



UNICE

Union of Industrial and Employers' Confederations of Europe
Union des Confédérations de l'Industrie et des Employeurs d'Europe

UNICE and the WTO Millennium Round

WTO Ministerial Conference

Seattle 30 November – 3 December 1999

This document is an executive summary of the collection of UNICE documents issued in preparation for the ministerial conference in Seattle, and the proposed Millennium Round of talks on international trade

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UNICE and the WTO Millennium Round

Foreword by the President of UNICE

Globalisation of economies is irreversible. Under the combined effect of technological progress, notably in the areas of information and communication, and market liberalisation, it will become more marked in the years ahead. For European companies, it is the major challenge of the 21st century.

To meet this challenge and to be able to benefit fully from the economic growth that market liberalisation engenders, many European companies are overhauling their structures and operations, and have launched large investment programmes to make the changes which are indispensable if their companies are to survive in this new environment. However, these initiatives, while necessary for companies to be efficient and innovative, are not sufficient to ensure their success. It is also essential that a number of rules apply to and are complied with by all players competing on the world market.

This framework of rules is needed to create the conditions for fair competition and to allow all companies, whatever their size or origin, to carry out their activities and develop new ones. It is also necessary to ensure that liberalisation of trade and investment maximises realisation of the aspirations shared by all, as citizens and consumers, in terms of improved living and working conditions, health and safety, and sustainable development.

A few figures highlight the growing role of international trade as a source of growth in overall economic activity. Over the period 1948-1997, merchandise trade has grown at an average annual rate of 6%. The comparable figure for output is 3.7%. That means that trade flows have multiplied by a factor of 17, while output has grown six-fold. To that should be added trade in commercial services. During the period 1990-1997, exports of commercial services have grown at an average annual rate of 8%. In 1997, world merchandise exports reached US\$ 5,300 billion and commercial services exports US\$ 1,310 billion. Foreign direct investment (FDI) figures also are striking. Between 1973 and 1996, FDI expanded almost 17-fold, from US\$ 21.5 billion to almost US\$ 350 billion, namely an annual growth rate of 12%. FDI stocks jumped from US\$ 165 billion at the end of 1973 to US\$ 3,205 billion in 1996.

These are the reasons why the World Trade Organisation (WTO) is one of the most important international organisations for European companies. In addition, it is the international body which most directly affects their activities. As final "users" of the multilateral trading system, they are determined to see WTO succeed in its vital mission, which is to ensure that international trade is fair and as free from restrictions as possible in order to stimulate economic growth.

UNICE looks to the WTO Ministerial Conference to take place in Seattle (30 November-3 December) to agree to launch a new comprehensive round of multilateral trade negotiations to stimulate trade and growth and proactively to deter protectionist tendencies, in the framework of multilaterally agreed rules which strengthen transparency, fairness and predictability.

As President of UNICE and spokesman for more than 16 million small, medium-sized and large European companies, I appeal to the political authorities concerned to give the fullest possible consideration to the views expressed in the pages that follow.

This UNICE compendium is the result of the collective work of the respective UNICE Working Groups which prepared the specific positions contained herein. UNICE's overall co-ordination for WTO matters is carried out by UNICE "WTO" Working Group chaired by Mr Jacques Leflon (Senior Vice-President International, P  chiney).

Georges Jacobs
President

UNICE and the new WTO Round of Negotiations

UNICE, the voice of European business

UNICE is the official voice vis-à-vis the institutions of the European Union of the more than 16 million small, medium and large companies active in Europe today. These companies employ a total of more than 106 million people. Created in 1958, UNICE's membership now consists of 39 central industrial and employers' federations from 31 European countries. Its priority mission is to improve the competitiveness of all companies in Europe and to ensure that their interests are heard, understood and taken into account.

UNICE, a strong supporter of WTO

For European companies the World Trade Organisation (WTO) is one of the most important international organisations. It is the international body which most directly affects their activities. As final "users" of the multilateral trading system, they are determined to see WTO succeed in its vital mission, which is to ensure that international trade is fair and as free from restrictions as possible in order to stimulate economic growth. This is essential for achieving the goal of increased living standards and sustainable development around the world.

UNICE attaches great importance to full and faithful implementation of the various WTO agreements by all WTO Members. The existing deadlines, schedules for review, negotiations and other work decided at the previous WTO Ministerial Conferences, such as services and agriculture, should be fully respected.

UNICE in favour of a comprehensive round of negotiations

To strengthen WTO and to adapt the world trading system to the 21st century while addressing the growing concerns of civil society about globalisation, UNICE actively supports the launch of a new global round of WTO negotiations in the year 2000. To achieve balanced results, these negotiations should be comprehensive and concluded by a single agreement. They should take place on the basis of a timetable, which is as brief as possible, not exceeding three years.

UNICE's priorities for the round

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, notably in terms of economic growth and sustainable development. It is therefore essential that the objectives and processes to achieve them which emerge from the WTO preparatory process are realistic while forward-looking.

UNICE's priorities for the new round are the following:

- **investment:** Investment is an essential element of international trade and sustainable development. UNICE looks for the development of WTO provisions for the treatment of direct investment. It proposes a new approach and not an attempted second-coming of the MAI. This approach gives priority for transparency over liberalisation. The focus is on stability, predictability and transparency of applicable law as a first step. Governments' right to regulate is recognised, while investors' requirement for non-discrimination for entry to markets and national treatment within them are preserved. The agreement should also provide a basis for removal, or at least reduction, of inhibitions to investment flows. Negotiating such an agreement would be in the interest of WTO members at all stages of development.
- **services:** UNICE supports and encourages liberalisation of services markets throughout the world. The negotiations should:

- achieve broad and deep coverage of services sectors in WTO members and acceding countries;
- obtain the widest possible standstill commitments;
- go beyond these standstills in order to remove, progressively on an agreed transition schedule, barriers to trade and investment for the European services sector, in particular in the fields of market access and national treatment;
- ensure the development of GATS rules and disciplines regarding government procurement of services, subsidies and emergency safeguard measures.

UNICE is also keen to see governments and regulatory authorities actively commit to pro-competitive principles, which critically affect trade and foreign investments.

UNICE's preferred method of scheduling would be one requiring countries to state all the restrictions in force affecting market access and national treatment, sector by sector. This would give more clarity and certainty to private business and would focus attention on the barriers to be negotiated away.

trade facilitation: UNICE believes that simplification, harmonisation and computerisation of trade and customs procedures will benefit all and that it can offer new trading opportunities, especially for small and medium-sized enterprises. UNICE's major priorities in this field are:

- administrative rules governing international trade which are adapted to globalisation and modernisation of trade;
- processing administrative formalities linked to international trade transactions, notably in the field of transport, technical controls and means of payment;
- an efficient fight against corruption and fraudulent traffic, without increasing the constraints and burden on companies;
- co-operation between operators and customs, which should evolve towards true partnership.
- "One-Stop Clearance" procedure, which will allow the delegation of controls.

• **market access:** UNICE looks for improved market access commitments, covering reduction of non-tariff barriers and tariffs. UNICE's priorities in this field are the following:

- a new round should not inhibit full and effective implementation of all the Uruguay round agreements;
- for tariff liberalisation, the approach should be comprehensive in scope, covering all sectors.

A tariff peak of 15% should be the absolute maximum acceptable;

- UNICE supports proposals aiming at the unilateral dismantling of all tariffs for industrial imports from least-developed countries by all developed WTO members. The most economically advanced developing countries should also contribute to this special effort;
- UNICE opposes the automatic elimination of tariffs below certain limits;
- sectoral initiatives to eliminate or harmonise tariffs should be possible, provided that a critical mass of countries participates and without exceptions for individual products;
- to foster a climate of confidence among WTO members, UNICE suggests the immediate binding of all applied tariffs by all WTO members;
- the tariff liberalisation process should be accompanied by substantial progress to improve market access in other areas, including elimination of existing, and prevention of any new, non-tariff measures.

• **government procurement:** UNICE strongly supports the liberalisation and increased transparency of government procurement markets for goods and services. The long-term objective is to achieve a truly multilateral set of rules on procurement based on national treatment principles and reciprocity of access. For the new round, UNICE looks notably for:

- a widening of the WTO plurilateral Government Procurement Agreement (GPA) in terms of countries and sectors covered. WTO candidate countries should make commitments in that field. Improvements must also be sought on coverage of sub-federal entities;
- definition of a workable set of transparency principles for government procurement (including timely and open notifications, bidding procedures, evaluation criteria, dispute settlement mechanism, publication of national procurement laws and notice before such rules are changed);
- developments of rules in the GATS framework for the procurement of services;

- development of sustainable approaches for application of electronic procurement practices.
- **trade and environment:** UNICE is committed to the principle of sustainable development. It believes that trade and environment policies are, or need to be made, mutually supportive. It is, however, not the task of WTO to set international environment standards. These standards should be developed by the appropriate international organisations. UNICE supports international negotiations on global environmental problems. WTO's role with respect to national measures consists in ensuring that these measures are compatible with WTO rules. Trade measures designed to protect the environment should not contravene the fundamental WTO aims of most-favoured nation treatment and of non-discrimination. UNICE would like WTO to launch negotiations on the following issues:
 - clarification on the relationship between trade provisions contained in multilateral environmental agreements and WTO;
 - clarification of the WTO obligations on environmental labelling. UNICE expects governments to address the potential discriminatory and trade barrier effects of environmental labelling schemes and to establish clear rules for those schemes;
 - support for the present definition of like products and rejection of unilateral trade measures aimed at influencing the production conditions in exporting countries.

electronic commerce: The impact on society of the new information and communication technologies is both rapid and far-reaching. Issues that providers and users alike face with respect to the digital marketplace can only be addressed, and effective solutions can only be found, through joint action and dialogue. UNICE urges governments to enhance constraint-free electronic commerce transactions. It believes that WTO is not the right platform for drafting rules on domestic regulation. However, WTO could give useful guidance on how electronic commerce should be supported within individual economies.

Other issues of current WTO concern

- **intellectual property:** The TRIPs agreement is one of the major achievements of the Uruguay round. The priority for strengthening intellectual property protection at international level is to ensure effective and timely implementation of the TRIPs agreement and pursue the work programme embodied in the built-in agenda.

Once the agreement has been consolidated, further negotiations could be considered but UNICE remains of the opinion that the time is not yet ripe to include intellectual property as a subject for further negotiation in an imminent WTO new global round. The European and international atmosphere in the field of intellectual property is not propitious to this exercise. It might endanger the "acquis" of the TRIPs agreement and could upset its effective implementation.

UNICE firmly believes that, instead of imposing higher standards on those countries which are already showing resistance to implementing the basic TRIPs provisions, industry needs to concentrate on further education of and discussion with those countries to help them fulfil their obligations. UNICE has welcomed the various initiatives from WIPO, WTO and developed countries to provide LDCs and LLDCs with the technical assistance which some of them need to carry out the necessary legislative reforms in order to comply with the TRIPs agreement.

- **dispute settlement:** UNICE considers that the WTO dispute settlement mechanism is one of the main achievements of the Uruguay round. It attaches great importance to timely settlement of disputes and to correct implementation of dispute settlement findings. It supports clarification and improvement of some of the provisions of the Dispute Settlement Understanding which have led to trade disputes. It also looks for greater transparency in the panel process and greater access to non-confidential information/reports.

agriculture: The opening of world agricultural markets will be on the agenda of the new WTO negotiations to start in the year 2000. Important trading partners have voiced clear demands for a further reduction in restrictions on agricultural trade and the "peace clause" of the WTO agreement on agriculture will expire in 2003. That means for European business that:

- the pending WTO negotiations on further market opening and the removal of barriers to trade will - as was the case in the GATT Uruguay Round - be closely linked to negotiations on agricultural policy;
- vital interests in liberalisation shared by the whole of the business community - e.g. protection of intellectual property, services, reduction of tariffs, removal of non-tariff trade barriers - would all be directly dependent on progress in the agricultural sector.

UNICE therefore calls on the EU to:

- implement the first steps of CAP reform in the agreed timeframe;
- avoid being forced into a defensive position in the negotiations and adopt a constructive approach;
- adopt an offensive position regarding agricultural subsidies in non-EU countries and request that the measures of other trade partners which are trade-distortive are abolished at the same time;
- avoid any stagnation in the further course of the liberalisation of world trade, which is vital for the whole European business community.

The WTO negotiations should lead to a global, substantial and balanced agreement.

- **trade and competition:** UNICE is favourable to continuation of the work underway on trade and competition in the WTO. It would welcome a multilateral agreement on objectives for competition rules which would be directed to what is necessary to prevent foreclosure of markets. UNICE believes that competition rules, and their enforcement should be based on core principles of efficiency, transparency and non-discrimination. Multilaterally agreed objectives for competition rules should not frustrate the effective working of the market mechanism or slow down commerce. Such a framework should promote a reduction of administrative burdens and enhancement of legal certainty on a global scale.
- **labour standards:** UNICE believes that continued world growth through trade and investment liberalisation is key to the improvement of social conditions worldwide and in particular of working conditions. It is opposed to the use of trade sanctions to promote observance of core labour standards but strongly supports work in ILO to that effect. UNICE supports the approach decided at the WTO Ministerial Conference in Singapore in 1996, which recognises ILO as the competent body to deal with the observance of international labour standards: its expertise, universal character and tri-partite composition provide the necessary elements for moving this issue forward. UNICE therefore welcomes the fact that this principle was recently reaffirmed by the OECD Council of Ministers and the recent G 7 meeting. Placing the issue outside ILO would have serious negative implications for the multilateral trade system and UNICE believes that this would ultimately damage the situation of the very people it is trying to help.

Work underway at ILO offers an opportunity to achieve real progress in the observance of internationally recognised labour standards. UNICE supports the 1998 ILO Declaration on Fundamental Principles and Rights at Work and the Convention concerning the prohibition and progressive elimination of the worst forms of child labour, adopted by ILO on 17 June 1999. The adoption of such instruments, together with the necessary follow-up mechanisms within ILO, should strengthen its ability to tackle abuse, thereby fulfilling the mandate entrusted to it at the 1996 Singapore WTO meeting. UNICE also supports strengthened co-operation between ILO and WTO.

- **institutional co-ordination:** UNICE supports increased co-operation between WTO, IMF and the World Bank to ensure greater coherence between their respective policies to promote sustainable development and in particular help developing countries to benefit fully from further trade liberalisation.
- **WTO accessions:** UNICE is favourable to the widest possible geographical coverage of WTO. A new round of negotiations should not slow down negotiations with WTO candidate countries and in particular China. New members should accept all WTO rules and disciplines, and make commercially meaningful commitments and bind them.

- **functioning of the WTO:** UNICE welcomes the progress made regarding the transparency of WTO operations, and strengthening dialogue and consultation with its stakeholders. WTO should continue in that direction to gain the support of public opinion for trade liberalisation. To ensure the proper and optimal functioning of WTO, its members will have to make sure that adequate resources are available.

Seattle, an opportunity not to be missed

UNICE looks to the WTO Ministerial Conference to take place in Seattle (30 November-3 December) to agree to launch a new comprehensive round of multilateral trade negotiations to stimulate trade and growth, in the framework of multilaterally agreed rules which strengthen transparency, fairness and predictability, and proactively to deter protectionist tendencies. It will continue its action in the coming months to support such an outcome. It may review or add to its priorities as governments' positions develop and discussions progress in the run-up to Seattle

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