



Department for International Trade

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Dear Angus,

Thank you for your letter and for inviting me to participate at the Committee's evidence session on the G7 on Wednesday 19th May. I am pleased that you welcomed the work of the G7 Trade Track and our priority policy areas. We will continue to work through these over the course of the G7 presidency and beyond.

WTO reform

WTO-related issues have been considered as part of G7 Leaders' discussions and in the Trade Track. The Leaders' Summit communiqué reaffirms G7 members' strong commitment to the WTO reform agenda and provides political impetus ahead of the 12th WTO Ministerial Conference (MC12) in November. In the 'Open Societies' leaders' session, attended by G7 and invited guest leaders (Australia, India, South Africa, and South Korea) as well as the UN Secretary General, guest leaders used part of their interventions to raise WTO reform. Guest leaders commented on the importance of maintaining the integrity of and protecting multilateral organisations, such as the WTO, including through reform of these organisations, to promote and defend the values of open societies. Reform of multilateral organisations must also be rooted in inclusivity, ensuring that a range of voices, such as business, civil society, and youth, can participate more strongly in decision-making. Showing support of this, the G7 agreed the 'Open Societies Statement' with invited guests, which affirms the commitment of signatories to open markets, fair competition, the rule of law, and WTO reform.

2021 is a significant year for the WTO and WTO reform and modernisation has been at the heart of the G7 Trade Track. In May, G7 Members agreed an ambitious communique covering a range of WTO reform issues including enhancing WTO transparency, new approaches to Special and Differential Treatment (SDT), and the importance of WTO plurilateral initiatives to drive progress on 21st century issues. We look forward to continuing this dialogue and further building momentum and common ground ahead of MC12.

You raise an interest in the role of the WTO Secretariat. The WTO remains a member-driven organisation, with the Secretariat playing a significant role to support the membership with its work. At the recent G7 Summit, G7 Leaders called for "a strengthened WTO monitoring and deliberating function" and agreed to continue engaging on this issue ahead of MC12. We will explore further how the Secretariat could potentially play a role in enhancing transparency as part of this wider thinking.

Thank you for your recent report on the United Kingdom's trade remedies policy. As I mentioned at the Committee, the UK needs an effective multilateral and unilateral toolkit in response to unfair trading practices. I am examining the current trade remedies framework to ensure the UK has the right tools to deal with unexpected import surges and unfair trading practices, as well as the market distorting practices of non-market economies. It is vital that trade is both free and fair.

Trade and Health

We are proud to collaborate internationally through multilateral institutions such as the UN, the G20 and the G7 to support vaccine development, manufacturing scale-up and future distribution to meet both domestic and international needs, including for the world's poorest countries. The UK is using its G7 presidency to advocate for liberal and equitable trade in COVID-19 critical healthcare products and to identify solutions to expand vaccine production and distribution. The G7 Trade Ministers communiqué and the Leaders' Carbis Bay Health Declaration recognised the need to continue work with other WTO members to formulate pragmatic, effective and holistic solutions for trade in health ahead of and at MC12. In the Trade Ministers' Communiqué, we agreed to prioritise discussions and support work at the WTO in identifying solutions to expand global vaccine production and distribution.

We remain concerned about export restrictions which have exacerbated shocks to supply and demand in the health care sector. To this effect, we have been closely monitoring trade restrictive measures on COVID-19 critical healthcare products and vaccines. The UK took unilateral action on how we apply export restrictions on COVID-19 critical products from 1 January 2021. The G7 Trade Ministers welcomed the termination of trade restrictive measures and reiterated the importance that any applied, if deemed necessary, are targeted, proportionate, transparent, temporary, reflect our interest in protecting the most vulnerable, do not create unnecessary barriers to trade or disruption to global supply chains, and are consistent with WTO rules.

G7 Leaders also discussed The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the elimination of barriers to exports of health-related goods at the G7 Leaders' Summit. The UK is involved in discussions on intellectual property and a proposed TRIPS waiver, and will continue to engage constructively with the US and WTO Members. Our key priority is to maintain a fit-for-purpose international IP framework to encourage innovation and its dissemination, which a waiver risks undermining. We therefore need to take action now on scaling up production of vaccines and removing barriers to their production and distribution, such as raw material shortages and export restrictions.

In April this year, the UK co-sponsored the Trade and Health Initiative (TAHI), which aims to increase cooperation amongst WTO members to keep medical supply chains open and lower trade barriers. We will continue to work with international partners through the Ottawa Group and others at the WTO to address global access to COVID-19 critical healthcare products and vaccines, as well as supporting future pandemic preparedness and recovery.

Digital

The JSI negotiations are open to any WTO member who wishes to join, and the UK encourages all members to actively participate to shape new global rules on e-commerce. To that end, when I met my G7 counterparts last month, we resolved to negotiate the JSI in an open, inclusive, and transparent way. We agreed that it needs to benefit consumers and businesses in developing economies, as well as those in developed economies. I hope that the G7's clear commitment to an inclusive process will encourage more developing countries to participate in the negotiations.

Trade and Climate

G7 Trade Ministers acknowledged the risk of carbon leakage to decarbonisation goals, and the potential impact it could have on those countries that have adopted rigorous approaches to reduce carbon emissions.

We agreed that countries should work collaboratively to address this risk. In due course, countries will need to progress towards internationally comparable data on embedded emissions in traded products, as well as an agreed method for measuring the relative price of carbon between countries. HMG is exploring the broad range of options to address the risk of carbon leakage – Carbon Border Adjustment Mechanisms is one of them. HMG will be publishing more analysis and possible mitigation options in the Net Zero Review. As Carbon leakage is caused by different countries mitigating emissions at different rates, the first step is to use climate diplomacy to encourage our trading partners to ambitiously mitigate climate change in coordination with each other, to reduce the leakage risk across economies and agree ambitious net zero targets. We must collectively support a green, resilient and inclusive recovery that helps us deliver our existing commitments.

At COP26 we are asking all countries to set targets to get us to net zero by the middle of the century, and to come forward with 2030 emission reduction targets to take us there. This November can be the moment when the world comes together to ramp up momentum towards a climate resilient zero carbon economy.

I have raised carbon leakage at the multilateral level, including at the G7 Trade Ministers meetings, and with the WTO Director General Ngozi Okonjo-Iweala. I have stressed that any policy should be WTO-compliant, proportionate, grounded in evidence, and should consider the needs of the least developed countries. My officials are also engaging in the relevant discussions at the WTO, including at the Trade and Environmental Sustainability Structured Discussions (TESSD).

Best wishes,



THE RT HON ELIZABETH TRUSS MP
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& President of the Board of Trade