

UNICE

THE VOICE OF BUSINESS IN EUROPE

Commissioner Pascal Lamy
European Commission
1 rue de Genève
1049 Bruxelles

26 April 2004

THE PRESIDENT

Dear Commissioner Lamy,

When the Council of Ministers and the European Parliament as well as all the Parliaments of the Member States of the European Union (EU) adopted the Uruguay Round Agreements, they agreed that the EU would be bound by WTO rights and obligations and would respect international law.

UNICE is therefore surprised and concerned about the intensity of discussions within the European Commission on collective preferences. These discussions give the impression that the EU is no longer bound by the WTO and could unilaterally decide not to abide by its commitments. While this issue remained an internal discussion within the Commission, UNICE refrained from reacting. However, the public debate on this subject forces us to express our strong concerns.

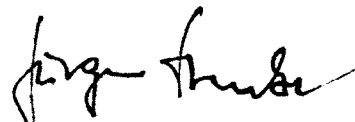
UNICE does not understand the timing and considers the discussions on these so-called collective preferences counterproductive. Evidence from the WTO in Geneva and national capitals indicates that deep concerns have been raised by the floating of this initiative. We strongly support the re-launch of the WTO DDA negotiations and fear that the current momentum in Geneva could be lost, particularly so in the agriculture negotiations, by a domestic discussion which creates uncertainty about the EU's political will to be bound by WTO agreements.

UNICE is worried about the fundamental assumption in the debate. When you write, in your letter to Director General Supachai dated 5 March, that the EU has a legitimate right to choose to support its agriculture, and that *"we will not accept that our social policies are put into question by international constraints"*, you seem to suggest that a country's legitimate policy objectives are not subject to international law. We disagree. For this reason, we strongly believe that the EU needs to elaborate on its international obligations and on the role of international law in EU policy. UNICE is concerned that the Commission plans to organise a conference on collective preferences this summer without first putting this issue into the proper context of international law and the WTO.

UNICE is equally worried about the practical implications. In your speech before the European Parliament of 5 March, you suggest that *"a WTO member can choose to take measures which are not in line with international rules if it is prepared to agree to compensatory adjustments for adversely-affected countries, thus restoring the pre-existing balance of concessions."* While this option is politically possible, current experience shows that it is highly difficult to implement. For reasons of equity, we also consider that countries do not have a choice between implementation, compensation or having to face retaliatory actions. Pushing this argument to the extreme, this would mean that "rich" WTO members could afford to pay compensation or face retaliatory actions while "poor" WTO members, not being able to afford compensation or to face retaliatory action, would have no other choice but to comply with the rules. The WTO would be transformed into an organisation with two classes of members: those who can violate the rules and pay for it and those who cannot. We have always supported the rule of law within the rules-based WTO system and not a power-based system.

We would like to encourage you to correct the wrong impressions that these discussions have provoked and to clearly state that the EU and its Trade Commissioner are committed to the rules-based international trading system.

Yours sincerely,



Jurgen Strube