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Why launch a new round of multilateral trade negotiations?

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2nd roundtable

Is it possible to regulate global trade in such a way as to encourage high social and environmental standards?

- Situated at the interface between trade policy and other policies, notably social and environment policies, the questions raised in this roundtable are very complex. They are the questions that prompted most of the demonstrations in Seattle and which continue to cause disquiet in public opinion. It is therefore essential that everyone can express his or her positions clearly. In that way, I hope that we will be able to respond to some of the concerns expressed, and remove certain ambiguities.
- I shall therefore use the time allotted to me to try to summarise UNICE's positions on labour standards, environmental standards and services. These are the outcome of exhaustive internal consultations based on the experience of companies of all sizes, small, medium-sized and large, some but not all of which are active on non-European markets. For greater detail, I refer you to UNICE's specific positions which can be found on its Internet site wto.unice.org.
- The question of **labour standards** in trade agreements is not new. It has been debated since the industrial revolution. It is completely clear that all of us in Europe, companies included, are deeply attached to the European social model and totally opposed to forced labour and to all abusive forms of child labour. Action to promote respect for human rights and minimum labour standards is not, as many might have you believe, the exclusive province of trade unions and social or development NGOs. European companies are also actively engaged at national, European and international level. Two examples: a growing number of European companies are developing their own codes of conduct. For their part, business organisations are currently actively involved in promoting the OECD “guidelines” vis-à-vis their members in order to widen their practical application.
- Leaving aside a few unfortunate but inevitable exceptions, most of the problems encountered are generally found in small and medium-sized local businesses working for the domestic market. Trade sanctions would have no direct influence on criminal behaviour. All they would do is deprive the countries concerned of the revenues that they need so badly.

In addition, the humanitarian concerns expressed by many protagonists of sanctions often mask protectionist tendencies, hence the reticence of developing countries. Poverty is the root of the problems, and it is poverty that must be attacked with vigour.

- The problem is complex. It is only in the framework of an integrated approach bringing together all the main motors of development, of which trade and investment are only two components, certainly essential but not sufficient, that effective action can be taken. WTO has neither the expertise nor the resources needed to tackle problems of this type.
- The real challenge is to find solutions which help developing countries to promote social development in their countries effectively and efficiently, without cutting them off from the markets of developed countries. This involves a combination of better national social policies and – more importantly – their effective implementation, supportive development programmes, enhanced technical assistance, and trade development. In all this process, ILO, specialised in promoting social standards at global level and whose participants include the social partners, has a central role to play. It must do so in close liaison with the other international organisations concerned, including WTO for the commercial aspects, and the World Bank and IMF for the economic, financial and development aspects.
- For all these reasons, UNICE supports the Commission's proposals regarding social development and is totally opposed to inclusion in WTO of trade sanctions for social purposes. On the contrary, it advocates better integration of the countries concerned in world trade with pursuit of market liberalisation for goods, services and investments, in a new round of negotiations with "development" as its central theme.
- Concerning interaction between **trade and environment**, the issue is even more complex than is the case for the social aspects, given the absence of a world environment organisation. WTO is certainly not in a position to develop environmental standards. It can only deal with trade questions linked to the environment.
- To avoid any misunderstanding on the positions of European industry on this subject, which is definitely one of the most difficult to resolve before Doha, I would like to spell out the essential points of UNICE's position:
 1. UNICE is a fervent defender of sustainable development based on a balance between environmental, economic and societal objectives.
 2. It favours inclusion of the trade and environment issue on the agenda for the next round of WTO negotiations. Why? Because, after more than four years of preparatory work in WTO on this subject, the time has come for action to respond to the concerns expressed by environmental movements and public opinion on these questions by giving more specific guidelines and thereby avoiding potential conflicts.
 3. UNICE has adopted a proactive approach in this area with the main objective of avoiding recourse to protectionist trade measures dressed up as environmental objectives. In so doing, it seeks to respond to the disquiet expressed by developing countries on this subject.
 4. It does not call for re-opening of existing agreements but clarification of certain provisions, with a view to finding formulations which are acceptable to all on the basis of negotiations and in a multilateral framework. This approach is preferable to case-by-case solutions through dispute settlement. Everybody stands to gain, instead of unnecessarily overloading the dispute settlement system and running the risk of a devastating escalation in conflicts.

5. For UNICE, trade and environment are not antagonists. Neither takes precedence over the other. WTO and environmental agreements must coexist and be mutually reinforcing. On that perspective, the main questions that UNICE would like to be addressed in a new round are:
- The compatibility or otherwise of trade measures taken in the framework of multilateral environment agreements with WTO rules. On this point, UNICE goes as far as proposing presumption of the compatibility of trade measures taken in the framework of MEAs with the provisions of the GATT agreement on exceptions, provided that they meet a number of criteria such as the need for the measure and its appropriateness for the objective in view.
 - Eco-labels, to prevent them from becoming protectionist measures. UNICE would like confirmation that the rules of the agreement on technical barriers to trade apply to them, and development of guidelines for their use.
 - The solutions to be found for questions linked to production processes and methods. In this area, UNICE calls for recourse to multilateral environment agreements.
6. I invite you to refer to UNICE's individual positions for more details on all the questions relating to this difficult and complex subject of environment in WTO
- A last point on **services**. Coming from this sector, I can confirm all the offensive interests of European companies in this area. The European Union is the largest exporter of tradable services in the world with 26% of transactions worldwide. Services represent 40% of the European balance of payments and the trend is strongly upwards.
 - Our companies are held back from expanding in non-European countries by numerous barriers. Some examples: difficulty of transferring key personnel, restrictions on local operations, rules which discriminate against foreign undertakings, opaque public procurement. Thus, UNICE has spoken out in favour of further liberalisation of service markets in the framework of WTO. It considers that the negotiations under way in the framework of the General Agreement on Trade in Services (GATS) will produce better results if they are included in a new round of negotiations.
 - Many fears have been expressed about the risk that these negotiations might exert pressure on European public services, notably education, health care or water distribution, some voices even announcing their demise. It is high time to establish the truth in this matter.
 - Article 1.3.b) of GATS expressly excludes from the agreement "services supplied in the exercise of governmental authority", i.e. public services. To date, no government has called for this provision to be changed, hence it continues to be applicable for the negotiations under way.
 - However, the detractors of GATS base their argument on article 1.3. c) which defines this category of services as "any service which is supplied neither on a commercial basis nor in competition with one or more service suppliers". They fear that the coexistence of public services and private services in the same sector, which is often the case, will be interpreted as competing services, and therefore not covered by the exception.
 - Let us take an example. Police services coexist with private security companies. The services provided do not compete. Nobody doubts the public character of police services. It is therefore clear that they are not covered by GATS. The same is true for health care or education where public and private services coexist. In order to close this debate, the negotiations should clarify this definition of public services once and for all.

- At the same time, it is important to recognise that certain countries, in the interests of their citizens, choose to open some of their public services to the private sector. This is the case notably of some developing countries which wish to have access to training services or medical counselling, for instance via the Internet. It must be possible to satisfy such demands through the commitments made by the countries concerned in the framework of GATS.
- A second misconception: GATS forces countries to liberalise their services. Wrong. Each government is free to decide whether or not to open a sector or sub-sector and expressly to grant it most favoured nation treatment or national treatment. There is no compulsion. This progressive and “bottom-up” approach allows each country to move at its own speed.
- Lastly, GATS does not mean deregulation. The signatories of the agreement have explicitly given governments the right to regulate and to introduce new rules in order to meet national political objectives. This right is not contested. What companies want is greater transparency in these rules and disciplines, so that they do not unnecessarily create new barriers to trade.
- All these subjects are extremely complex. Therefore, it is important that they are addressed in a multilateral framework, each party making its voice heard and expressing its interests.
- Doha, I hope, will see the launch of a new round. It will then be up to the negotiators to move the debate forward in order to arrive at balanced results. UNICE is willing to pursue discussions on all these subjects with all interested parties. The general interest will be better served by a constructive dialogue than by violent confrontations seeking to impose positions by force. Each one of us must assume his or her responsibilities.

Thank you.