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European Parliament

Committee on External Economic Relations

Public Hearing

"The European Union and the agenda of the WTO Millennium Round"

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Address by Dirk Hudig

Secretary General of UNICE

Introduction

- UNICE would like to thank Mr Herzog for inviting representatives of civil society together with representatives of the Community institutions to discuss the WTO Millennium Round. This meeting gives us a *unique opportunity* to make our voice heard in advance of the 10 May informal General Affairs Council meeting, which is an important step for the preparation of the new round of WTO negotiations. On that occasion, ministers will discuss the EU strategy and EU positions for the WTO Ministerial Conference to take place end of the year in Seattle.
- Before addressing European business positions on services and competition more specifically, I would like to make *two preliminary remarks* and summarise briefly UNICE's objectives and priorities for the WTO Ministerial Conference and the new round of negotiations.
- First preliminary remark: it is essential that the EU strategy and positions which will be put forward in Geneva, duly reflect the *interests of those to whom the WTO rules finally apply*. Although the Members of WTO are countries, the rules are developed for and finally apply to the companies that are active on world markets.

- We should not forget in the ongoing debate with civil society on international trade that the primary objective of WTO is to enhance economic growth for all its members through trade liberalisation. In an environment characterised by the increasing and irreversible globalisation and integration of markets, this can only happen within a common framework of rules and procedures, which ***create the proper conditions*** for companies to compete on the same footing on third-country markets.
- In that context, European business, as one of the ***end-users of the WTO system***, is not an NGO like the others involved in the debate with civil society. Its competitiveness, namely its ability to develop the new activities which create growth and employment in Europe, depend directly and to a large extent on the rules which are decided in Geneva. The WTO negotiations are therefore vital for business.
- For that reason, the ***WTO*** is, for many years, ***one of the main priorities*** of UNICE in the field of external relations.
- Second preliminary remark: when setting the EU strategy and priorities for the new WTO round of negotiations, EU decision-makers should have a clear understanding of the ***representativeness of the views*** put forward by each of the participants in the civil society debate. It is essential for them to have an overall picture of the interests at stakes.

WTO negotiations are not a theoretical exercise. They are a rule-making exercise with wide-ranging implications for the future of Europe and the world in which we live in terms notably of economic growth and sustainable development. It is therefore essential that the objectives and processes to achieve them, which emerge from the ongoing dialogue at EU level, are ***realistic while forward-looking***.

Such an outcome, which depends of the willingness of each participant in the dialogue to ***put forward constructive proposals***, would constitute a good basis on which to build the consensus necessary with the other WTO members to launch a new round of negotiations.

European Business positions for the Millennium Round

- UNICE's positions are the *result of the consultation* of its member federations. UNICE's membership now consists of 37 central industrial and employers' federations from 29 European countries. It represents more than 16 million small, medium and large companies active in Europe today. These companies employ a total of more than 106 million people. They generate the resources, which are the basis for the well being and living standards of society. Employment depends largely on their success. Part of their success depends of access to third-country markets.
- UNICE's decisions are taken on the *basis of consensus*. It is not always easy but I can tell you that, when we succeed, our positions are strong and representative. On trade-policy issues, we also work closely with some of the most representative European sectoral federations.
- From these consultations, it is clear that European business *fully and strongly supports WTO*. First, we consider it one of the most important and most efficient international trade organisations. It is the international body which most directly affects our activities. We are therefore determined to see it succeed in its vital mission, which is to ensure that international trade is fair and as free from restrictions as possible in order to guarantee liberal world trade. This is essential for achieving the goal of increased living standards and sustainable development around the world.
- Second, the environment in which companies operate today is *changing* rapidly and has become particularly *unstable*:
 - innovations in the fields of information and telecommunications technologies and improvements in transports are accelerating the world-wide networking of national economies and the globalisation and integration of markets for goods, services and capital;
 - economic turmoil in Asia, Latin America and Russia has increased uncertainties which is in turn reinvigorating protectionist pressures;

- Against this background, UNICE believes that it is *high time for the WTO to be completed and adapted* to the new challenges of the global economy and to be *strengthened* to:
 - improve the predictability of the environment in which companies operate;
 - resist protectionism and
 - restore the confidence of public opinion in open markets and further trade liberalisation.
- Today, agreements on trade policy cannot be achieved without the broad support of civil society. The failure of the OECD negotiations on a Multilateral Agreement on Investment illustrates that new reality.

UNICE is *committed*, as evidenced by its active participation in the dialogue with the civil society at European and WTO levels, *to explain its positions and the overall benefits* of further trade liberalisation for society in general. For that purpose, UNICE has developed or is developing detailed positions on the main issues likely to be on the agenda of the new round of negotiations.

UNICE is also *actively involved in the TABD*, which has the WTO high on its agenda for this year's Conference to take place in Berlin on 29 October. Finally, UNICE is also organising a high-level European business delegation to be present at Seattle at the end of the year.

- Let me rapidly summarise UNICE's positions for the Millennium Round. European business actively supports the launch of a new global, *forward-looking round* of WTO negotiations in the year 2000. It considers that these negotiations should not exceed *three years*.
- To obtain results in the areas which most interest European business, the round must be *comprehensive* and concluded by a *single undertaking*:
 - comprehensive means that the round should deal with a whole range of subjects and be broader than the so-called built-in agenda which covers in particular services and agriculture;

- the term single undertaking means that all WTO members accept and implement the results of the negotiations. UNICE believes that WTO members should not be able to pick and choose.

For UNICE, such an approach is the only way to achieve balanced results.

- European business attaches particular importance to:
 - full and faithful *implementation* of all WTO agreements. UNICE, which advocates a high level of protection for intellectual property around the world, attaches a particular attention to the complete implementation of the agreement on intellectual property rights;
 - respect of the *agreed schedules* for reviews and negotiations (such as agriculture, services).

European business priorities for the new round

- The European business priority for the new round is an improvement in *access to third country markets* for European goods and services. To that end, it wants to see included in the new round of negotiations:
 1. *investment*: UNICE attaches a high priority to the establishment of a global regime for foreign direct investment, which is non-discriminatory, transparent, stable and liberal. Therefore, UNICE strongly advocates the launch of negotiations in the WTO;
 2. *services*: significant reduction of existing exceptions and discriminations against European service providers. I will explain this position in more detail later;
 3. *trade facilitation*: European business looks notably for simplification, harmonisation and computerisation of customs procedures;
 4. *improved market access commitments* covering:
 - non-tariff barriers notably in the areas of standards and certification, and

- in the field of tariff, bound reduction of tariff peaks at a maximum of 15%, binding of all tariffs at the level of applied tariffs, improved geographical coverage of zero duty and sectoral tariff harmonisation agreements.

For UNICE tariffs should not be dealt with in isolation from non-tariff barriers.

European business opposes in general the American sectoral approach and particularly its proposal covering the 8 APEC (Asia Pacific Economic Co-operation) sectors¹. The only sector which has expressed its interest so far, on the European side, is the toy sector. The other sectors support a more comprehensive and balanced approach in the framework of the new round.

UNICE does not oppose sectoral deals as long as they are MFN and have the full agreement of the sectors concerned.

5. **government procurement:** European business seeks elimination of existing restrictions to European business participation in third-country government procurement;
 6. **trade and environment:** for UNICE the priority should be the development of specific guidelines for recourse to trade measures in multilateral environmental agreements and for ecological labelling. UNICE published, on the occasion of the WTO High-Level Symposium on Trade and Environment which took place in Geneva on 15-16 March, a compilation of its positions on the matter. These positions are available for those interested in the matter;
 7. **electronic commerce:** specific provisions will have to be developed in the various WTO agreements where appropriate.
 8. **dispute settlement:** considering notably the recent trade dispute on bananas, clarification and improvement of the ambiguous provisions of the current agreement are necessary.
- In the new Round, UNICE looks also forward to:
 - clarification of the existing rules regarding regional trade agreements;

¹ gems and jewellery, toys, chemicals, medical equipment and instruments, fish and fish products, forest products, energy and environmental goods and services.

- better integration of the least developed countries in the WTO system;
 - stronger co-operation between the WTO and other international organisations: in particular with IMF and World Bank to ensure greater coherence between their respective policies.
- Meanwhile, UNICE is also supporting the active pursuit of the negotiations under way with the candidate countries;

UNICE position on services

- The liberalisation of services markets is *among the first priorities* of European business in the new round of WTO negotiations. The EU, which is the world's largest exporter of commercial services, accounting for 26% of total global service transactions, has a key interest in the GATS 2000 negotiations. It believes that services and other services-related issues, such as investment and electronic commerce, should be combined in a new comprehensive round and concluded by a single undertaking for the same reasons I have already explained.
- To prepare the GATS 2000 negotiations actively and to provide business input for these negotiations, UNICE has strongly supported the establishment of the *European Services Network* (ESN). This network, chaired by Mr Andrew Buxton, Chairman of Barclays Bank PLC, was officially launched on 26 January in Brussels. Its members are leading European firms in the field of services, European services industry federations and UNICE.
- ESN members are *committed and determined* to:
 - promoting actively the interests of European services in the GATS 2000 negotiations;
 - supporting and encouraging the liberalisation of services markets throughout the world;
 - removing trade and investment barriers for the European services sector, in particular in the fields of market access and national treatment.

- Among the *goals* which ESN would like to see reflected in the commitments made in national schedules, the following are of major importance:
 - the right to establish and operate competitively;
 - foreign investors should have the same access to domestic markets as domestic companies;
 - freedom to provide cross-border services in highly international-oriented sectors;
 - removal of barriers (nationality, residence requirements, etc.) to the posting of key personnel;
 - exceptions to commitments should be precise, transparent, temporary and limited to the minimum required for their purpose;
 - existing investments should be grandfathered;
 - standstill on duties on electronic transmissions and definition of an appropriate framework for an open-trade regime for electronic commerce.

Pro-competitive principles to rule making should also be developed, while preserving appropriate regulatory frameworks.

- *ESN terms of reference*, adopted on 26 January, are available in the room. Specific positions are under preparation on scheduling methods, pro-competitive regulations, electronic commerce, safeguards, subsidies, and government procurement. The European services sectors are also preparing lists of main barriers and priority countries to help Community negotiators to focus on the most significant ones for European business. UNICE is actively involved in all this process.

UNICE position on competition

- UNICE has *not yet defined its position* on the possible inclusion of competition in the new round of negotiations. This is a new issue, which is highly complex and has wide-ranging implications. The consultation process is under way with our member federations.
- Without pre-empting the results of this consultation, I can however tell you two things:

- UNICE is opposed to any attempt to set up an international competition body within the WTO and the review of individual cases in the framework of a binding WTO dispute settlement procedure;
- UNICE fully supports the exploratory work underway in the WTO Working Group on trade and Competition as a useful contribution towards improving the understanding of all the parties concerned regarding the current situation and the difficulties encountered as a result of the globalisation of business.
- UNICE sees clear benefits for business in the prevention of foreclosure of markets by anti-competitive practices. In this respect, UNICE would welcome a multilateral agreement on objectives for competition rules which is directed to what is necessary to prevent such foreclosure.
- UNICE understands that the Commission is not in favour of a review of individual decisions in the context of a WTO dispute settlement, but that it would welcome such settlement when there is a pattern of failure on the part of a government to introduce competition rules or to bring domestic competition law and the enforcement thereof in accordance with the multilaterally agreed framework. UNICE fails to understand how a dispute, e.g. on the discriminatory or non-transparent pattern of enforcement, could be considered without entering into the substance of more than one case, thus leading to gross legal uncertainty.
- These are some of the initial views expressed by European companies. I hope that we will be soon in a position to give you detailed comments on the Commission proposals outlined in the discussion papers submitted by the EC to the WTO in Geneva to trigger the discussion.

Conclusions

- UNICE hopes that the views put forwards in today's hearing will be fully taken into account by the Member States when they meet on 10 May to define EU strategy and positions for the Seattle WTO Ministerial Conference.

- To achieve results in line with European interests, it is essential that the European Union be united in Geneva. Efforts must continue to be made to take into account the views of all sectors of the society when formulating EU positions. UNICE is fully committed to participating constructively in this process.
- UNICE looks forward to maintaining close contact with the European Parliament throughout the process and to discussing the specific issues which will arise as the process evolves in Brussels and in Geneva.

Thank you for your attention