

27 June 2006

UNICE COMMENTS ON THE NAMA CHAIR'S DOCUMENT "TOWARDS NAMA MODALITIES"

General comments

UNICE is very disappointed with the Chair's document "Towards NAMA Modalities" (JOB(06)/200)¹. Only weeks before the critical end-July deadline for the negotiations and just days before a key trade ministers' meeting in Geneva, WTO Members remain incapable of reaching an agreement on language for the modalities of the NAMA negotiations. Very little progress has been made since the Hong Kong WTO Ministerial and time is running out.

The NAMA negotiations rank among UNICE's highest priorities in the DDA negotiations. UNICE's support for the round is conditional on achieving significant new commercial opportunities through substantial cuts in applied tariffs and the elimination of non-tariff barriers (NTBs). An OECD-only round in which the emerging countries contribute little or nothing would be unacceptable.

Issues of substance

1. Tariff-cutting formula

The lack of consensus on the structure of the formula is a great disappointment. UNICE insists on a simple Swiss formula with two coefficients, one for developed and one for developing countries and is disappointed that the Argentine-Brazil-India (ABI) formula remains on the table. UNICE believes this to be a negotiating tactic on the part of the emerging countries and rejects any trade-off between acceptance of the Swiss formula and raising the developing country coefficient or elaborating paragraph 24 of the Hong Kong Ministerial Declaration.

UNICE is also concerned by the lack of even an indicative range of numbers for the coefficients at this late stage. UNICE continues to insist that coefficient for developing countries must be 15 with no more than 5 points difference with the coefficient for industrialised countries.

UNICE cannot support in any way *a priori* exclusions to the formula. WTO members should exercise extreme caution here. If one country is granted an exception other countries will want exceptions. This approach will open Pandora's Box and must be rejected.

¹ UNICE has also taken note of the first revision of this text released on 26 June 2006

2. Flexibilities for developing countries

European business considers the apparent consensus on the architecture of flexibilities for developing countries under paragraph 8 of the July 2004 NAMA text to be unacceptable in the absence of a commitment from emerging countries to accept the simple Swiss formula.

Use of flexibilities must be linked to the level of ambition of the tariff formula and should not facilitate emerging countries escaping from real market access commitments in key sectors. They must not be used to effectively exclude entire HS Chapters.

UNICE rejects the proposal to give credit for binding autonomous liberalisation through the coefficient of the formula. In addition it believes that there is a marked contradiction in the negotiating positions of some emerging countries which do not accept the negotiation of cuts to applied tariffs in the formula yet seek credit for autonomous liberalisation.

As regards the flexibilities for recently acceded members (RAMs), UNICE can accept longer implementation periods as long as they are reasonable, but is in principle strongly opposed to some countries such as China (world's third largest exporter), Chinese Taipei (GDP per capita of \$ 27,600) or Saudi Arabia (GDP per capita higher than Bulgaria and Romania to whom full cuts will apply) benefiting from this treatment. If some special treatment must be agreed, these countries should be given shorter implementation periods than those allowed for other RAMs.

3. Implementation periods

European business believes that there should be no more than 5 years difference in implementation periods for tariff reductions between OECD and emerging countries. Moreover, for sectors where emerging countries are competitive there should not be any implementation extensions.

4. Sectoral negotiations

UNICE welcomes the wording on voluntary sectoral agreements, which should be complementary to an ambitious tariff formula. However, to ensure real market access gains it is crucial that major emerging countries participate in these sector negotiations.

The chair's text lists a number of sectors on which work will focus. Interested EU sectoral business federations should rapidly inform the European Commission of their views on these proposals.

5. Low duties

UNICE supports the elimination of low duties, but does not agree that this should be done on a unilateral basis. They should rather be dealt with through negotiation and in exchange for other concessions.

6. Non-tariff barriers (NTBs)

UNICE insists on the elimination of non-tariff barriers (NTBs) and the need to achieve clear disciplines and rules on NTBs. It recognises the merit of the proposed compromise language and the progress it denotes. In particular, UNICE supports the submissions on proposals to deal with export restrictions/taxes and on a future mechanism for resolving NTBs. Vertical NTBs should be addressed in close cooperation with the industrial sectors concerned.

As regards the Chairman's remarks on export taxes/restrictions outside the mandate of the DDA, European business underlines that the DDA mandate stipulates the reduction or elimination of tariff and non-tariff barriers without excluding export taxes/restrictions. In addition, the mandate calls for the elimination of tariff escalation; export taxes and export restrictions have the equivalent effect to a quantitative restriction and constitute the flipside of tariff escalation.

7. Environmental goods

The issue of non-agricultural environmental goods is not a priority and has not attracted the consensus of WTO members. UNICE therefore considers that it can be discussed at a later stage.

8. Paragraph 24 of the Hong Kong Declaration on the link between Agriculture and NAMA

UNICE supports the view of WTO Members who propose that countries should assess if a comparable level of ambition for Agriculture and NAMA has been achieved on an individual basis.

Conclusion

UNICE is very concerned with the low level of ambition in the NAMA negotiations only weeks before the critical deadline of end-July and with the very little progress been made since the Hong Kong WTO Ministerial.

Only if the DDA can deliver on new significant new commercial opportunities, European business should mobilise to support its conclusion and ratification.
