

UNICE Roadmap to Hong Kong

**UNICE Fiche:
Development Negotiations**

UNICE strongly supports the Doha Development Agenda whose central aim is to promote development through trade liberalisation and improved multilateral rules and to facilitate the further integration of developing countries in the World Trading system. Such integration is essential for economic development and poverty reduction. Experience shows that participation in the world market is a necessary condition for achieving sustainable poverty reduction. Trade liberalisation is a necessary precondition for development, but it is not enough. Appropriate domestic policies, the development of a dynamic private sector and creating an enabling environment for business are also important factors for a sound development policy.

The benefits of the WTO system are already paying off for many developing countries. Indeed, the share of developing countries in world merchandise trade has been rising steadily in recent years, reaching 31% in 2004. Developing countries are also exporting more and more industrial goods. However, one third of developing countries are still only marginal traders. The WTO should aim to facilitate and improve the continuing integration of all of its members in world trade.

Developing and developed countries are on an equal footing in the WTO system as demonstrated at recent WTO Ministerial Conferences. The rules-based multilateral trading system allows the developing countries' voice to be heard in trade negotiations. Greater influence brings with it greater responsibilities. Developing countries have the power to block progress in the DDA and to make proposals for addressing their concerns. Only a constructive approach will generate development gains for all WTO members.

Differentiation among developing countries is a necessity

Over the past two decades, the world has changed dramatically due to rapid industrialisation in a number of emerging countries. These developments have contributed to lifting millions of people out of poverty and have created dynamic new markets. At the same time, the differences between developing countries are also more obvious. Some have increased their level of development and competitiveness substantially, while others have fallen behind.

These differences should be reflected in the WTO. When WTO agreements provide for special and differential treatment for developing countries, SDT should target the developing countries that really need it. At the current time, there is no definition of developing countries in the WTO and it is left to the members to decide their status.¹ Thus a very large group of countries demands SDT even though there is no objective justification for it. This limits the scope for granting more SDT to those countries that really need it. In addition, there are few possibilities for graduating developing countries from SDT even in areas where they have developed a global comparative advantage.

¹ Although a definition and graduation mechanism exists for Least Developed Countries.

Graduation and differentiation therefore need to be addressed in a fair and appropriate manner. Rather than getting caught up in an ideologically charged debate on this issue, UNICE recommends that it be addressed in a pragmatic manner. Precedents of differentiation among developing countries or graduation already exist in certain WTO agreements.

While UNICE does not expect LDCs to make substantial new commitments beyond their existing engagements, it expects that the more advanced developing countries, and especially emerging markets and large traders will bear their share of the burden in the DDA negotiations, and that they will:

- open their markets to trade in agricultural and industrial goods, in particular for imports from LDCs
- liberalise their services markets
- commit to improving rules in areas such as trade facilitation
- engage constructively in sector agreements

The success of the round as a whole and specifically to encourage these major traders to act as regional growth generators will depend on the quality of their proposals and commitments made to enforce agreements.

Technical assistance

More efficient technical assistance is needed to help developing countries participate in and adapt to multilateral trade liberalisation. New ways to improve the coordination of additional funds should be seriously considered. Technical and financial assistance should be monitored, audited and be conditional on commitments to achieve concrete results by the petitioning countries. To realise the full potential of the outcome of the DDA, more 'aid for trade' in development co-operation is also essential, especially in Africa. Finally, stronger commitments should be made to provide technical and financial assistance to the least developed countries to ensure that they can implement necessary adjustments to participate fully in the WTO. The role of regulatory authorities in countering counterfeiting and other activities contrary to WTO Agreements should not be ignored in setting priorities.

Special and Differential Treatment (SDT)

The aim of SDT is to provide developing countries with more time to adapt to international competition. SDT should therefore be focused on temporary exemptions (longer transition periods, gradual increase of commitments) and technical assistance to comply with the WTO-rules, not on permanent exemptions. In addition, the WTO should address the offensive objectives of the developing countries in areas such as agriculture, cotton, or peak tariffs, that will provide new market access for their exporters.

Agriculture

By bringing agricultural trade rules into line with the general WTO practice, the DDA will enable developing countries to take advantage of greater market incentives for agricultural production. A substantial share of the development benefits of the DDA will result from agricultural liberalisation. A stronger focus on market access, in addition to the elimination of trade distorting subsidies by all countries as a long term objective, in the negotiations will provide great benefits to developing countries. Therefore, balanced and ambitious liberalisation in the three pillars of the agriculture negotiations – eliminating trade-distorting export and domestic subsidies over the long-term by all countries in a coherent manner and improving market access – will provide genuine market opening. All WTO members need to contribute to agricultural liberalisation, including the EU. A solution also needs to be found to address the cotton issue which affects some of the poorest countries.

NAMA

Developing country tariffs are substantially higher than those of developed countries. Consequently, UNICE expects emerging countries, which have competitive industries, to make significant commitments in the NAMA negotiations. For developing countries, UNICE is prepared to examine differences in staging periods for the phasing-in of commitments to give them more time to adapt to new competitive pressures. Furthermore, UNICE can accept reduced NAMA commitments for LDCs and weak and vulnerable developing countries to the extent that this does not seriously undermine trade between developing countries. Regarding the use of flexibilities under paragraph 8 of the 31 July 2004 Decisions, UNICE believes that this should be clarified to avoid the exclusion of entire industrial sectors 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. The elimination of peak tariffs and tariff escalation and the reduction of NTBs, notably export restrictions, should be key objectives for an agreement on NAMA. All industrial tariffs should also be bound on an *ad valorem* basis at acceptable levels.

Trade Facilitation

UNICE believes that a WTO Trade Facilitation Agreement will provide particular benefits to developing countries, which suffer most from outdated customs procedures. However it recognizes that developing countries will need more time to implement commitments and that LDCs and weak and vulnerable countries will only be able to make reduced commitments in the short term. UNICE therefore supports a ladder approach, which requires more advanced countries to facilitate trade and to reduce transaction costs more quickly than less advanced countries. However, all countries should make an effort to reduce costs as much as possible.

Large traders (more than 3% of world trade) should make substantial commitments to reduce transaction costs, including the introduction electronic customs over a reasonable period. Developing countries with low trade volumes and LDCs should, however, adhere to the basic principles and requirements of a WTO TFA (transparency, non discrimination, least trade restrictiveness and proportionality) and commit to a clear set of rules. Special consideration should be given to rules in the field of transit to ensure that SDT does not undermine the legitimate concerns of land locked developing countries (LLDCs). UNICE welcomes the provision of effective technical assistance in this field.

Services

UNICE believes that developing countries can gain from services liberalisation by boosting services exports and making their own economies more competitive through services imports, notably in the infrastructure services and other intermediary services sectors. Developed and emerging countries should make substantially improved offers to match the European Union in terms of market opening. European business welcomes proposals to facilitate the temporary movement of service providers (Mode IV) based on a clear business case. Developed and developing countries have a lot to gain from facilitating movement on a temporary (contract) base. Technical assistance should also be provided to developing countries to assist them in making services offers and, more critically, to adapt their national regulatory structure to pro-competitive principles. Small developing countries should receive credit for binding their autonomous liberalisation of services markets.

Rules

Clarification of WTO Rules is one area where the DDA can bring direct, tangible and substantial improvements for business from both developed and developing countries by ensuring that trade disciplines are operated in accordance with transparent, predictable, harmonised and non-discriminatory enforcement provisions equally applicable to all Members. Negotiations on the WTO Anti-dumping Agreement and the WTO Agreement on Subsidies and Countervailing Measures will help improve the overall coherence of WTO rules on trade disciplines while also addressing common concerns related to issues such as abusive or flawed initiations and legal harassment in anti-dumping or coherence between WTO and OECD rules on export financing.

DSU

The primacy of compliance to a WTO panel decision over compensation or retaliation is in the direct interest of developing countries and small traders because it increases the equality of treatment of developed and developing countries. UNICE therefore supports programmes to assist the poorest developing countries in exercising their DSU rights (e.g. legal advisory assistance).

Preference erosion

Although the World Bank has rightly highlighted a number of reservations concerning the effects of preferences for developing countries, UNICE understands that this issue needs to be addressed and understood in recognition of the interests of all developing countries. 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 (e.g. 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.

UNICE looks forward to a constructive dialogue on development issues with relevant EU officials and institutions, with partner business organisations around the world and with the EU's WTO partners to ensure that the DDA negotiations are a success for developing and developed country members of the WTO.
