

DEVELOPING COUNTRIES AND THE NEW WTO ROUND

UNICE POSITION PAPER

Executive summary

The purpose of this paper is to provide input, from the European business perspective, to the public debate on further trade and investment liberalisation in the framework of a new WTO round and participation of developing countries in the WTO.

The aim of the debate should be to develop a trade policy that harnesses the forces of globalisation in the interests of sustainable development in countries at all stages of development. One of the central goals of trade policy should be that no country is excluded from the benefits of globalisation.

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Sections II and III of this paper examine the general benefits of liberalisation for developing countries and the enhanced participation of developing countries in world trade.

UNICE is convinced that, provided that adequate flanking policies exist, multilateral trade and investment liberalisation lead to economic growth, and benefits industrialised countries as well as developing countries. It is also convinced that the WTO is the best framework for achieving liberalisation, also for developing countries. The multilateral approach and the consensus-based decision-making procedure provide a better negotiating framework for less powerful parties than the alternative of bilateral negotiations

It is thus in the interest also of developing countries that a new round takes place. Seattle was a missed opportunity, not only for trade liberalisation, but also for improving the weak points of the WTO system; no substantial changes in the WTO will be brought about outside the framework of a new round. This is recognised also by representatives of developing countries: they are not against globalisation, they want to be part of and benefit from it.

Advanced developing countries often claim to have a trade agenda that is close to that of the EU; they are in favour of liberalisation, but need the support of the WTO to overcome internal resistance to change.

New ways should be developed for practical application of the concept of graduation, i.e. differential treatment according to the degree of development. Preferences or special and differential treatment (SDT) should then be given to DC, or to sectors within DC, when there is an objective justification. The Integrated Framework could develop criteria for this selection.

More transparency is necessary in the WTO's existing decision-making process and mechanisms, and in particular, it should facilitate the better inclusion of developing countries. Transparency should not lead to a loss of efficiency, and it should guarantee participation by those interested.

Developing countries have expressed a number of clear reservations about liberalisation and the WTO. These should be addressed. UNICE therefore supports a serious effort by the industrialised world to build confidence among developing countries in the possible gains from further trade liberalisation in the framework of the WTO. However, in general UNICE believes that any concessions should be made as part of, and not before, the negotiating process itself.

More financial resources and more technical assistance through appropriately monitored programmes should be made available by the EU and other international donors to promote effective participation of DC in the WTO.

Co-ordination between development-related international policies, and between the donor countries and international organisations executing them, has often been poor in the past, with a detrimental effect on developing countries. A substantial effort should therefore be made to enhance co-operation and to avoid contradictions between the respective policies.

As far as WTO dispute settlement proceedings are concerned, UNICE calls for equality of treatment for all WTO members through the primacy of implementation of the panel reports, as opposed to the alternative solutions of compensation or retaliation.

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In sections IV and V of this paper, UNICE examines a number of aspects of market access and of the trade linkages which are relevant for developing countries, and sets out UNICE's position, and how it relates to the interests of developing countries in these fields. This part of the paper builds to a large extent on earlier position papers published by UNICE.

The paper concludes that UNICE is keen to develop an active dialogue with officials and businesses in developing countries on its objectives and positions for a new round.

I. Purpose of this paper

On many occasions, UNICE has declared itself in favour of the opening of a new round of multilateral trade negotiations in the framework of the WTO. It considers that a new round is the most appropriate way to achieve mutually satisfactory results for all contracting parties which would contribute to sustainable development. However, a number of developing countries have expressed reservations with respect to a new round, partly for substantive reasons and partly also for tactical reasons. A number of NGOs have also expressed their views on the position of developing countries in a new WTO round.

The purpose of this paper is to provide input, from the European business perspective, to the public debate on further trade and investment liberalisation in the framework of a new WTO round and the participation of developing countries in the WTO. The aim of the debate should be to develop a trade policy that harnesses the forces of globalisation in the interests of sustainable development in countries at all stages of development. One of the central goals of trade policy should be that no country is excluded from the benefits of globalisation.

II. Benefits of trade and investment liberalisation for developing countries

UNICE is convinced that, provided that adequate flanking policies exist¹, multilateral trade and investment liberalisation leads to economic growth², and benefits industrialised countries as well as developing countries. International consensus is growing around this point.

History shows many convincing examples of the economic failures of protectionist trade regimes and import substitution policies: the former communist countries in Eastern Europe, Brazil and India in former decades, the Great Depression in the thirties, African economies in the eighties³.

It is also an established fact that participation in world trade is not the privilege of the developed world. The share of developing countries as a group in world trade increased during the nineties from 23 to 27.5% for goods, and from 19 to 23% for services. In 1999, developing countries' merchandise exports expanded by 8.5%, twice as fast as the global average⁴. 87% of developing countries' exports now consist of industrial products. Of their exports, 40% go to other developing countries. Nevertheless, the 48 least developed countries (LLDCs) still account for only 0.4% of world trade.

Developing countries not only participate in world trade, they also profit from it. The estimated gains of the Uruguay round for developing countries as a group are equal to those for the US, i.e. 0.4% growth of GDP⁵.

¹ Trade liberalisation means change, and change necessarily means positive and negative effects, even if the overall net effect in most cases will be positive; flanking policies should optimise the positive effects of liberalisation and minimise or remedy its negative effects.

² Trade leads to a more efficient allocation of resources, enhances competition which leads to greater technical efficiency and diminished domestic monopoly power, provides citizens with a greater variety of goods, introduces new ideas and technology, leads to economies of scale and to greater employment also outside the export sectors; trade also encourages FDI.

³ See on the negative effects of present-day developing country protectionism: Bhagwati, 'The truth about protectionism', Financial Times, March 30, 2001.

⁴ World Trade Developments, WTO, April 2000.

⁵ Kirkpatrick, Lee, Morrissey: WTO New Round Sustainability Impact Assessment Study, Phase one report, Manchester, October 1999.

Between 1953 and 1983, whereas the net barter terms of trade of developing countries declined by about 0.6% per annum, overall export quantities were rising by about 6% per annum⁶.

Two individual examples can also illustrate the positive effect. In Ghana, between 1960 and 1992, primary export growth contributed to GNP growth over the period.⁷ And in Bangladesh, grain production increased substantially after imports of pumps and engines were liberalised.⁸

Although, according to a number of sources, the income gap between rich and poor countries in general is increasing, trade between countries promotes convergence of incomes;⁹ the developing countries that are catching up with rich ones are those that are open to trade.

UNICE is therefore convinced that the WTO is the best framework for achieving liberalisation, also for developing countries. The multilateral approach and the consensus-based decision-making procedure which characterises the WTO provide a better negotiating framework for less powerful parties than the alternative of bilateral negotiations. The rules-based system and the dispute settlement system guarantee that all negotiating parties are equally bound to comply.

For all these reasons it is in the interest also of developing countries that a new round takes place. Seattle was a missed opportunity, not only for trade liberalisation, but also for improving the weak points of the WTO system and for addressing the concerns of critics; no substantial changes in the WTO will be brought about outside the framework of a new round. This is recognised also by representatives of developing countries: they are not against globalisation, they want to be part of and benefit from it.

Nevertheless, certain developing countries have expressed a number of clear reservations about liberalisation and the WTO. Sometimes this results in a very critical and hard-line approach,¹⁰ sometimes a more moderate stance is taken.¹¹ They relate notably to:

- implementation efforts and related costs of the Uruguay round
- lack of faithful implementation by trade partners
- level of expertise needed and the cost involved in participating in the WTO decision-making process
- transparency of the functioning of the WTO and of its negotiating procedures
- allegation that the WTO does not take the concerns of developing countries duly into account
- limited real value of trade preferences, due to the best-endeavour character of special treatment provisions in the Uruguay round or to factors such as additional trade regulations and non-tariff barriers (e.g. peak tariffs, rules of origin, certification, SPS, anti-dumping, safeguards or special safeguards) or supply-side constraints
- limited effects of trade liberalisation due to the lack of co-ordination with other policy fields such as monetary policy, debt relief, agricultural policy and development assistance.

With the consensus rules firmly in place, the WTO will not be able to make much progress towards further trade liberalisation and drafting disciplines for new issues without taking the concerns and interests of developing countries (DC) more into account, both in substance

⁶ Grilli and Yang, World Bank Economic Review, January 1988.

⁷ Boame, Journal of Economic Development, 1998.

⁸ Baysan, Bangladesh – Trade liberalisation, its pace and impacts, World Bank 1999.

⁹ Ben-David, Nordström, Winters: Trade, income disparity and poverty; WTO Special Studies 5, Geneva 2000.

¹⁰ E.g. Pakistan, India, Egypt.

¹¹ E.g. South Africa.

and in procedure, in all areas and at all stages. The position of developing countries as a group might be influenced by China's eventual entry in the WTO.¹²

UNICE therefore supports a serious effort by the industrialised world to build confidence among developing countries in the possible gains from further trade liberalisation in the framework of the WTO. In this respect, UNICE considers the Commission's 'Everything But Arms' initiative a very clear and positive sign.¹³ However, in general UNICE believes that any concessions should be made as part of, and not before, the negotiating process itself.

III. Enhanced participation of developing countries in world trade

Reassessment of the role of trade policy amidst other international policies

The development process of developing countries is influenced by a number of international policies: trade policy, monetary policy, debt relief, agricultural policy, development assistance. The role of trade policy in this process should be reassessed and its relation with other policies reviewed. Trade is gradually moving up the agenda. Trade and investment liberalisation promote the creation of a friendly environment for development of the private sector. The development of healthy trade policies and adequate flanking policies (often country-specific) to reap the full benefits of trade policy reform should therefore be an integral part of any development assistance policy aiming at fostering a more balanced industrial and trade development, in particular for the least developed countries. And sufficient funds for the realisation of these policies should be provided.

Advanced developing countries often claim to have a trade agenda which is close to that of the EU; they are in favour of liberalisation, but need the support of the WTO to overcome internal resistance to change.

The co-ordination between the aforementioned international policies, and between the donor countries and international organisations executing them, has often been poor in the past, with a detrimental effect on developing countries. A substantial effort should therefore be made to enhance co-operation and to avoid contradictions between the respective policies. To that end, the WTO should make full use of the research capacity of the World Bank and OECD.

The notion of 'developing countries', graduation and SDT

Neither the WTO, nor any other forum, provides for internationally agreed upon criteria to determine whether a country is a developing country or not. Such a definition exists only for the 'least developed countries' (LLDC). In the meantime, very substantial differences subsist in the level of development between developing countries and sectors therein. This poses a problem, as DC consider their status a justification for claiming a preferential position in the WTO. Applying the same exceptions to all DC would result in unfairness vis-à-vis industrialised countries and the less developed countries within the DC.

To solve this dilemma, new ways should be developed for practical application of the concept of graduation, i.e. differential treatment according to the degree of development. Preferences or special and differential treatment (SDT) should then be given to DC, or to sectors within DC, when there is an objective justification. Criteria for this selection could be developed by the six international organisations cooperating in the "integrated framework".¹⁴

¹² Although in a number of relevant sectors such as textiles, toys and footwear, China can no longer be considered a developing country.

¹³ See also under IV, Tariffs and quota.

¹⁴ The six-agency co-operation initiative in the field of trade and development brings together IMF, ITC, UNCTAD, UNDP, World Bank and WTO.

The former focus of SDT was the possibility for developing countries *not* to participate in the WTO (protection of industries), now the focus is to promote full participation under preferential conditions (monitored transition periods, meaningful preferences in relevant sectors), and facilitated by support policies (monitored technical assistance, coherence between trade policy and development policy).

Capacity-building

Many developing countries lack the financial resources, specialised knowledge and analytical capacity in their administrations and trade-related institutions to participate fully in the day-to-day work, negotiations and dispute settlement procedures of the WTO. Of 97 developing countries, 55 are reported not to participate effectively in the WTO process. More financial resources and more technical assistance through appropriately monitored programmes should be made available on a structural basis by the EU and other international donors to fill this gap.¹⁵ More in particular, the effective functioning of the Advisory Centre on WTO law should be guaranteed.

To promote understanding of complex trade policy issues it is important that, apart from the public sector, contacts between representatives of the private sector are also intensified. European business is willing to play its role in this field, e.g by intensifying its dialogues with business communities in other regions.

Reform of the WTO and DSP

More transparency is necessary in the WTO's existing decision-making processes and mechanisms, and it should facilitate the better inclusion of developing countries. Transparency, in particular, should not lead to a loss of efficiency, yet it should guarantee effective participation by those interested. It should also guarantee full information and explanation to third countries, so that they can take informed decisions.

As far as the dispute settlement proceedings of the WTO are concerned, UNICE calls for the primacy of implementation of the panel reports, as opposed to the alternative solutions of compensation or retaliation. Only full and effective implementation guarantees respect for WTO rules and excludes the possibility of an 'à la carte' approach to WTO obligations.

IV. Relevant aspects of market access

Tariffs and quotas¹⁶

UNICE considers that further tariff harmonisation must be one of the main aims of the new round. High tariffs limit economic development.¹⁷ Peak tariffs must disappear worldwide. Also the gap between bound tariffs and applied tariffs must be reduced as much as possible.

UNICE considers that in DC where import tariffs still constitute a substantial source of revenue for the government, technical assistance should be provided to develop alternative sources of revenue. Special and differential treatment could be granted depending on the level of development.

UNICE welcomes the recent adoption of the Commission's 'Everything but Arms' initiative to grant duty-free access to the EU market for all products except arms from the 48 LLDC.¹⁸ It is

¹⁵ In this respect, UNICE welcomes the Integrated Framework Trustfund created in March 2001.

¹⁶ UNICE updated position on Market Access , 7 June 2000.

¹⁷ Whereas average tariffs in Central and Eastern Europe are now around 5%, and in Latin America around 15%, they are still around 20% in Africa and around 30% in Asia; this reduces e.g. the possibilities for imports of capital goods (World Bank, 2001).

¹⁸ In 1998, total EU imports from outside the EU amounted to \$801 billion (WTO Annual report 1999); total EU imports from LDC amounted to \$ 8.7 billion, or roughly 1%.

a clear example of how to make the idea of graduation operational. UNICE strongly advocates that other developed countries and the more advanced developing countries follow the EU's example.

Tariff escalation

The general structure of the customs tariff usually results in a level of duties that is higher for finished products than for raw materials or semi-finished products. With the continuing decline of duty levels in developed countries this problem decreases but it is still applicable in certain high-duty areas. UNICE is in favour of a further reduction of tariff escalation, where it hampers the development of industry in DC, on condition that there is genuine reciprocity, particularly from the most advanced DC.

Agriculture¹⁹

UNICE considers that the negotiation of a worldwide balanced reduction of support and protection is inevitable. UNICE is in favour of a further opening up of markets in the EU (as proposed e.g. in the 'Everything but Arms' initiative) and in third countries, and of a further orientation of the agricultural sector on the world market. To these ends a gradual approach should be followed.

To mitigate the effects of further liberalisation on net food importing developing countries (NFIDC), the Marrakesh Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on NFIDC and LLDC should be taken into account.

Developing countries should be allowed to take into account specific measures to guarantee food security.

Standards and certification, TBTs

As the level of tariffs declines, the relative importance of standards, certification and other TBTs gradually increases. These TBTs determine to a large extent the real effect of market access commitments. Developing countries often face particular difficulties in meeting the high standards of developed countries, e.g. for health and safety. UNICE considers that developed countries, whilst upholding a high level of protection of health and safety, should allow for flexibility in how to meet essential standards. Also, developing countries should be granted monitored technical assistance so that they can comply with justified standards, SPS norms and food safety demands from their trade partners. DC should also be more involved in the standard-setting process. Standards and certification demands should not unduly restrict trade.

Trade facilitation²⁰

Trade facilitation, the simplification, harmonisation and computerisation of customs rules is one of UNICE's priorities. UNICE considers that it should be pursued at both bilateral and regional level, as well as in the World Customs Organisation (WCO), in order to prepare the ground for a multilateral agreement in WTO, containing SDT for DC. Such an agreement would be advantageous to all WTO members, and especially to DC. The legal certainty it would provide would give new impetus to trade and investment in these countries. To assist LLDC to implement trade facilitation rules, monitored technical assistance programmes tailored to meet the needs of individual countries should be developed and adequate funding provided. Trade facilitation also leads to the development of a culture of co-operation between government and business in DC.

¹⁹ UNICE position on European Agricultural Policy and World Trade, March 1999 and UNICE position on WTO agricultural negotiations dated (...) 2001.

²⁰ UNICE position on a future WTO Agreement on Trade Facilitation, 12 February 2001.

Rules of origin

The harmonisation and implementation of the non-preferential rules of origin as enshrined in the Marrakesh agreements should be effected. Only then, will preferential rules of origin (PRO) related to duty preferences such as the GSP system prove to be really effective. UNICE recognise the complexity of the PRO (including a number of cumulation mechanisms). The complexity of PRO and the differences between PRO in, inter alia, the EU, the US and Canada discourage exports from DC. The international community should address seriously the functioning of the various GSP systems worldwide in order to simplify and identify common and basic principles that will reduce the cost of complying with PRO, above all for LLDCs.

TRIPs²¹

UNICE insists on the full and effective implementation of the TRIPs agreement. The TRIPs agreement facilitates, and often is a prerequisite for, the transfer of technology to, and FDI in, developing countries. The development of intellectual property protection is also a condition to protect the intellectual and genetic resources of developing countries themselves. UNICE recognises, however that a number of DC are facing difficulties with the timely implementation of specific commitments. Increased technical and financial assistance should therefore be provided to the DC to assist them with the implementation of these commitments. The question of extension of transitional periods for specific agreements should be examined by the relevant WTO bodies on a case-by-case basis and be subject to the provision of a clear and monitored working programme with a precise timetable.

Services²²

The more advanced economies become, the higher the percentage of GDP that is generated by the services sectors. It is therefore to be expected that services sectors will grow significantly in DC. Liberalisation in the framework of the WTO will foster that growth. Services sectors are not only important in themselves as a source of employment, human resource development and income generation, but their development is also a precondition for the prosperous development of other sectors. This is true for the infrastructure services, e.g. for the sectors of financial services, energy-related services, transport, distribution and telecommunications ('backbone services'). Low quality services lead to high production costs. Services trade liberalisation is therefore a crucial element of sustainable development. This is especially true for the development of the information technology. Awareness of these facts among governments should be increased.

DC have already expressed interest in the liberalisation of a number of sectors such as financial services, telecommunications, tourism and maritime transport.

UNICE considers services liberalisation to be one of the key priorities of a new Round.

UNICE is especially in favour of enhanced possibilities for the temporary movement of key business personnel, as it encourages knowledge-sharing and development, stimulates innovation and enhances efficiency. The movement of key business personnel can also bring important benefits to developing countries as qualified professionals such as engineers, accountants, bankers and software programmers working temporarily abroad can increase the knowledge base and transfer income from abroad.

²¹ UNICE Comments on TRIPs in the context of the Millenium Round, 28 June 1999; Statement on access to genetic resources and benefit-sharing, 28 February 2001.

²² UNICE Strategy on GATS 2000 negotiations, 24 November 2000.

Government procurement²³

UNICE is of the opinion that an effective functioning of government procurement markets can bring important benefits to the economy. The geographical coverage of the government procurement agreement should therefore be increased, and should also include more developing countries. Preferably the agreement should be transformed in a multilateral agreement. UNICE attaches great value to the conclusion of an agreement on transparency in government procurement, as decided by the WTO ministerial conference in Singapore, as a critical cornerstone for progress on subsequent liberalisation.

Anti-dumping²⁴

The use of anti-dumping actions, by developed and developing countries alike, is steadily on the rise²⁵ and divergences of interpretation and implementation of the WTO anti-dumping rules are increasing. UNICE therefore calls for the new round to strive for more harmonised interpretation and implementation. This is clearly also in the interests of developing countries.

V. Relevant aspects of trade linkages

Investment²⁶

Private foreign direct investment flows are nowadays many times higher than government development assistance. They provide not only for financial transfers, but also for transfers of knowledge, technical skills and management skills. Implementing the TRIMs agreement, which facilitates FDI, is therefore in the interest of developing countries.

A set of basic multilateral rules on the treatment of investments, would not affect the sovereign rights of host countries, and would improve the international investment climate and would thus be in the direct interest of developing countries, many of which actively work to attract FDI. Without adequate investment rules, the WTO will not be well equipped for the challenges of the future.

UNICE has therefore spoken out strongly in favour of the development of multilateral rules on the liberalisation and protection of investments. However, should a plurilateral approach for an investment agreement be a sine qua non for the launch of a new round, UNICE would be ready to consider it for developing countries alone and under the following specific conditions:²⁷

- strictly limited to investment and competition;
- no lowering of EU ambitions (in particular in the area of investment);
- negotiations should be launched and concluded at the same time as all the other issues negotiated in the round and involve the largest number of WTO members and in particular all the developed and emerging countries;
- the “opt-out” option should be open at the end of the negotiations, exclusively to developing countries which expressly so request, with a clause for review at the next round of negotiations;

²³ UNICE position on the revision of the GPA, 26 October 2000.

²⁴ UNICE Preliminary Position on anti-dumping in view of WTO negotiations, 16 February 2001.

²⁵ Between 1995 and 1999, poor countries began 558 procedures, compared to 463 by rich countries; Bhagwati, op.cit.

²⁶ Restatement of UNICE position on WTO negotiations on Investment, 12 June 2000.

²⁷ Preliminary UNICE comments on the Commission's proposed strategy for the new WTO Round, April 2001.

- a critical mass of countries, going far beyond the OECD membership and representing a substantial part of international trade and investment (at least 80% of WTO members) should sign the agreement.

Competition²⁸

Multilateral and national rules on competition policy are a logical complement to trade and investment liberalisation, as markets opened by WTO disciplines can be closed off to foreign competition by anti-competitive practices. Competition rules are also clearly in the interests of developing countries. They contribute to a healthy structure of the domestic and international economy. It is therefore important that developing countries develop competition rules and participate in multilateral agreements, although special transition periods might be needed.

Multilaterally agreed objectives for competition rules should be directed to what is necessary to prevent foreclosure of markets by anti-competitive practices. To that effect, competition rules and their enforcement should be based on core principles of efficiency, transparency and non-discrimination. UNICE would welcome a multilateral agreement on objectives for competition rules, which is directed to what is necessary to prevent market foreclosure. However, should a plurilateral approach for a competition agreement be a sine qua non for the launch of a new Round, UNICE would be ready to consider it for developing countries alone under specific conditions (*see under Investment*).²⁹

Environment³⁰

Trade and environment policies should be mutually reinforcing.³¹ However, the WTO has no competence to develop international environmental standards. Therefore, good co-operation between the WTO and environmental organisations or multilateral environmental agreements (MEAs) should be developed and the relationship between WTO rules and trade measures in multilateral environmental agreements should be clarified. Trade measures to protect the environment should not affect fundamental WTO principles. Also, the extent to which WTO members may use labelling schemes has to be determined.

Application of the precautionary principle does not call for a specific reference in the WTO legal texts, since the WTO already allows its members to take provisional precautionary measures, if a cautious approach is adopted and certain criteria are fulfilled. However, common risk management strategies to avoid widely diverging interpretations of the precautionary principle are highly desirable.³²

The issue of process and production measures (PPMs) lies at the heart of the trade and environment debate. This issue needs to be addressed through negotiations of MEAs, eco-labelling and on a case-by-case basis through dispute settlement. It should not be solved through a re-definition of the concept of "like products" or a new definition of the concept of "related" PPMs. Such a re-definition would create serious risks for the exports of developing countries. Developing countries' reluctance vis-à-vis the linkage between trade and environment and the clarification of trade and environment issues stem from fears of new environmental protectionism introduced by developed countries because of societal pressures. UNICE suggests that the WTO alleviates these fears through clarification. Certain DC are afraid that the linkage between trade and environment could lead to limitations on market access or capacity constraints in the field of TBT and SPS. These concerns should be addressed.

²⁸ Preliminary UNICE Comments on Trade and Competition, 14 May 1999.

²⁹ Preliminary UNICE comments on the Commission's proposed strategy for the new WTO Round, April 2001.

³⁰ Summary of UNICE Positions on Individual Trade and Environment subjects, 15 February 1999.

³¹ UNICE Brochure containing its positions on trade and environment, March 1999.

³² UNICE Discussion paper on the Precautionary Principle in International Trade, 20 November 2000.

Animal welfare

The subject of unilateral trade measures introduced for animal welfare considerations meets with resistance in developing countries. In a number of aspects, standards on animal welfare would be comparable with PPMs.

UNICE considers that animal welfare issues which trigger trade measures should be decided upon within a multilateral framework not necessarily inside the WTO. UNICE accepts and supports the WTO's legal positions in respect of unilateral trade measures taken out of animal welfare considerations.³³

Core labour standards³⁴

Core labour standards should not be used for protectionist purposes. UNICE opposes the introduction of trade sanctions related to core labour standards, but is in favour of constructive measures. The development and promotion of international social standards is primarily the domain of ILO. The 1998 "ILO declaration on fundamental principles and rights at work" has been an important step in this field.

Of late, an OECD study concluded that there is no robust evidence that low-standard countries provide a haven for foreign firms and that there is no evident relation between the non-respect of core labour standards and a position of competitive advantage.³⁵ Good social policy and good economic policy are closely interrelated.

UNICE supports the Commission's proposal that a dialogue on trade and social development should be pursued, on its own merits and timeframe, in a multi-institutional setting involving all relevant international organisations among which the WTO would be only one.

VI. Conclusion

UNICE is keen to develop an active dialogue with officials and businesses in developing countries on its objectives and positions for a new round. It supports renewed efforts effectively to integrate developing countries in the international trading system and help them to benefit more fully from the liberalisation process.

UNICE might complement its above initial comments as the debate evolves in the EU, developing countries and Geneva.

³³ Shrimps/turtle case.

³⁴ Trade and Labour Standards: UNICE Comments in view of the WTO Millennium Round, 6 July 1999.

³⁵ International Trade and Core Labour Standards, OECD, 2000.