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HONG KONG MUST BE A SUCCESS TO SAVE THE DDA ROUND

**INDUSTRIAL MARKET ACCESS (NAMA) NEGOTIATIONS
ARE VITAL FOR INTERNATIONAL TRADE**

SPEECH BY SECRETARY GENERAL PHILIPPE DE BUCK AT THE DDA HEARING
OF THE INTERNATIONAL TRADE (INTA) COMMITTEE OF THE EUROPEAN
PARLIAMENT - 11 OCTOBER 2005

Chairman Baron Crespo, distinguished parliamentarians, guests and participants,

I thank you to be given the opportunity to speak to you today about one of UNICE's three priority issues for the DDA negotiations: Industrial market access negotiations.

European business has actively supported the DDA negotiations from the very beginning because we believe in a rules-based multilateral trading system that gives all countries – big and small, rich and poor – a say in the rule-making negotiations. This has enabled four very poor African countries to request major changes to US and EU cotton subsidies so that they too can export on the world market. In the Trade Facilitation negotiations, countries like Paraguay and the Dominican Republic have made proposals for new WTO rules. Moreover, the WTO system has a credible dispute settlement system that enables all countries to defend their rights under multilateral trade rules. The WTO is not perfect but at least it gives everyone a chance to raise their problems and to negotiate concrete solutions.

This is one of the main reasons why we need the Hong Kong Ministerial Conference to be a success. Everyone has a voice.

In my view, there are two important preconditions for success in Hong Kong. First there needs to be real progress in agricultural liberalisation. This needs to be done in an organised, well-managed way, taking due account of the needs of the processing industry. Without a meaningful result on agriculture, the DDA will fail.

On the other hand, all WTO members need to understand that progressive trade liberalisation is a part of development. Special and differential treatment and less than full reciprocity are not the solution to development. A successful round, as a basis for real development, requires balanced approach from all members.

Now to the substance. In the NAMA negotiations, UNICE is seeking real market access through tariff reductions, and where appropriate elimination, as well as through the removal of non-tariff barriers. We must keep in mind that the DDA will set the rules of the game for industrial trade for the next decade. That is why UNICE is calling for real ambition in this field.

It is a fact of life that developing country tariffs are substantially higher than those of developed countries. In our view, only an ambitious, comprehensive approach can bring real, effective results. We are pleased to see that the idea of a simple Swiss formula, which substantially cuts into applied industrial tariffs without exception, is gaining ground. It would bring WTO Members' very different tariff levels within clear sight of each other. This is not an overly ambitious idea as many developing countries have already started to decrease their tariffs unilaterally to provide their economies access to cheaper inputs.

Consequently, UNICE expects emerging countries, which have competitive industries, to make significant commitments in the NAMA negotiations. For

developing countries, UNICE is prepared to accept differences in staging periods for the phasing-in of commitments to give more time to adapt to new competitive pressures. Furthermore, UNICE can accept reduced NAMA commitments for LDCs and weak and vulnerable developing countries (e.g. small island nations or single commodity dependent exporters) to the extent that this does not seriously undermine trade between developing countries. The elimination of peak tariffs (max 15%) 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.

Once a general tariff formula is accepted, willing sectors should be able to obtain complementary sector harmonisation, zero-for-zero agreements or expansion of the coverage of the Uruguay Round sector agreements.

Although the World Bank has rightly highlighted a number of reservations concerning the effects of preferences for developing countries, industry understands that the preference erosion 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 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 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. We call 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, as China has indicated it will do.

If I may, Chairman, I would like to mention a few words on Trade Facilitation, which is a key issue for all WTO Members to reduce trade transaction costs.

Trade Facilitation

UNICE believes that an ambitious WTO Trade Facilitation Agreement will provide benefits to developed and developing countries alike. However we recognize that developing countries will need more time to implement commitments and that least developed countries (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 more quickly than less advanced countries. Large traders (more than 3% of world trade) should make substantial commitments, 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 Trade Facilitation Agreement (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.

CONCLUSION

I would like to conclude by emphasising the importance of the Hong Kong Ministerial Conference for European business and for the trading system more generally. Everyone can pinpoint something that is wrong with the WTO system.

It is slow, cumbersome, does not solve all problems immediately and it needs to ensure better participation from all countries (rich and poor). But before we condemn the organisation, we also need to look at what it can achieve.

1. It gives a voice to 148 countries – and more countries are joining every year.
2. It contributes to progressive trade liberalisation in all sectors: agriculture, industry and services.
3. It addresses complex trade problems (non-tariff barriers, anti-dumping, subsidies).

Therefore, I leave this committee to debate the following question.

Would the EU and would the broader WTO Membership be better or worse off if the Hong Kong Ministerial fails?

UNICE has made its choice and it will work to make Hong Kong a success and we hope that this Committee will do the same.

Thank you.