** the reformed system needs to reflect the changed economic realities and address imbalances in the rights and commitments of Members and ensure level playing field.
3. **Flexibility:** a reformed system needs to offer a more flexible framework of rules, including variable geometry approaches underpinned by a revisited governance structure.

1. Predictability

While the WTO has not been functioning as intended for some time, the current trade turmoil has served to demonstrate the system's continued relevance and value in providing a basic floor of predictability. Preserving the effective functioning of key WTO disciplines remains vital for global trade and need not be reinvented in a reformed system.

Core WTO rules in areas such as customs valuation, technical barriers to trade (TBT), sanitary and phytosanitary measures (SPS), trade facilitation, or intellectual property protection continue to provide predictability for Members, their citizens and businesses. These rules provide the basic architecture facilitating global trade on a daily basis.²

Trade, 2025, available here.) Moreover, climate-related measures with trade implications are rising, as shown by a recent Report made by a joint collaboration among the OECD, the WTO, the IMF, the World Bank and the UNCTAD. The Report shows that, by 2024, a total of 75 carbon taxes and emissions trading systems were in force worldwide, reflecting a growing expansion of climate-related policy instruments with significant cross-border and trade implications. (WTO, OECD, UNCTAD, IMF, The World Bank, Working Together for Better Climate Action, Carbon pricing, policy spillovers and global climate goals, 2024, available here).

² A recent paper by the ICC on the hidden value of the WTO shows that, if the WTO were to fail, it would cause a 33% drop in developing countries' non-fuel goods trade and a permanent loss of 5% of GDP. International Chamber of Commerce (ICC), The WTO's hidden value, How the multilateral trading system delivers for businesses beyond tariffs, 2025, available here.

The WTO's monitoring and transparency functions, notably through the Trade Policy Review Mechanism and the work of WTO committees, are critical by supporting transparency, peer review and dialogue on trade-related measures. Even with the current challenges, many WTO disciplines continue to shape Members' behaviour and provide reference points for resolving tensions through dialogue, peer review and negotiated solutions.

While a reformed trading system would be more flexible to cater to different economic systems and security preferences, it should still anchor trade relations in a stable and predictable rules-based framework. This should be underpinned by an effective dispute settlement mechanism, providing a way for Members to resolve conflicts and enforce rules on the basis of established procedures rather than resorting to unilateral actions with the risk of escalation and a downward spiral. By offering a structured, fair, legitimate and effective process for resolving disputes, the WTO contributes to global economic predictability. Businesses and governments can plan and operate with greater certainty, knowing that trade rules are both followed and enforceable. A robust dispute mechanism allows all Members, regardless of their size or economic power, to have an equal opportunity to challenge trade practices and, where needed, defend their interests.

2. Fairness

The need for an overall rebalancing

The Facilitator's report brings out clearly that many Members question the appropriateness of the existing balance of rights and commitments negotiated 30 years ago given the changed realities of global trade. The perception that there is a discrepancy between some Members' share in global trade and their levels of openness leads to reduced buy-in by other Members adversely impacted by the imbalances and resulting spillovers. WTO rules come under increasing strain if the overall balance of rights and commitments is no longer seen as fair by many Members.

Even though the economies of some Members have developed significantly, resulting in a dramatically increased share in global trade, there has been no corresponding reciprocal liberalisation of tariffs and services or opening of markets on their part. Without the envisaged successive rounds of negotiations, this has resulted in imbalances, distortions and spill-over effects that adversely impact other Members' economies and capacity to develop. In some value chains these imbalances lead to dependencies and vulnerabilities.

However, as the Facilitator's report rightly points out, not all imbalances are due to trade. Broader structural macroeconomic imbalances (e.g. currency issues, domestic consumption, savings rates) compound the problem and have to be taken into account. However, as trade is an important part of this, the reform process must include a reflection on the overall balance, policy coherence and coordinated action.

The existing rules of the WTO already allow for renegotiation and adjustments of tariff levels for individual products; however, these rules are cumbersome and are designed to preserve the status quo without allowing for a dynamic re-adjustment of rights and commitments if underlying circumstances have changed.

The Facilitator report highlights the interest among Members to have a broader debate on the future of the WTO. In the EU's views, a broader debate on WTO reform focusing on the fundamentals underpinning the current balance of rights and commitments is needed. This discussion should include reflections on the role of the MFN principle in today's context, its link to reciprocity and to Members' respective levels of openness, as well as possible new links between commitments taken and the level of tariffs. Moreover, reform discussions should reflect on how the rules can better accommodate more agile adjustments of tariff levels in light of changing realities and threats to certain sectors or value chains.

The necessary review of the multilateral rulebook on level playing field and industrial policy

The Facilitator's report rightly identifies fairness and level playing field as essential and central to WTO reform. The Facilitator correctly highlights many shortcomings in the current WTO framework as regards transparency, inadequacy of the existing rules, and insufficient remedies. The EU supports a focus on the negative trade effects caused by State interventions in favour of industrial sectors with the following specific areas of work.

The multilateral rulebook meant to guarantee a level playing field needs to be reviewed and updated. The first step is to identify gaps and shortcomings that currently prevent Members from effectively addressing negative trade effects caused by State interventions in support of industrial sectors. This work should cover (i) transparency, (ii) disciplines and (iii) remedies. Ambiguities in the current rules need to be clarified, existing rules need to be strengthened, and additional rules need to be developed in areas not covered going beyond the scope of the current ASCM.

Transparency is foundational. However, compliance with the existing notification obligations is poor and the design of the current transparency regime contains too few incentives to notify. Notified measures should enjoy better treatment than non-notified measures.

The objective of stronger disciplines should be to reduce negative spillovers on other Members by removing the most distortive forms of support, such as excessive levels of subsidisation, non-commercial behaviour of SOEs, including non-transparent support provided through SOEs, unlimited guarantees, and measures that artificially keep struggling firms afloat and cause overcapacity. At the same time, Members should be able to address any remaining negative spillovers and weaponised dependencies through more effective remedies.

In the context of overall strengthening of rules, there should be openness to examine targeted adjustments for policy space. A balance needs to be found between the effectiveness of the rules, the policy space for supporting industrialisation and the necessary space to address negative trade impacts of State interventions. In terms of process, the EU advocates for keeping discussions on policy space linked to improvements of the WTO rulebook. Policy space cannot be handled in the abstract.

The reform work should be carried out through result-oriented working methods. On the basis of the identified gaps, Members should consider the necessary amendments to the relevant agreements and develop new disciplines as they see fit. This reflection should benefit from the continued informal deliberations on trade and industrial policy. The deliberations on trade and industrial policy have been useful and well attended with both developed and developing Members taking an active role. While the deliberations should move to the next stage and become more structured focusing on specific gaps, the broader agenda on level playing field should form an integral part of the post MC14 work programme on WTO reform.

Towards a granular, targeted and differentiated approach to development

Since the creation of the WTO, global poverty has fallen, and the share of world trade of developing country economies has increased.³ The rules-based multilateral trading system has been a key factor in supporting development by providing predictability and ensuring stable conditions of access to third country markets. WTO rules have helped developing countries' progressive integration into global trade.⁴ The facilitation and promotion of investments has also contributed to the economic development of developing countries.

However, it is equally clear that developing countries have had different experiences in terms of reaping the benefits of global economic integration. This shows the limits of the one-size-fit-all approach to development in the WTO. More granular, targeted and differentiated approaches are needed going forward to ensure that the most vulnerable developing countries can unlock the benefits of global trade.

It is important to bring fact-based evidence to the debate on development to underpin our understanding of the diverse challenges and opportunities faced by developing countries, including LDCs, and how rules can best support their integration into global value chains. Moreover, pragmatic approaches as well as objective and transparent criteria should be considered when it comes to

³ Data from the World Bank and the WTO show that the extreme poverty rate in low- and middle-income countries has declined from about 40% of the population in 1995 to under 11% by 2022. Over the same period, developing economies greatly expanded their participation in trade, as evidenced by the share of global exports coming from low- and middle-income countries which doubled from 16% in 1995 to 32% in 2022. (World Trade Organization, World Trade Report 2024, Trade and Inclusiveness, how to make trade work for all, 2024, available [here](#)).

⁴ *Ibidem*.

differentiation between developing countries. Experience from other international organizations could provide inspiration.

Development should not be equated with just provisions on special and differential treatment (S&DT). S&DT is an important tool in helping developing members, especially LDCs, to take commitments at a pace that is suitable for their level of development. However, S&DT is not an objective in itself. Since the multilateral trading system itself was designed to facilitate economic development, seeking broad exemptions can be counterproductive and reduce the leverage of developing countries in the negotiations that shape those rules. Complying with the rules of global trade facilitates investment and integration into global value chains. S&DT therefore should be targeted, and when possible, time-bound and aim at providing an appropriate path to all Members to be able to ultimately comply with the same rules.

Reform work should be based on factual analysis of the effectiveness of the S&DT provisions in WTO agreements; notably, with the purpose of identifying approaches that have helped developing countries to move towards accepting commitments that foster economic growth and integration into global trade. Using approaches and lessons learned from the Trade Facilitation Agreement (TFA) - linking implementation with assistance - could be an example in moving towards the right balance between commitments and exemptions in other areas as well.

3. Flexibility

The WTO's systemic weaknesses in its institutional set-up and decision-making procedures underscores the pivotal role of getting governance right under a reformed system. Several Members have also identified governance as the gateway issue in the Facilitator-led reform discussions. Drawing lessons from the current functioning and paralysis, the objective would be to facilitate more flexible arrangements and decision-making procedures that are no longer premised on the 'single undertaking' logic.

The EU welcomes the recognition in the Facilitator's report that the current misguided practice of equating consensus with unanimity has resulted in paralysis. Reform work should focus on the operationalisation of the concept of responsible consensus as opposed to a practice of unanimity recognising that this distinction is already reflected in Article IX of the Marrakesh Agreement but has been subject to abuse. The work could also explore additional tools for overcoming blockages and facilitating consensus such as constructive abstention, opt-outs, the possibility of making reservations as envisaged under Article XVI and raising the political cost of blocking decisions and fostering decision-making to name a few.

In addition, the reform discussions have shown a recognition of the need of differentiation between decision-making procedures for day-to-day activities in WTO bodies and for the adoption of substantive rules. The practice of consensus should not allow blocking of agenda setting or constraining the monitoring and deliberative function in the WTO. Differentiated decision-making practices for procedural aspects in other international organizations offer useful lessons in this regard.

The WTO's institutional set-up derived largely from the GATT days is ill-equipped to deal with today's large and diverse Membership. Reform discussions should therefore also revisit the institutional set-up and consider a smaller body with a steering or consultative function to assist the General Council in facilitating bridge-building and effective decision-making.

Given the significantly expanded Membership and diverse interests and preferences by Members, a reformed future trading system needs to cater for a more flexible framework of rules. Accommodating different types of plurilateral approaches is a necessary recognition that the future trading system will inevitably be more multi-layered than envisaged in 1995 and in some respects a return to the acceptance of variable geometry as was the case under the GATT. The reformed system should facilitate closer economic cooperation through plurilaterals that cannot be blocked by a single or small group of non-participating members, in particular when they are MFN-based. Reform should also consider the paths for plurilaterals and club approaches among likeminded, where benefits are only available to participants, on a reciprocal basis.

3 THE NEXT STEPS: THE EU'S PROPOSAL ON WTO REFORM AND POST-MC14 WORK PROGRAMME

After outlining the EU vision for a transformed WTO and the priorities for the reform work, we need to consider the next steps. In the EU's view, it is imperative that MC14 focuses on WTO Reform and how to bring it about. This upcoming ministerial should serve as a stepping stone towards substantive work on deep and comprehensive reform between MC14 and MC15. With this objective in mind, it is important to approach the post-MC14 phase with concrete steps in mind. The EU seeks to shape the post-MC14 work programme with a concrete proposal for a ministerial decision and suggestions for a work plan for post-MC14 work in the Annex.

ANNEX

**EU PROPOSAL FOR A MULTILATERAL MINISTERIAL DECISION
ON WTO REFORM AND POST-MC14 WORK PROGRAMME****Draft Ministerial Decision**

We note that the global trade landscape and the conditions under which the WTO and the multilateral trading system were founded in 1995 have changed fundamentally during the past 30 years.

We acknowledge that the WTO is at a critical juncture at this time of heightened tensions in the global trading system.

We acknowledge the valuable work by the Facilitator for WTO Reform and express support for his report ([JOB/GC/483](#)) as a basis for further work.

We recognise the value of the WTO to all Members and acknowledge that the agreed upon rules in the WTO are key to facilitating global trade and to promoting sustainable development.

We note with grave concern the increasing structural imbalances in global trade resulting in trade conflicts and negative trade effects such as overcapacity, subsidy races, and market distortions that are harming both existing industries and the industrialisation efforts of developing countries.

We acknowledge that without deep and comprehensive reform, the WTO risks sliding into irrelevance and unable to serve as the rules-based anchor ensuring predictability for its Members and economic operators.

We recognise the critical importance of urgent and fundamental reform of the WTO to make the organization more flexible, fair and agile to respond to the pressing global trade challenges of today.

We reaffirm the commitments made at the Twelfth and Thirteenth Sessions of the Ministerial Conferences to work towards the necessary reform of the WTO to improve all its functions.

We reaffirm that a reformed WTO would need to be underpinned by a fully and well-functioning dispute settlement system accessible to all Members, and that we will work towards that objective on the basis of progress made since the Twelfth Ministerial Conference.

Ministers,

1. Agree that work shall be carried out in the areas identified in the Work Programme attached to this Decision, without prejudice for Members to raise any other topic of interest.
2. Instruct the General Council to conduct that work in accordance with the Work Programme attached to this Decision.
3. Instruct the General Council to report on the work done and propose appropriate recommendations to the Fifteenth Ministerial Conference.

Work Programme on WTO reform

Scope

The Work Programme on WTO reform shall encompass the following tracks of work:⁵

1. "Fairness", covering the following topics: (i) balance of rights and obligations, (ii) level playing field issues and (iii) development;
2. "Flexibility", covering the following topics: (i) governance and decision-making, (ii) plurilateral agreements and variable geometry;
3. Additional topics as agreed by Members.

Process

Work under the Work Programme will be conducted in separate tracks with dedicated facilitators, chosen by the Chair of the General Council.

Facilitators will report every six months to the General Council. A Senior Officials meeting will take place in November 2027 in Geneva to take stock of the progress made. Additional milestones shall be determined by the General Council. The General Council shall report on the work conducted and submit recommendations for adoption by Ministers at the 15th Ministerial Conference.

Timelines

Work will commence in April 2026.

Organization of work, specific objectives and tasks

Facilitators shall organise the work under the individual tracks taking into account the following objectives and tasks.

1. Fairness

1. Balance of Rights and Obligations

General objective: Initiate a broad discussion on the appropriateness of the balance of rights and commitments agreed in 1995 in the current global context. Address identified shortcomings.

Key areas: Fundamental principles underpinning the GATT, tariffs, rules on tariff negotiations, trade in services commitments.

Task to Members: Discuss the fundamentals and address potential shortcomings of the current balance of rights and obligations, including: (1) reflections on the role of MFN and reciprocity; (2) Members' respective levels of openness in light of changes in share in global trade; (3) possible new links between commitments taken and the level of tariffs liberalisation.

2. Level playing field in industrial sectors

General objective: Identify gaps and address the shortcomings in: (1) transparency; (2) disciplines; and (3) remedies.

Key areas: Subsidies (ASCM), Safeguards, State interventions in support of industrial sectors not covered by the ASCM, trade effects of State-owned enterprises, competitive neutrality, development dimension and industrialisation.

Task to Members:

- Identify gaps and shortcomings in the current rules, and on that basis develop improvements to existing rules and new disciplines, as appropriate.
- Continue Member-driven informal deliberations on Trade and industrial policies.
- Consider targeted adjustments for policy space for industrialisation and for addressing negative trade impacts of State interventions, while ensuring the effectiveness of the rules.

⁵ Discussions on dispute settlement reform should resume when progress is made on WTO reform and when the conditions are right.

3. Development and S&DT

General objective: (1) strengthen the evidence base of identifying enablers (both rules and flexibilities) for integration of developing countries into global trade; (2) explore targeted and needs-based approaches to S&DT, including time-bound exemptions and links to commitments; and (3) explore objective and transparent differentiation criteria of developing countries.

Task to Members:

- Assess the effectiveness and utilisation of S&DT provisions in existing agreements, including beneficiaries.
- Shift from open-ended exemptions to more granular, time-bound and targeted S&DT based on demonstrated needs and with clear links to commitments and compliance with rules.
- Explore examples of differentiation of developing countries from other international organizations and consider the applicability of those approaches to the WTO.

2. Flexibility

1. Consensus and decision-making

General objective: explore tools to facilitate bridge-building and effective decision-making.

Task to Members:

- Explore operationalising responsible consensus and tools such as constructive abstention, opt-outs, reservations and accountability measures in the case of blocking.
- Explore examples of differentiation in decision-making procedures by assessing practices and insights from other international organizations.

2. Institutional reforms

General objective: revisit the institutional set-up of the system with a view to facilitate bridge-building and outcome-oriented procedures.

Task to Members: Develop options and possible parameters for a small body with steering function under the General Council balancing representativeness, geographical balance and efficiency considerations.

3. Variable geometry and plurilateral agreements

General objective: cater for a more flexible framework of rules and acceptance of variable geometry where Members are not prevented from moving forward with interested parties.

Task to Members: Explore pathways to accommodate different types of plurilateral agreements.

3. Additional topics as agreed by Ministers
