

21/03/2006 (Final)

SUMMARY

WTO NON-AGRICULTURAL MARKET ACCESS (NAMA) NEGOTIATIONS MUST OPEN OECD AND EMERGING COUNTRY MARKETS

UNICE is disappointed with the lacklustre results of the Hong Kong Ministerial conference for industrial market access. This paper outlines how to achieve real new business opportunities in OECD and emerging markets while ensuring adequate flexibilities for the poorest developing countries.

The NAMA results from Hong Kong were disappointing because of:

- The link between Agriculture and NAMA.
- The non-decision on a tariff formula for NAMA.
- The risk of an OECD-only NAMA round.
- The absence of progress on NTBs.

UNICE Post-Hong Kong NAMA Priorities:

- New market opening for agricultural and industrial trade in OECD & emerging countries.
- A tariff formula that cuts deeply into applied tariffs in OECD & emerging countries.
- Voluntary sector agreements for willing sectors beyond the formula and with the participation of OECD & emerging countries.
- A genuine commitment to NTB elimination.

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Introduction

NAMA negotiations rank among UNICE's highest priorities in the DDA. European business support for the Doha round remains strong. However, this support has always been contingent on achieving significant new commercial opportunities through substantial cuts in applied tariffs and elimination of non-tariff barriers (NTBs). Given the fact that NAMA was barely discussed during the Hong Kong Ministerial Conference, UNICE expressed its concerns that the DDA may not deliver new market access for EU business which, in turn, would limit economic growth potential and erode business support for the round. The possible combination of a large binding overhang, substantial flexibility, special and differential treatment for emerging countries, substantial exemptions for sensitive products and the introduction of new NTBs would render a NAMA agreement insignificant - if not detrimental - for business.

It is appropriate that least developed countries should not be expected to undertake new tariff cuts in NAMA. Weak and vulnerable economies may similarly make reduced commitments. However, it must be stressed that progressive trade liberalisation, particularly in the industrial sector, is a key element of any effective development strategy. The spectacular growth rates of emerging economies, notably Brazil and India, are testament to that fact. Emerging countries are increasingly competitive in global trade, and represent massive potential markets both for European companies and poorer developing countries. A key test of the overall success of the Doha round will be the extent to which it promotes south-south trade. NAMA negotiations can, and must lead to substantial gains for all WTO members.

NAMA at the Hong Kong Ministerial Conference

UNICE is deeply concerned about the low level of ambition witnessed at the Hong Kong Ministerial Conference, especially as regards the NAMA negotiations. The Hong Kong NAMA agreement constitutes backtracking on the NAMA Framework Agreement of July 2004.

In particular, UNICE finds it highly regrettable that the Hong Kong Ministerial Conference established an explicit link between Agriculture and NAMA and that it did not decide on the structure of an overall tariff cutting formula for industrial goods.

European business is very concerned that the possible accumulation of higher coefficient(s) and flexibilities for emerging countries will result in a *de facto* OECD-only round which would be unacceptable for European business.

Business also regrets the absence of commitments on removing non tariff barriers (NTBs), in particular export taxes/restrictions which constitute the flipchart of tariffs.

Failure to establish coherent global disciplines for NTBs would nullify any eventual progress on market access for a number of sectors.

UNICE key priorities post-Hong Kong

UNICE calls for a redoubling of efforts to ensure that no single tariff is above 15% at the end of the implementation period of the DDA agreement (except for LDCs) and that tariff structures should end up in sight of each other. To achieve meaningful results for EU exporters, UNICE urges an ambitious NAMA agreement that includes deep cuts into applied rates in both developed and emerging countries while at the same time reducing, and where appropriate eliminating, NTBs.

Rapid progress in the WTO DDA negotiations in the period up to 30 April 2006 is now absolutely vital for a successful outcome. By that date UNICE expects WTO Members to agree on modalities with figures enabling WTO Members to submit their schedules by 31 July 2006.

For an ambitious result of the NAMA negotiations, UNICE considers essential that balance is achieved in each of the following areas:

- Link with agriculture

UNICE is deeply concerned about the link that has been established in paragraph 24 of the Hong Kong Ministerial Declaration “to ensure that there is a comparably high level of ambition in market access for agriculture and NAMA”. Whilst UNICE concurs that an overall balanced outcome of the round is essential, this should not be translated in identical coefficients in the formula for AMA and NAMA. Rather, this should translate into real commitments to new market opening in agriculture and industrial trade.

- Coefficients and flexibility

The NAMA negotiations should focus on a tariff reduction formula which cuts substantially into applied industrial tariffs without exception, which addresses tariff peaks (tariffs above 15%), high tariffs and tariff escalation and which brings tariff structures in sight of one another. The maximum level for any industrial tariff at the end of the staging period should not exceed 15%.

UNICE believes that a non-linear, simple Swiss formula applied on a line-by-line basis that is not based on tariff averages 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. There should be no more than two coefficients, one for developed and one for developing countries with no more than a 5 point difference between them.

The inclusion of paragraph 8 of the July 2004 NAMA framework as an integral part of the modalities is of great concern to UNICE because recourse to these flexibilities should be linked to the level of ambition in the tariff cutting formula. In the view of UNICE these flexibilities should not create an escape clause for emerging countries avoiding real market access commitments for the sectors and products of EU export interest. UNICE therefore expects the EU to clarify this point with emerging countries in the WTO.

- Overall tariff reduction and sector agreements

UNICE welcomes and supports the inclusion of paragraph 16 on non-mandatory sector agreements in the Ministerial Declaration. Sector agreements on a voluntary basis must be complementary to an ambitious tariff cutting formula. Considering the work that is needed to define the modalities of possible sector agreements (product coverage, participation, flexibilities for developing countries, critical mass, etc.), UNICE calls for expedient coordination with trade partners for the rapid identification of those willing sectors for which sector agreements may be negotiated. To encourage participation from developing countries in sector agreements, different staging periods for the phasing-in of commitments could provide developing countries with the possibility to adapt to new competitive pressures.

- Balance between tariff reduction/elimination and removal of non-tariff barriers

UNICE regrets the lack of progress of negotiations on NTBs and insists that more importance is given to their removal. NTBs can take many forms and can quickly change, depriving business of effective market access. Negotiations should address NTBs on both a horizontal and a vertical (sector) basis. Issues regarding export restrictions/taxes, tariff classification, customs valuation, pre-shipment inspection, as well as TBT issues such as clarifying international standards and developing clear non-discriminatory rules for labelling schemes are best addressed horizontally. Vertical NTBs should be addressed in close cooperation with the industrial sectors concerned and should take account of the efforts made by industrial sectors to reduce tariffs. The EU must ensure that European industries obtain progress on NTBs in exchange for making new commitments to reduce tariffs. 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 more special sessions of the NAMA negotiations to dealing with these specific issues.

As regards the implementation of already existing commitments, the WTO should improve enforcement mechanisms 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 mediation mechanism, including national contact points, to facilitate bilateral negotiations to remove NTBs.

Conclusion

UNICE is a strong supporter of trade liberalisation in the WTO but it is extremely concerned about the lack of ambition witnessed in Hong Kong. The support of European business rests on achieving significant new commercial opportunities through the NAMA negotiations. This requires substantial new market access commitments from OECD and emerging countries – a de facto OECD-only round is not an option for European business.

UNICE is willing to develop these ideas further in a constructive dialogue with relevant EU officials and institutions, with partner business organisations around the world and with the EU's trading partners to ensure that the WTO Doha Development Agenda NAMA negotiations provide new market access for all countries.
