



13 July 2026

(26-4992)

Page: 1/4

**General Council
WTO Reform**

Original: English

**WTO REFORM: FURTHER REFLECTIONS ON FOUNDATIONAL ISSUES FOLLOWING
THE FOURTEENTH SESSION OF THE MINISTERIAL CONFERENCE**

COMMUNICATION FROM THE EUROPEAN UNION

The following communication, dated 10 July 2026, is being circulated at the request of the delegation of the European Union.

1 FOUNDATIONAL ISSUES IN THE CONTEXT OF WTO REFORM

1.1. In its submission on WTO reform¹ the European Union has identified fairness as one of the pillars of its vision of a reformed system. Improved fairness in the multilateral trading system could flow from an overall rebalancing of the respective obligations of Members.

1.2. These foundational issues were discussed by trade ministers at the 14th Ministerial Conference (MC14) in Yaoundé for the first time. On the one hand, the ministerial debate highlighted a broad recognition that the WTO's foundational principles, including the most-favoured-nation principle (MFN) and non-discrimination more broadly remain indispensable to the stability and predictability of the conditions for global trade. On the other hand, the debate highlighted a growing sense that the multilateral trading system is not functioning as originally intended and thus the need for its reform.² The continuation of the debate on foundational issues has now been established as one of the four areas of WTO Reform where work will continue under the auspices of the General Council in the coming months.

1.3. This discussion cannot happen in isolation. Given the overlaps with other topics of WTO reform, it is essential to further explore the linkages with the other main tracks: level playing field, governance and development.

1.4. First, the European Union had highlighted in its submission on WTO Reform that "the increasingly impactful and far-reaching State interventions leading to overcapacities and systemic imbalances, with negative spillovers on other Members" constitute a key global trade policy challenge. To ensure fairness, openness needs to come hand in hand with stronger rules ensuring a level playing field.

1.5. Second, the discussion on the MFN and non-discrimination principles are intrinsically linked to the notions of variable geometry and plurilateral agreements (both MFN and non-MFN based agreements) covered in the governance track.

1.6. Third, the lack of further gradual reciprocal market opening and rise of state interventions have limited developing members' ability to compete, integrate into global value chains and industrialize. The discussions on the different experiences of developing countries will inform the debate on foundational issues.

¹ EU submission on WTO Reform (WT/GC/W/986).

² Takeaway document breakout sessions on WTO Reform (WT/MIN(26)/39)

1.7. The debate also fits into the broader work on global imbalances at the macroeconomic level that is currently taking place in other international fora including the IMF, the OECD, the G7 and G20. Strengthening the analysis of the trade implications of this common challenge and finding pathways towards a fairer system is an important task for the WTO membership.

1.8. With the present submission the European Union intends to contribute to this process with further reflections.

2 WHAT IS THE DISCUSSION ON FOUNDATIONAL ISSUES ABOUT?

2.1. The reformed WTO must continue to be rule-based, preserve the well-functioning WTO rules and processes that facilitate the day-to-day flow of global trade and provide much-needed predictability for businesses. It should also be underpinned by a fully-functioning and effective dispute settlement system. At the same time, the reformed multilateral trading system needs to be capable of delivering fair and balanced outcomes.

2.2. While the reasons for the current crisis of the WTO are multifaceted, it would be remiss of the Members not to review the fundamental set-up of the system, including the balance of rights and obligations of individual Members, as well as the functioning of the basic principles to evaluate if the system as conceived and negotiated in 1995 remains fit for purpose in 2026. There are several aspects to consider:

2.3. First, over time a massive scale of state intervention in industrial sectors in certain economies has become a major factor in shaping trade relations, creating increasing pressure in the system and is one of the factors that has led to a rise in the number of measures taken to protect national industries.

2.4. Second, recent crises also highlighted Members' vulnerability to global trade disruptions through emergencies and disasters, weaponization of dependencies, economic coercion, a shift towards power-based trade and a fragmentation of value chains. These changes necessitated the integration of new considerations in Members' trade policies such as economic security, diversification, and resilience not currently foreseen in the WTO rulebook. These changes affect Members at all levels of development.

2.5. Third, the changes in shares in global trade in the last three decades are not accounted for in the overall balance between Members' obligations, which stems largely from the set up agreed back in 1995. At the conclusion of the Uruguay Round, the multilateral trading system was conceived to be on a path of progressive liberalization for further market opening through successive rounds. Those rounds never materialized. At the same time, the relative weight of the largest members in global trade has shifted significantly, while their commitments under WTO and the multilateral rulebook have stayed largely the same.

2.6. Commitments and other rules that are not adapted to today's realities create a political legitimacy problem. If the rules and commitments are no longer seen as fair and effective, the political buy-in decreases, leading to further erosion of the entire multilateral trading system, losing its most valuable features: stability and predictability.

2.7. In this context, it is especially the biggest players with a significant share in global trade – including global leaders of specific industrial sectors – that must assume their responsibility to contribute to a fairer global trading system, strengthening the political legitimacy of rules-based trade.

2.8. Against that backdrop, the EU proposes a deliberation on exact changes that may be necessary so the WTO system would enable Members to address these new imbalances linked to level playing field, to economic security and to Members' share in global trade, the openness of their markets and their commitment to fair competition.

2.9. As part of this deliberation, we also need to consider if the way the MFN principle is applied today provides sufficient space for effective trade policy responses to the above-outlined challenges.

2.10. The MFN principle continues to play a crucial role as a cornerstone of the multilateral trading system in ensuring predictable and stable market access. The current discussion offers an opportunity to discuss its implementation.

2.11. It is important to demystify the functioning of the MFN principle in the current trading system. The MFN principle today is not unqualified but is already subject to several exceptions, *inter alia*: (i) exceptions that foster stronger ties via preferential trade agreements; (ii) exceptions that contribute to development via unilateral preferences (Enabling Clause); (iii) general and security exceptions that allow Members to depart from their relevant commitments, including MFN, under specified conditions; (iv) departures from bound rates to correct for dumping and unfair subsidisation (trade remedies); as well as (v) Annex 4 plurilateral agreements.

2.12. Considering possible adaptations to the current system, its principles and its exceptions, requires a review of the parameters that defined the balance agreed in 1995, based on Members' submissions. The European Union proposes that this debate includes factors such as bound tariff levels, the percentage of bound commitments in the Members' schedules and services market access commitments. Further, it would be important to consider the current links between commitments and considerations such as adherence to rules, market openness and exceptions.

3 POSSIBLE PATHWAYS FORWARD TO MODERNISE THE MULTILATERAL TRADING SYSTEM

3.1. To ensure fairness in a reformed system, it is critical from the European Union's perspective, to consider options that would allow Members to reinforce the links between rights and commitments on the one side and levels of openness and adherence to stricter rules on the other side. Another area to tackle as a priority would be to consider options that would facilitate Members to take measures to ensure the resilience of their supply chains, bringing economic security considerations into the system.

3.2. Several pathways could be considered to operationalise the above objectives. A series of preliminary ideas are listed below, recognizing that they are neither exhaustive nor mutually exclusive. They do not constitute a formal proposal but aim at framing and fostering the discussion.

3.1 A review of the existing exceptions to the MFN principle

3.3. Future discussions could allow Members to review the relevance and completeness of existing exceptions. In particular, Members could reflect whether the existing exceptions to the MFN principle provide sufficient room to integrate economic security considerations in particular with regard to resilience and reduction of critical dependencies in relevant areas.

3.2 A pathway towards sectoral plurilateral agreements

3.4. With the view to respond to economic security or level playing field concerns, Members' deliberations could consider sectoral trade agreements. Such agreements could combine liberalisation commitments with relevant disciplines, allowing Members to address the specific challenges of a sector or of a value chain, while reserving the benefits of those agreements to participating Members. Under well-defined conditions, this approach could help restoring balance in for example strategic sectors negatively impacted by structural imbalances.

3.5. Furthermore, the EU looks forward to discuss other ideas Members might have and explore additional pathways.

4 NEXT STEPS

4.1. As previously noted, there are important linkages to the following other areas of WTO reform work, the outcome of which will undoubtedly affect the general balance of rights and obligations.

4.2. First, new rules and commitments could be developed in the form of plurilateral agreements, for which there are already established rules in the WTO. In this context, plurilateral agreements where benefits only apply to the participants are particularly relevant.

4.3. Second, the discussion on foundational issues should also include work on how the distortions, imbalances and negative trade effects caused by State interventions in industrial sectors have altered the overall balance that was considered satisfactory at the time the WTO was established. The EU intends to cover these aspects in a separate submission, but would want to recall the message in its January 2026 submission that a better transparency regime and stronger disciplines aimed at removing the most distortive industrial subsidies should be complemented with work on the effectiveness of remedies. When a domestic industry, especially in strategic areas, comes under pressure from unfair competition or spillover effects of certain domestic policies and practices, it is necessary to be able to act swiftly and flexibly.

4.4. Third, when considering the foundational aspects of WTO reform, the options under consideration should facilitate an approach to development that facilitates their effective integration into global trade.

4.5. The conversation started by Ministers at MC14 was an important first step in revisiting the fundamentals of the global trading system. The debate must continue, based on proposals by Members. The EU is looking forward to engaging with Members to discuss and further develop the ideas proposed in the present paper.
