

UNICE Roadmap to Hong Kong

**Revised UNICE Fiche:
Non-Agricultural (Industrial) Market Access (NAMA) Negotiations**

NAMA negotiations rank among UNICE's highest priorities in the DDA. Ambitious tariff liberalisation and elimination of non-tariff barriers (NTBs) will be one of the main criteria by which UNICE determines its overall support for the final deal. Today, UNICE is very concerned that these negotiations will not deliver new market access which, in turn, would limit economic growth potential and erode business support for the DDA negotiations. The eventual combination of a large binding overhang, substantial flexibility, special and differential treatment for emerging countries and substantial exemptions for sensitive products would render a tariff reduction agreement insignificant for business.

NAMA negotiations should provide substantial gains for all WTO Members. There is a clear benefit for developing countries to participate ambitiously in the NAMA negotiations to strengthen the competitiveness of their industries and to promote south-south trade.

UNICE Objectives for Hong Kong

Rapid progress in the WTO DDA negotiations is vital for a successful Hong Kong Ministerial Conference. UNICE looks for modalities with figures to be agreed by the Hong Kong Ministerial to enable WTO Members to submit their schedules in 2006 and conclude the round by the end of 2006. The following elements are essential for the modalities.

- **Tariff reduction formula:** Negotiations from now to Hong Kong should focus on the tariff reduction formula which should substantially cut into applied industrial tariffs without exception and should address tariff peaks (tariffs above 15%), high tariffs and tariff escalation. UNICE believes that a simple Swiss formula¹ is the best approach to achieve this ambitious target and to bring WTO Members' very different tariff profiles and levels within clear sight of each other. The maximum level for any industrial tariff at the end of the staging period should not exceed 15%.
- **Sector negotiations:** Once a general tariff formula is accepted, willing sectors should be able to pursue complementary sector harmonisation, zero-for-zero agreements or expansion of the coverage of Uruguay Round sector agreements as one of the key elements agreed in the 31 July 2004 Decision to pursue a high degree of ambition.
- **Environmental goods:** The list-approach on environmental goods will lead to a major difficulty because it will require the WTO to discriminate between products. UNICE has repeatedly called for a non-discriminatory approach to these negotiations based on an objective definition of what is an environmental good. We are deeply concerned that these negotiations could jeopardise the WTO "like product" concept, result in discrimination between goods within the same tariff classification and lead to a distinction between goods based on their end-use or non-product-related process and production methods. Instead of tackling the main NAMA issues, i.e. an ambitious tariff formula plus sectoral harmonisation/elimination and the removal of NTBs, the WTO could engage in a time-consuming request and offer approach. These negotiations risk undermining the basic principles and trade facilitation objectives of the WTO.

¹ Swiss formula: A tariff reduction formula that reduces higher tariffs more than lower tariffs.

- **Tariff binding:** Binding overhang is a serious barrier to achieving meaningful results in the DDA NAMA negotiations. Therefore, UNICE is in favour of WTO Members binding all their tariffs at applied levels. As tariff binding does not constitute new market opening, newly bound tariffs should be subject to tariff formula cuts. To provide special consideration for developing countries, UNICE supports the proposal by Canada, Norway, New Zealand, Hong Kong and China (TN/MA/W/51) to provide a non-linear 5% mark-up to unbound tariffs before they are subject to the tariff formula.
- **Non-Tariff barriers:** the WTO should address NTBs on both a horizontal and a vertical (sector) basis. Horizontal NTBs should address, in the most appropriate and effective way, issues such as export restrictions/taxes, tariff classification, customs valuation, pre-shipment inspection, TBT issues such as clarifying international standards and developing clear non-discriminatory rules for labelling schemes. Vertical NTBs should be addressed in close cooperation with the industrial sectors concerned. UNICE also looks for negotiations on trade facilitation to considerably reduce NTBs in the customs field. To achieve progress in negotiations on NTBs, UNICE calls on the WTO to dedicate special sessions of the NAMA negotiations to dealing with these specific issues to ensure that progress is made ahead of Hong Kong.
 - **Implementation issues:** The WTO should improve mechanisms which contribute to enforcing rules governing NTBs such as the TBT Review or the WTO Trade Policy Review Mechanism. UNICE believes that the WTO could benefit from creating an NTB problem-solving or arbitration mechanism, including national contact points, to facilitate bilateral negotiations to remove NTBs. The aim should be to assist countries in removing NTBs banned under WTO agreements rather than listing them.
- **Developing country concerns:** UNICE supports reduced NAMA commitments for LDCs and weak and vulnerable developing countries to the extent that this does not undermine trade between developing countries. However, it expects emerging countries to make significant commitments in the NAMA negotiations. Regarding the use of flexibilities under paragraph 8 of the 31 July 2004 Decision, UNICE believes that this should be clarified to ensure that entire industrial sectors are not excluded from the tariff reduction formula commitments and to ensure that countries do not cumulate exemptions from tariff formula cuts or cumulate exemptions from tariff formula cuts with dual coefficients. With respect to sector negotiations, UNICE is prepared to look at differences in staging periods for the phasing-in of commitments to give developing countries more time to adapt to new competitive pressures.
- **Erosion of preferences:** UNICE recognises that ACP countries face competitiveness difficulties in global markets. However, it is concerned about using the erosion of preferences to undermine the basic principle of trade liberalisation in the WTO NAMA negotiations. UNICE hopes that an appropriate solution – in line with the commitments in the Enabling Clause and acceptable to all WTO Members – will be found by Hong Kong. To prevent this issue from blocking DDA negotiations, UNICE supports proposals to assist the countries affected by preference erosion through support from multilateral financial institutions (eg. the integrated framework programme) to strengthen the overall competitiveness of their economies. The creation of a multilateral adjustment fund, the reform of rules of origin and progress in trade facilitation may provide additional remedies for addressing this complex issue. At the EU level, UNICE also supports the Everything but Arms (EBA) agreement as well as the negotiations on the Economic Partnership Agreements (EPA) which aim to strengthen the competitiveness and development prospects of the ACP countries. UNICE calls on other OECD members and the emerging countries to open their markets to the poorest developing countries in support of finding a solution to this issue.

Conclusion

UNICE is a strong supporter of trade liberalisation in the WTO. It is extremely concerned about the lack ambition of some WTO Members which could jeopardise the DDA. UNICE calls on WTO Members to adopt a constructive approach to tariff liberalisation, and where appropriate elimination, and the removal of NTBs ahead of the Hong Kong Ministerial in December 2005 so that full modalities in NAMA can be agreed at the Ministerial Conference.

UNICE is prepared to support this position in constructive dialogue with relevant EU officials and institutions, with partner business organisations around the world and with the EU's WTO partners to ensure that the WTO Doha Development Agenda NAMA negotiations are a success.
