

20 November 2003

India Economic Summit 2003

WTO: The Road Ahead after Cancun

**Draft Address by Mr Philippe De Buck
Plenary Session**

Time: 18h00-19h00 Date: 24 November 2003

****Check against delivery****

Chairmen,

Excellencies,

Ladies and Gentlemen,

I am honored to have been given the opportunity to speak on this issue which is so vital for the **multilateral trade system** and which is a **priority issue** for the organization which I represent – **UNICE**. As the world's leading exporter of goods, services and foreign direct investment, EU business cannot afford to let the WTO stagnate or be delayed.

I think that we can agree that **the Cancun collapse was a failure for all of us – developed and developing countries, consumers and business alike.**

Having worked closely with my friends and counterparts in the Confederation of Indian Industries last summer on the Joint Business Charter for Cancun initiative – along with other business organizations from Japan, Hong Kong, Morocco, Egypt, Africa, Brazil, Mexico, Chile, the US and Canada – I can assure you that on most trade and investment issues, **business wants more, not less, international economic cooperation.** Business supports trade and investment liberalization that will lead to a level playing field for all companies regardless of their size or country of origin. At the same time, business from around the world opposes burdensome regulations which stifle growth and efficiency. The WTO is a forum to help countries focus on pro-competitive reforms and progressively open their markets to competition for the benefit of all – companies, consumers and governments.

Business is very concerned that some governments may try to transform the WTO into a UN-like political organization in which governments ‘grandstand’, engage in speechmaking and take radical positions on issues but in which no decisions or progress is ever made. For this reason, I do not agree with the short description of this session provided by the World Economic Forum: “*This development heralds the beginnings of a new World Trade Order, signaling the growing power of developing nations.*” **The Cancun failure will not bode well for developing (or developed) countries** because we could all lose in the end.

The World Bank has estimated that the Doha Agenda will generate an extra **€453 billion** (US\$ 520 billion) in additional income for the world.¹ Most of the gains should go to developing countries (**€304 billion** or US\$ 350 billion) while developed countries are expected to gain an additional **€148 billion** (US\$ 170 billion). At UNICE, we would be perfectly happy to see developing countries reap twice the expected gains that developed countries will gain from the conclusion of the Doha Agenda – as long as our companies and citizens also see progress – and of course, Europe could really use the extra growth that trade liberalization will generate. Moreover, those figures only estimate the gains from liberalizing of trade in goods.

Services liberalization offers incredible potential for economic growth in all countries. UNICE would like to see more open markets in services in order to generate more economic growth and efficiency. Indeed, we support more market access for EU companies in foreign markets and more liberalization of our own market for foreign service providers because we want to reduce the cost of services in Europe. At UNICE, we were very happy to see that India was as interested in services liberalization in Doha. Yet, we are surprised at how long it is taking for India to submit an offer on services liberalization at the WTO.

¹ World Bank (2004) *Global Economic Prospects: Realizing the Development Promise of the Doha Agenda*, Overview, p.xxix.

And what about **trade facilitation** – the improvement of port and customs procedures to speed up the flow of trade and to prevent costly delays in the shipment of goods? Based on a study by Purdue University², UNICE estimates that reducing bureaucratic delays at borders and ports by a single day in developing countries and by ½ a day in developed countries could save our companies around **€6 billion per year**³ (0.5-1% of the cost of goods) – and that is just for European companies. The savings for companies in other countries will be as, if not much more, important.

It is clear that the economic gains from the Doha negotiations which are now going to be seriously delayed are too great to ignore or to delay because of politics. **There is no north-south divide between business** over the WTO because we share a common vision and support more trade and investment liberalization within a rules-based multilateral trading system. Business knows that WTO trade and investment liberalization will make the economic pie bigger for everyone so there is no reason to oppose it.

So what is UNICE going to do about the stalled Doha negotiations?

To begin, UNICE will oppose the excessive politicization of the WTO by some governments that want to block negotiations. **The WTO is a set of rules for importers and exporters.** Political issues should be dealt with in the general assembly of the UN where countries can vote on political resolutions and debate issues of high politics.

² Calculation based on a study by Hummels, D. 2001. 'Time as a Trade Barrier', Mimeo. Department of Economics, Purdue University, Lafayette, Indiana. Cited in World Bank (2004) *Global Economic Prospects: Realizing the Development Promise of the Doha Agenda, Overview*, p.xxiv.

³ A 0.5% savings on our exports to rich countries (€600 billion/year = €3 billion) and a 1% savings on our exports to developing countries (€300 billion/year = €3 billion) equates to around €6 billion in savings. Note that this does not include the potential savings on our imports, which would probably be another €3-4 billion, if the EU reduced its own customs and transport delays by ½ a day.

European business is also going to push governments to engage fully in negotiations in Geneva to get the Doha negotiations back on track. At UNICE, we are cooperating with all representatives of European business (at both EU and national levels) to ensure that **the EU demonstrates a willingness to compromise on key issues** including sensitive issues such as agriculture. A fundamental reform of the CAP began in June of this year, which UNICE supports, but we need to go further still to make sure that agricultural policies are sustainable over the long term and to ensure that this issue does not block progress in the Doha negotiations. Of course, we need to be realistic on this issue. If other important WTO members refuse to engage seriously in the negotiations or to make similar commitments in agriculture, no progress will be made.

At UNICE, we also expect our business partners to push their governments to show a willingness to negotiate in the WTO on issues of importance for our companies. **Industrial market access, services liberalization and trade facilitation are priority issues for EU business** and we expect more substantive negotiations on these issues in the future. We should not forget that non-agricultural trade represents 90% of developed country trade and 70-80% of developing country trade⁴, according to the World Bank. Indeed, we are disappointed that some of the 'bread and butter' issues of the WTO have been ignored due to conflicts over issues where the economic gains are less important or due to ideological conflicts on rules-based issues such as investment.

We also believe that market access liberalization goes hand in hand with rule-making. UNICE therefore looks for improvement in existing WTO agreements on Anti-dumping and the Dispute Settlement Understanding. UNICE still considers the controversial Singapore issues⁵ to be important and Trade Facilitation remains a priority. However, UNICE supports a flexible approach on how to deal with these issues in the Doha Agenda.

⁴ This does not include trade in services.

⁵ Trade facilitation, Transparency in Government Procurement, Investment, and Competition.

In short, trade and investment liberalization leads to a win-win situation for business and this is why we need to focus on cooperation rather than conflict in the WTO. We need your help to focus on pro-competitive reforms in the EU and we are fully prepared to work with you to focus on similar reforms in your countries. **So let's move from a divisive, politicized agenda in the WTO to a business-focused positive and cooperative agenda.**

To open the debate here today, I would like to ask our distinguished panelists to give us their views on this important issue for business.

Naturally, I expect the honorable ministers from India and Brazil here with me today to defend the economic interests of their respective countries and I am certain that they have some issues to raise regarding the position of the EU in the Doha negotiations. I will be certain to bring back those messages to our company and government representatives in Europe. However, I would also like to ask them a few questions about what **they** plan to do to get the Doha agenda back on track.

- 1) In Cancun, emerging market countries such as Brazil, India, China and South Africa displayed leadership in the WTO negotiations which reflects the competitiveness of their economies. Should the emerging countries, therefore, make stronger trade and investment liberalization commitments (more specifically, should they open their markets to the least developed countries and thus release south-south growth opportunities) instead of relying on substantial special and differential treatment in WTO negotiations?**

- 2) What commitments are your governments prepared to make in Geneva on key issues such as industrial market access, services and trade facilitation to help get the negotiations started again? Will you support a flexible approach on the Singapore Issues?**

- 3) **How can we work together, business and governments, to ensure that political issues that have little to do with trade do not pollute the atmosphere in WTO negotiations? We need to work together to convince national parliaments and citizens that the overall gains from trade liberalization far outweigh short-term political considerations that block WTO negotiations.**
- 4) **What can European business do to contribute to a more constructive and cooperative approach to WTO negotiations in Europe?**

To the distinguished business representatives from our key trading partners in India and the US, I would like to hear their views on ***how business can improve cooperation across borders to prevent disastrous WTO ministerial conferences such as Cancun or Seattle***. As business, we need a fair, open and transparent trading system to enable companies to invest and to trade within a long-term perspective. I am also concerned that the voice of business has not been as strong during the Doha negotiations as compared with the Uruguay Round negotiations (1985-1994). This has left the door open for other civil society representatives to influence the WTO in a not-always-so-positive way. **How can we encourage a more active and vocal business community on WTO issues?**

I would like to thank the panelists for their important contributions to this debate and I hope that we will be able to build on these initiatives with concrete proposals to get the Doha negotiations started again and I thank you all for your attention.