

The European Business Perspective on UNCTAD XI
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UNICE is the voice of business in Europe. It represents 35 European industrial and employers federations from 28 countries, which organize more than 16 million companies with more than 100 million employees. UNICE is a strong supporter of the WTO system and of ambitious liberalization in the Doha Development Agenda. UNICE has worked to unite business from developing, emerging and developed countries in support of the DDA negotiations. Prior to Cancun, it signed the Joint Business Charter for Cancun with ambitious liberalization proposals in all fields with partner organizations in Asia, Africa, Latin America and Australia.

UNICE considers UNCTAD a very useful forum to foster the understanding of trade and investment as an engine for economic progress and poverty alleviation. UNCTAD gives valuable technical assistance to the governments of developing countries to enhance export competitiveness. UNICE attaches high importance to this process and to UNCTAD XI in Sao Paulo.

UNCTAD XI will be organized at a crucial time for the world trading system. After the failure of Cancun it is uncertain how the world trading system will develop. One major challenge remains to create a common understanding of all WTO members on how to move the Doha Round ahead. UNCTAD XI is an important event for contributing to this understanding, creating trust and fostering the willingness of all WTO members to engage in serious negotiations.

UNICE confirms UNCTAD's finding that poor countries need a broad development strategy based on the three pillars of sustainable development, sound social, environmental and economic policy. Trade and investment liberalization is not a panacea, but an indispensable part of such a broad development strategy. Job creation is essential for poverty alleviation. The private sector creates jobs but needs to work in a stable, pro-competitive environment to develop economic activity and hence, jobs.

A sound development strategy must entail respect for human rights, coherence in governance, a predictable legal framework, rule of law, environmental protection, a sound social policy – and a gradual integration into the world economy. Such a broadly based development strategy, adapted to the cultural and historical environment of a country, is crucial. UNCTAD through its technical assistance can make a substantial contribution to help developing countries to adopt such a strategy and to make it work.

A good example of the relationship between regulation and private sector development is provided by recent studies of the World Bank, which show that heavy-handed regulation and bureaucracy are an obstacle to development. Little growth and a poor record on poverty alleviation are direct results of excessive regulation. Moreover, corruption is closely linked to bureaucratic and arbitrary procedures. Thus, cutting red tape is clearly a key component of a sound development strategy.

Where a business friendly framework is not only adopted on paper, but is effective in practice, the local economy develops and international trade and investment spur even further economic growth and poverty alleviation.

European business is a partner for development. Business commitment to sustainable development has been convincingly demonstrated at the Johannesburg World Summit on Sustainable Development. Sustainable development and corporate social responsibility are cornerstones of modern management. Through trade and foreign direct investment companies create jobs, transfer technological and business know-how. Many companies go beyond their core business and engage in development projects. Particularly successful are partnerships between companies and institutions for development co-operation. From our point of view these Public-Private Partnerships are a very promising new pillar of development co-operation.

Voluntary commitment of companies is important. But in this context I also want to underline that each country has primary responsibility for its own economic and social development, and the role of national policies and development strategies cannot be overemphasized. The private sector can only play its role in economic, environmental and social development when policymakers assume this responsibility and are committed to sustainable development through good governance.

Although national policies are crucial at the same time the international economic framework is vitally important. And this leads me to address sub-theme three of UNCTAD XI: Assuring Development gains from the international trading system and trade negotiations.

UNICE is aware of the fact that an open trading system faces a constant tendency to fall back. Protectionism is not overcome. The world trading system offers loopholes, which can be used for protectionist purposes. Many representatives of the civil society and some policymakers question the world trading rules as such, and call for more scope to apply “non trade concerns”. Governments have every right to address these concerns but the WTO must ensure that they are addressed in a transparent and non-discriminatory manner. The WTO must ensure that “non trade concerns” are not misused for protectionist purposes. If non-trade concerns generally prevailed over the principle that products should not be discriminated on the basis of their production methods, we would open the floodgate to various forms of discrimination. The world trade system would be undermined. Therefore we call upon all WTO members to strengthen the WTO rules and to live up to their WTO commitments.

The international trading system needs political momentum to prevent a return to protectionism. We need the WTO not only as a legal system, but also as a forum for constant political progress and cooperation. But at the moment, the WTO seems to be unable to achieve any political progress.

UNICE advocates bringing the Doha-Round back on track. This is the key challenge for the international economic policy. Every day, which is not used to bring the Doha Round ahead, is a lost day in terms of development. Studies show that a successful trade round can create income amounting to 600 billion dollars a year. A substantial part of this income would be generated in developing countries. We must use this potential – we cannot afford to miss this opportunity .

What are the key elements of a successful round? Let me just briefly mention some of them. Tariffs are still an important barrier to trade. We should use the opportunity of the Doha-Round to substantially reduce tariff levels worldwide. What counts is enhanced market access – for South-South trade as well as for North-South trade. Thus all WTO members need to make serious commitments to tariff liberalisation. UNICE does not call for shock

therapy, but for a predictable framework for tariff dismantling. An ambitious formula is key to this end. Tariff escalation – which is particularly detrimental for developing countries – and tariff peaks should be a focus of the negotiations. UNICE has the vision of a worldwide maximum tariff of 15%. And at the same time we encourage industrial sectors to have even more ambitious goals and to strive for tariff elimination.

Non-tariff barriers are an increasing obstacle to international trade. They are particularly detrimental for small and medium sized companies and for companies in developing countries, because these barriers create overhead costs and to overcome them requires a high level of technical expertise. One important area of non-tariff barriers are technical regulations and standards. European business calls for the wide use of international standards, as developed by the international standard setting bodies. The Doha-Round should address this issue as seriously as possible. UNICE proposes strengthening the implementation of the TBT agreement. Cutting non-tariff barriers is a key element of a development-friendly world trading system. Unfortunately this technical area only enjoys little attention both from the public and trade negotiators. We encourage UNCTAD to promote this debate.

Trade Facilitation has the potential to foster the integration of developing countries into the world economy. To modernize customs procedures and to cut bureaucracy is a practical tool to fight corruption and enhance the supply of goods and export competitiveness. The ideas on how trade facilitation should work are not new. The World Customs Organization has done an excellent job of working out how the concept of trade facilitation can be translated into concrete action. What is missing is political momentum to make it really happen. And this is the WTO's chance – to create political momentum and to provide for technical assistance, which can translate an agreement into reality. This means that an agreement on Trade Facilitation must be complemented by appropriate technical assistance. No developing country should be left alone with commitments that it is unable to fulfil. UNCTAD could also play a substantial role in this. UNICE sees a WTO agreement on trade facilitation as a priority. We encourage UNCTAD to foster the work for trade facilitation.

Service liberalization is of high importance for industrialized as well as developing countries. Developing countries have great potential to export services. GATS offers the opportunity to create conditions which enable developing countries to make use of their comparative advantages in services. Among others it offers the opportunity to facilitate the exchange of key business personnel, which is not only valuable in economic terms, but also in cultural ones. But not only the export, also the import of services can boost economic development. Efficient banking, insurance and consulting services can fuel the entire economy. The Millennium goals cannot be achieved without substantial private sector participation in water and energy supply. GATS can contribute to creating framework conditions, which enable private sector participation in these fields. UNICE calls for a sober debate on GATS, based on facts. All countries need an efficient services sector to foster economic growth and progressive services liberalisation can contribute to that.

UNICE also sees the merits of a multilateral framework for investment. It could be a tool to foster foreign direct investment, enhance transparency and predictability. However, Cancun has demonstrated that key WTO members are not willing to enter negotiations. In the light of highly controversial debates we accept that negotiations on a multilateral investment agreement are not realistic at the moment. UNICE therefore supports a pragmatic approach in handling this topic. UNICE could support a plurilateral approach within the WTO framework with interested countries. This approach should be as open and transparent as possible while offering the possibility for new members to join at any time.

We all know that agriculture is key for the Doha-Round. Policymakers should intensify their efforts to reach a compromise on a framework, which will lead to an agreement on the

modalities for the negotiations. Domestic support has to be reduced and domestic trade-distorting support eliminated, markets have to be opened and all forms of trade distorting export support must be eliminated. The negotiations must tackle subsidizing export credits, abuse of food aid and export subsidies.

Special and Differential Treatment for developing countries is important. Each developing country has the right to be treated according to its specific situation. The principle that developing countries have the right to offer less than full reciprocity must be accepted. At the same time it is important to have a fact-based and not merely a political assessment on the specific situation of each developing country. This is to say: We must differentiate between developing countries on the basis of facts not of political considerations. Trade Preferences should be granted foremost to those developing countries that need them most. Transition periods should be granted on the basis of a realistic assessment of the capability of each developing country to implement commitments. The debate should not be misused to exempt policymakers of developing countries to lower barriers to trade and to hinder integration into the world economy. And the debate should not be misused to waive developing countries on commitments, which are to be an integral part of a sound development strategy. It would for example be absurd to exempt developing countries from trade facilitation, from measures which could foster exports as well as imports.

The Doha-Round offers many opportunities to create more development gains. Let me finally just mention that it can lead to stricter rules on trade remedies – making misuse of antidumping and other trade defence instruments more difficult. It offers also the opportunity to set up a multilateral agreement on transparent government procurement, which could be a powerful tool against corruption.

Thank you very much for the opportunity to explain to you UNICE's position on development and the post Cancun trade and investment strategy. You can find more detailed information at the UNICE WTO website (<http://wto.unice.org>).

Finally I wish to underline that UNICE is willing to continue its constructive dialogue in the preparatory process of UNCTAD XI and at the conference itself.