

Doha Development Agenda

CANCUN

**MOVING FORWARD
TOGETHER**

WTO



International Trade



Table of contents

2 Foreword by President J. Strube: Cancun concerns us all!

3 Multilateralism, Ambition and Development

FOUR UNICE PRIORITIES FOR THE DOHA DEVELOPMENT AGENDA

4 Market Access

5 Trade Facilitation

6 Services

7 Trade and Investment

UNICE POSITIONS ON:

8 Agriculture

9 TRIPs & Public Health

10 Public Procurement / Trade & Competition

11 Trade & Environment

12 Rules

13 Dispute Settlement Understanding

14 UNICE WTO Activities

Cancun concerns us all, get the Doha Development Agenda moving!



Despite signs of recovery, the "engines of growth" of world trade and foreign direct investment are running out of steam. Poverty alleviation remains an essential concern. Bilateral and regional trade deals are flourishing around the world, marginalising countries excluded from these initiatives. Public opinion continues to question the possible effects of globalisation on social development, health, environment and security.

Against this background, international cooperation and a new liberalisation impetus are urgently needed. **The success of the ambitious WTO Development Agenda negotiations (DDA), launched in Doha in November 2001, is more necessary than ever** in the interest of all, citizens, consumers, and companies.

The objectives of the DDA are clear.

- ◆ Resist narrow, short-sighted protectionism and self-interest.
- ◆ Integrate developing countries more fully in the world economy.
- ◆ Boost economic growth through trade and investment liberalisation within a framework of rules and disciplines agreed by all.
- ◆ Promote sustainable trade and thus

alleviate concerns and misunderstandings about the WTO.

UNICE has four priorities for the DDA.

1. Improved market access for industrial goods.
2. An agreement on trade facilitation.
3. Liberalisation of services.
4. An ambitious WTO agreement on trade & investment.

Expectations for Cancun

The Cancun Ministerial Conference (9-14 September 2003), which marks the mid-way point in the negotiations, is the litmus test of real government commitment to move the process forward and inject new momentum for the final phase of the negotiations to be concluded in January 2005.

The time has come to make the following decisions in Cancun:

- ◆ Agreement on the modalities for agriculture negotiations, thus paving the way for progress in the rest of the negotiations.
- ◆ Agreement on the modalities for market access negotiations: tariff and non-tariff measures.

- ◆ Effective launch of negotiations on the four Singapore Issues (trade facilitation, trade & investment, transparency in public procurement and trade & competition).
- ◆ A balanced solution to the TRIPs/Public Health issue, if no agreement is reached before Cancun.
- ◆ Clear guidelines on special & differential treatment (SDT) for developing countries and least developed countries.
- ◆ Additional services liberalisation offers.
- ◆ A road map with an indicative timetable for the final phase of the negotiations.

Improving transatlantic relations is key to the successful completion of the Doha Agenda.

UNICE will continue its action with determination to reach an ambitious, balanced and forward-looking conclusion of the DDA by the agreed January 2005 deadline. A positive outcome will contribute to building a safer, more equitable and sustainable world for all of us.

Dr Jürgen Strube
President of UNICE

July 2003

2



Three words to move forward together in Cancun

MULTILATERALISM

In a global economy, with interdependent markets, rules must be applied and complied with by all players competing on the world market, whatever their size or origin.

The World Trade Organisation's main objective is to guarantee conditions of fair competition and to keep international trade as free from restrictions as possible in order to increase economic and employment opportunities for all its members.

The Doha Development Agenda **should not be a missed opportunity to improve and strengthen the multilateral trading system** and tackle new international trade challenges in a constructive, cooperative and proactive way.

AMBITION

To adapt the world trading system to the 21st century and to promote higher living standards and sustainable development around the world, the ambitious and broad-based negotiating agenda agreed in Doha is the right approach.

A comprehensive agenda, with a wide spectrum of issues representing the varied interests of WTO members offers the best chance of success. **Reducing the level of ambition of the round would merely postpone clearly identified problems** with the risk that they will become more difficult to manage in the future.

Better market access for goods and services will boost international trade and promote economic growth. According to a recent World Bank study, pursuit of dynamic trade liberalisation would raise world income in 2015 by close to EUR 800 billion more annually than it would otherwise have been. This is a fantastic opportunity for all countries.

DEVELOPMENT

It is essential that the DDA **integrates developing countries more fully into the global economy** so that they can reap the benefits of trade and investment liberalisation.

Many developing countries have unilaterally adopted ambitious trade and investment liberalisation and pro-competitive reforms. The DDA should support these policies by effectively tackling the specific needs of these countries through special & differential treatment (SDT). However, SDT should apply on a case-by-case basis, distinguishing between countries at different levels of economic development and, within countries, between sectors according to their level of competitiveness.

Exemption from WTO rules is not the solution to help developing countries achieve their development objectives. Instead they should be given more time, flexibility and technical assistance to implement their WTO obligations. The specific interests of the least developed countries need to be tackled.

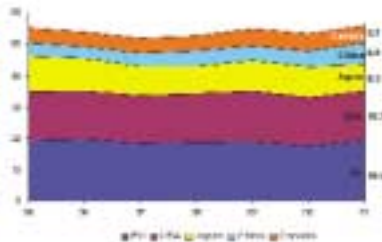
Market Access



Why does UNICE support a comprehensive approach to Market Access?

- ◆ *The EU is the largest exporter in the world (19.5% of world exports).*
- ◆ *Only a comprehensive and balanced agreement will be acceptable to all WTO members and allow everyone to gain from liberalisation.*
- ◆ *Tariff reduction and the elimination of non-tariff barriers (NTBs) will provide new trade and investment opportunities and boost economic growth.*

Share in world exports



Source: European Commission

UNICE supports a comprehensive approach to market access that includes across-the-board industrial tariff reduction and the simultaneous elimination of NTBs.

On **tariffs**, UNICE supports a formula for all sectors and products that will reduce tariffs significantly, and in particular tariff peaks, to secure greater harmonisation of tariff levels.

UNICE looks for:

- ✓ A single formula that reduces tariff peaks to 15% maximum.
- ✓ Binding of all tariffs.
- ✓ Possibility of sectoral agreements once a single formula has been accepted.
- ✓ Elimination of small tariffs, on a case-by-case basis, provided that a level playing field is established for the sectors concerned.
- ✓ Granting least developed countries preferential access to developed markets.

On **non-tariff barriers (NTBs)**, UNICE is concerned that NTBs will increase and reduce the benefits of tariff reduction. Expected results:

- ✓ Removal of existing NTBs notably export restrictions, technical barriers to trade and a decision on the clarification of labelling schemes.
- ✓ Clearer definition of NTBs and identification of how to tackle them effectively within WTO agreements or develop new mechanisms where necessary.
- ✓ Use of the Trade Policy Review Mechanism to monitor progress and to prevent new NTBs from developing.

For **environmental goods**, see section on Trade & Environment.



Trade Facilitation

Why is it the right time to launch trade facilitation negotiations?

- ◆ *The cost of trade procedures represents 4-5% of trade transaction costs. Halving them could save EUR 300 billion per year.*
- ◆ *Trade facilitation will make trade transactions more predictable for importers and exporters - especially SMEs.*
- ◆ *Trade facilitation will reduce risk by improving efficiency and reducing unnecessary delays.*
- ◆ *Trade facilitation will increase the transparency, predictability and accountability of trade flows.*

Trade facilitation is more than just establishing improved customs procedures. It covers the broad aspects of border management associated with the movement of goods across international borders.

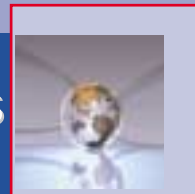
Trade facilitation is a win-win issue for all members of the WTO, and particularly for developing countries. Burdensome and outdated trade procedures are significant impediments to trade and investment in these countries.

Negotiations on a Trade Facilitation Agreement should be launched in Cancun.

Key points for an agreement:

- ✓ Three key principles: transparency, non-discrimination and least trade-restrictive measures.
- ✓ Rules to improve the efficiency of moving goods across borders and to minimise unnecessary intervention in trade.

- ✓ Harmonisation and simplification of standards on transport and border control procedures, together with import and export automation.
- ✓ A framework integrating existing international instruments related to trade facilitation, and based in particular on the World Customs Organisation Revised Kyoto Convention.
- ✓ A balance between legitimate security concerns and trade facilitation objectives.
- ✓ A progressive approach which would define levels to which countries would commit themselves.
- ✓ Financial and technical assistance to help developing countries improve the efficiency of their trade infrastructure.



Services/GATS

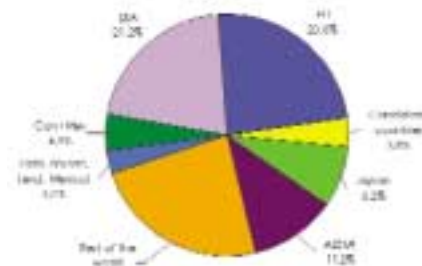
Why does UNICE support ambitious services liberalisation?

- ◆ *The EU is the largest trader of commercial services (23.8% of world services trade).*
- ◆ *Services account for a growing share of employment (close to 70% in the EU) and UNICE believes that liberalisation will contribute to job creation.*
- ◆ *Services liberalisation will improve the quality of services.*
- ◆ *Services liberalisation is positive for all types of companies: service providers gain access to new markets; industrial companies gain access to more competitive and efficient services and hybrid companies (providers of both goods and services) gain from a more open and pro-competitive environment.*
- ◆ *Services liberalisation is beneficial to developing countries which have competitive services industries or which need access to high-quality services - in particular infrastructure-related services.*

UNICE expects:

- ✓ Improved market access for European services exporters.
- ✓ Broad and deep coverage of services sectors in the largest possible number of WTO member countries.
- ✓ Improved market access in the EU for foreign service providers.
- ✓ Further implementation of the principle of equal treatment for domestic and foreign providers through new national treatment commitments.
- ✓ Adoption of pro-competitive principles in services regulation to avoid discrimination against foreign services suppliers.
- ✓ The widest possible standstill commitments and the widest possible binding commitments on existing regulatory practices.
- ✓ Progress in GATS negotiations on public procurement.
- ✓ Clear progress on Mode IV (temporary movement of key business personnel) negotiations.

World Trade in Services (2000)



* Asian Members excluding Japan

Source: European Commission



Trade & Investment

Why is it the right time to launch investment negotiations?

- ◆ *The EU is the world's largest foreign investor. European companies require more legal certainty for this FDI and additional liberalisation of investment markets.*
- ◆ *A WTO agreement would create a transparent overall framework and initiate a process for improving market access.*
- ◆ *A WTO agreement would encourage similar investment terms everywhere and improve on the current system of over 2000 bilateral investment treaties.*
- ◆ *A WTO agreement would provide equal and fair treatment to all investors.*
- ◆ *FDI is a tool for sustainable development. A WTO investment framework will encourage a favourable investment climate in developing countries. Development concerns can be addressed in a multilateral setting.*

Multilateral rules should provide a level playing field for investors worldwide while safeguarding the rights of governments to determine appropriate policies in the public interest.

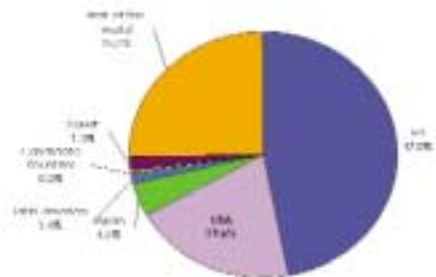
Investment rules alone cannot guarantee increased investment flows. Appropriate domestic policies and pro-competitive reforms are the key to attracting FDI. A WTO agreement can support these initiatives.

Key issues for investment negotiations:

- ✓ To create added value for companies by building on existing investment rules and agreements.
- ✓ To establish a wide definition of foreign direct investment (FDI) but not including portfolio investment or short-term capital flows.
- ✓ To apply universally the WTO principles of transparency and non-discrimination to FDI.

- ✓ To increase market access for investors.
- ✓ To ensure investment protection and dispute settlement by at least recognising existing agreements and procedures already in place.

Share in world FDI Flows (2000)
Outflows



* Asian Members excluding Japan
Source: European Commission

Agriculture



Why push for progress on agriculture in the WTO?

- ◆ To provide substantial economic benefits to consumers/taxpayers.
- ◆ To improve market access for EU food products.
- ◆ To negotiate a fairer and clearer set of rules on agricultural trade which is vital for the economic development of both developing and developed countries.
- ◆ To avoid agricultural trade (less than 10% of EU trade) blocking WTO negotiations in areas where the EU stands to gain economically.
- ◆ To ensure the success of the DDA, further liberalisation of trade in agricultural goods is pivotal.

Key players in the WTO need to reform agricultural policies and to substantially reduce trade-distorting support and protection for agriculture. The OECD estimates that industrialised country agricultural policies cost consumers and taxpayers close to EUR 300 billion annually.

The 26 June 2003 agreement reached on the Common Agricultural Policy is an important step in that direction and demonstrates a strong EU commitment to reform.

At the WTO, UNICE supports:

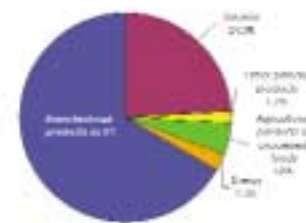
- ✓ Recognition that the three fundamental areas of the WTO negotiations on agriculture - market access, internal support and export competition - are linked, and need to be dealt with at the same time.
- ✓ Improved market access for agricultural exports from developing countries.
- ✓ Similar treatment for basic agricultural products and processed goods.
- ✓ Elimination of trade-distorting subsidies by all WTO members. This should be done in a coherent manner without

compromising the competitive position of the European food industry.

- ✓ Tariff reductions in line with internal price support cuts.
- ✓ Improved market access for EU agricultural and food products.

UNICE supports negotiations on geographical indications in the context of the TRIPs Agreement.

EU Exports by sectors (2000)



Source: European Commission



TRIPs & Public Health

Why does UNICE support a balanced solution to TRIPs & Public Health?

- ◆ *Effective solutions to severe health crises in developing countries require a comprehensive policy including technical and financial assistance and the establishment of functioning health care systems in developing countries.*
- ◆ *The intellectual property framework is essential for encouraging innovation in many industries and services.*
- ◆ *Only a balanced solution that addresses severe health crises and respects the rights of patent holders will provide a viable long-term solution to the TRIPs & Public Health issue.*

The Doha Declaration on TRIPs & Public Health was designed to respond to severe public health crises in certain developing countries. The effective use of compulsory licensing under the TRIPs agreement by WTO members with insufficient manufacturing capacity in the pharmaceutical sector requires balanced solutions.

A WTO text on TRIPs & Public Health, which includes an extensive list of diseases, fails to deal with diversion and lacks legal certainty, could be open to abuse and lead to an erosion of the intellectual property system, essential for encouraging research.

The TRIPs agreement defines minimum standards for intellectual property protection and aims to guarantee a level playing field necessary to reduce impediments and distortions to international trade.

Balanced proposals:

- ✓ The WTO should encourage negotiations between patent holders and developing countries facing severe health crises as the most rapid and effective solution.
- ✓ A strictly defined waiver solution would not involve any opening of a general provision of the TRIPs agreement, would benefit from an established instrument (Art. IX Marrakech Agreement) which can be used quickly and expeditiously, in accordance with the Doha mandate.
- ✓ The WTO should require effective measures to prevent re-export or diversion of medicines produced under a compulsory license in compliance with the Doha Declaration.
- ✓ Amendment of TRIPs would create a precedent for renegotiating other areas of the agreement, undermine the intellectual property framework and go beyond the Doha mandate.

Public Procurement Trade & Competition



Public Procurement

Why does UNICE support an ambitious approach to Public Procurement?

- ◆ *The global public procurement market is approximately EUR 2,000 billion.*
- ◆ *The EU has a large number of highly efficient and competitive companies in the public procurement market.*
- ◆ *Open and transparent procurement markets contribute to economic efficiency, reduce government expenditure and improve global governance.*

UNICE calls for:

- ✓ The **launch of negotiations on transparency in public procurement** in Cancun and the rapid conclusion of a multilateral agreement with binding obligations.
- ✓ Progress in GATS public procurement negotiations.

- ✓ Technical assistance to help developing countries improve their procurement laws and their use of information technology.

UNICE also supports the conclusion of the ongoing review of the Government Procurement Agreement (GPA) including negotiations on extended scope and coverage and non-discrimination. The revised GPA should facilitate WTO members' accession to GPA, building on a better understanding of public procurement obtained through work on transparency and in the GATS.

* * *

Trade & Competition

Why does UNICE support negotiations on Trade & Competition?

- ◆ *Companies should be able to compete in individual foreign markets on a level playing field to take advantage of international trade.*
- ◆ *A WTO agreement will support pro-competitive policies in all countries.*

UNICE supports the **launch of negotiations on Trade & Competition** subject to the following key elements:

- ✓ Transparency, non-discrimination and procedural fairness in competition law.
- ✓ A commitment to take measures against "naked hard-core cartels".
- ✓ Voluntary cooperation between WTO members on competition policy whilst ensuring effective protection for confidential information.
- ✓ Strengthening of competition institutions in developing countries with transition periods.
- ✓ A voluntary "peer review" for competition policy.
- ✓ The WTO Dispute Settlement Body should consider whether national legislation complies with the core principles of a WTO agreement and should not review competition cases.



Trade & Environment

Why does UNICE support negotiations on Trade & Environment?

- ◆ *Trade and environmental rules should be mutually supportive.*
- ◆ *Sustainable development should be based on an appropriate balance between economic, social (including developmental) and environmental objectives.*
- ◆ *Negotiations should clarify existing agreements and prevent disputes from arising.*

On the **WTO-Multilateral Environmental Agreement (MEA) relationship**, UNICE calls for:

✓ An interpretative understanding by the WTO whereby WTO rules will be interpreted in such a way as to allow MEAs and WTO Agreements to co-exist. Both sets of rules inform each other and have to be interpreted with a view to avoiding conflicts.

✓ Granting WTO observer status to MEA secretariats.

On **eco-labelling**, UNICE calls for:

✓ Clarification of labelling rules based on the non-discrimination principle.

✓ Clarification of how TBT rules apply to labels.

✓ Rules to minimise the potential trade-distorting effects of labels.

✓ Recognition of developing country environmental efforts and labels.

On **Environmental Goods**, UNICE supports in principle the elimination of duties for environmental goods provided that:

✓ Environmental goods can be defined in a coherent, objective and non-discriminatory manner. Negotiations should be understood in the light of the overall goal of substantially reducing and, where appropriate eliminating, tariffs on industrial goods.

✓ The list approach suggested by some WTO members does not lead to a distinction between "good" and "bad" goods. If that was the case, such a result must be rejected. If a clear definition of environmental goods is not possible, tariffs should be reduced for all products instead of for a limited "list" of products.

✓ No distinction is made between goods on the basis of their end-use since this could be a source of potential discrimination between WTO members' goods. Nor should negotiations introduce differences on the basis of non-product-related process and production methods.

Rules



Why does UNICE support negotiations on Rules?

- ◆ *WTO members should implement WTO agreements on Rules in the same way to ensure a level playing field.*
- ◆ *Legitimate trade disciplines need to be operated in accordance with transparent, predictable, harmonised and non-discriminatory enforcement provisions.*

The effective, non-discriminatory and impartial operation of trade discipline instruments can only be achieved if the same interpretation and the same criteria are applied by all. UNICE is opposed to two-tier instruments for developing countries.

On the **Anti-Dumping** negotiations, the WTO should aim to:

- ✓ Define common ways and means for **transparent proceedings and independence from politics** at all stages of assessment and decision-making.

- ✓ Clarify and harmonise the interpretation of a number of aspects of a procedural, methodological and conceptual nature.

- ✓ Adopt the **"lesser duty rule"** to improve implementation on a level playing field and reflect the spirit of the agreement - to put an end to the injury caused by dumping without imposing a penalty on the exporter.

- ✓ Address **"circumvention"** which is facilitated by open markets and globalisation but whose practice remains unequivocally identifiable.

- ✓ Act against flawed submissions and resulting **flawed initiations** that have negative side effects on companies and markets, and undermine the legitimacy of the Anti-Dumping Agreement. A **swift control mechanism**, along the lines of an "arbitration" procedure, would best complement the necessary clarification on the essential criteria and requirements for initiations.

Nearly 50% of Anti-Dumping initiations do not result in anti-dumping measures.

	<u>Initiations</u>	<u>Measures</u>
1999	.....355	.....182
2000	.....288	.....235
2001	.....347	.....159

(Source: WTO, Annual Report 2003, p.23)

The leading initiators of Anti-Dumping provisions in 2001 were:

USA	..... 76
India	..... 75
EC	..... 29
Argentina	..... 26

(Source: WTO, Annual Report 2003, p.23)

On **Subsidies & Countervailing Measures**, there is a need for increased transparency and disciplines. Negotiations should:

- ✓ Clarify the definition of "disguised" subsidies.
- ✓ Clarify rules for "local content" subsidies.
- ✓ Ensure coherence between WTO and OECD export financing rules.
- ✓ Establish more effective notification rules.



Dispute Settlement Understanding

Why does UNICE support a stronger, more compliance-oriented WTO Dispute Settlement Understanding (DSU)?

- ◆ *The objective of the rules-based multilateral trading system is to provide security and predictability for all WTO members and for business. In this framework, the WTO DSU is key to preserving the rights and obligations of all WTO members.*
- ◆ *Effective compliance with WTO agreements is essential to ensure that large and small WTO members reap the benefits of trade liberalisation.*
- ◆ *Recent trade disputes show that some DSU provisions should be clarified and improved.*

For UNICE,

- ✓ Full and timely compliance is the only effective remedy to breaches of WTO members' obligations.
- ✓ Compensation, in whatever form, is only a second-best alternative to compliance.
- ✓ Retaliation, as the last resort, has been ineffective in compelling compliance, and injures companies not associated with the dispute.
- ✓ Measures to avoid disputes should be further developed in the WTO.
- ✓ The improvements to the DSU and clarifications of procedure under discussion should lead to concrete results to make the DSU more effective.
- ✓ Developing countries have much to gain from the DSU because it offers a way to enforce their WTO rights and reduces the effects of "power politics".

Financial support to less developed country members will help them make full use of the DSU and is a welcome initiative.

- ✓ A standing panel body of independent experts would provide greater continuity and promote consistency of legal reasoning.

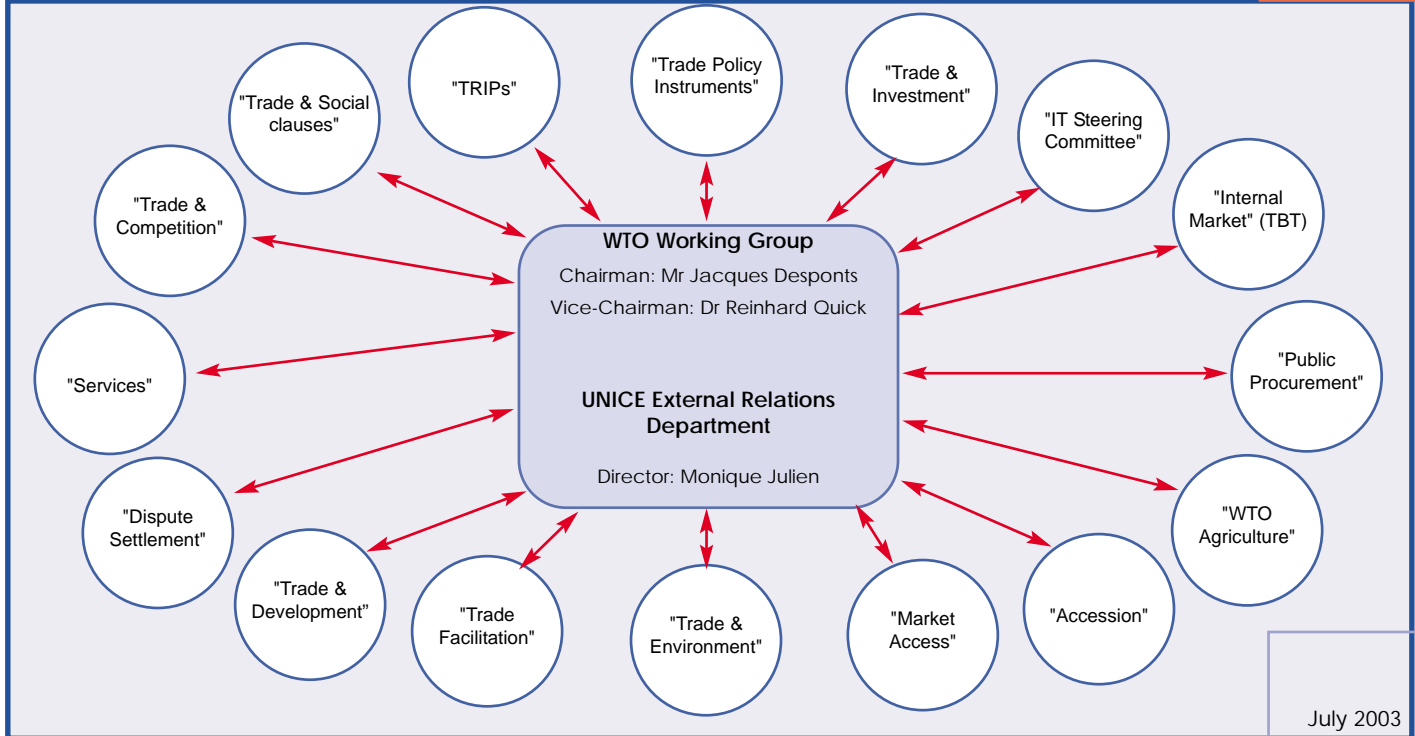
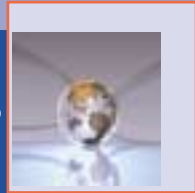
The leading complainants in the WTO since 1995 have been:

Country	Requests for Consultations
USA.....	71
EC.....	57
Canada	21
Brazil.....	19
India.....	15
Japan.....	11

(source: WTO Annual Report, 2003, p.34)

Developing countries have been complainants in 1/3 of the requests for consultation under the DSU.

UNICE WTO ACTIVITIES



More than 300 experts: national federations, European sectoral organisations, company experts.

UNICE's members

	AIP - CIP
	BDA - BDI
	CBI
	CEOE
	CONFINDUSTRIA
	DA - DI
	Economiesuisse - UPS
	FEDIL
	FGI
	FII - CIE
	IBEC
	IV
	MEDEF
	MFOI
	NHO
	OEB
	PT - TT
	SN
	TISK - TÜSIAD
	VBO/FEB
	VNO/NCW

UNICE

THE VOICE OF BUSINESS IN EUROPE

UNICE represents more than 16 million small, medium and large companies active in Europe, employing over 106 million people. Active in European affairs since 1958, UNICE's members are 35 central industrial and employers federations from 28 countries, working together to achieve growth and competitiveness in Europe.



Avenue de Cortenbergh 168
B - 1000 Brussels - Belgium
Tel : ++32 (0)2 237 65 11 - Fax : ++32 (0)2 231 14 45

E-mail : main@unice.be

Main website: www.unice.org

Associated members

	ANIS
	AZZZ SR
	BIA
	CEHIC
	ETTK
	PKPP
	SPCR

Observers

	AES
	HUP
	KPP
	LPK

Visit the UNICE WTO website : <http://wto.unice.org>