BUSINESSEUROPE

THE SECRETARY GENERAL

Mr. Pascal Lamy
Director General
World Trade Organisation
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Dear Mr. Lamy, Cher ami,

The Doha Round has taken another step towards conclusion with the release of the second drafts of modalities for agriculture and non-agricultural market access on Friday February 8 2008. As one of the business organisations actively supporting and following the Doha Round, we would like to express some strong concerns.

European companies want the Doha Round to succeed to enhance new export opportunities, particularly in highly competitive emerging countries like China, India and Brazil. However, under current proposals real liberalization commitments by emerging counties are thin on the ground.

This is most apparent in the area of industrial goods. Under the text of February 8, the gains from an ambitious tariff cutting formula risk being eroded by the opening of a new discussion on carve-outs for emerging countries. For instance, the text suggests a possible extension of the flexibilities under paragraph 7 (a). Even under the previous iteration of the text, the flexibilities would have severely limited the effective application of the tariff cutting formula. Any new extension would allow India, Brazil and others to remove whatever new market access for European exports was left. In addition, the February 8 text would see China, despite its powerful position on world export markets, getting additional special treatment as a recently acceded member.

In this light, the so-called anti-concentration clause proposed as an addition to paragraph 7 (a) must be included in any further texts. This would impede the ability of emerging countries to shield whole sectors – e.g. cars, machinery – from tariff cuts, meaning that major European exports could not be shut out of key markets. It must be precisely defined, allowing no possibility of circumvention by the exemption of a small number of tariff lines in a sectoral chapter from the application of flexibilities. BUSINESSEUROPE wishes also to make clear that the granting of unjustified implementation period extensions to China and Taiwan, the latter of which is no longer a developing country, would render the multilateral trading system unbalanced.

The WTO must also provide more certainty for prospects of broad-based (i.e. including emerging countries) and voluntary zero-tariff agreements for specific industrial sectors.

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The Chairman's text still treats sectoral agreements as an supplementary methodology, rather than a substantial means of enlarging market access on top of the tariff cutting formula. We believe the text should be improved.

BUSINESSEUROPE was pleased to note that the non-tariff barrier (NTB) mediation mechanism and individual sectoral NTB proposals, such as those on electronics and textiles labelling, enjoy a wide support and insists that they be included in the final modalities text. However, WTO members must also tie down disciplines on export taxes and restrictions. The WTO needs to take a clear stand against measures that restrict access to globally traded raw materials.

European companies also need progress in services to ensure the DDA package will be beneficial overall. The release by the services negotiations Chairman's report does go some way to clarify the status of services as the third pillar of liberalization in this Round. However, the report is only a start and an intensive and sustained process of services negotiations must now follow to bring convergence on areas of continuing disagreement. As part of this, WTO members must move forward with a signalling process to allow for a balance between services and the other pillars.

A new agreement on trade facilitation will benefit companies in all WTO member countries. A text must also soon be presented to reassure businesses that advances will be made in this area.

Finally, the *carte blanche* granted to the zeroing methodology in the draft rules text creates the real possibility of nullifying any Doha market access gains for EU exporters around the world by opening the door to unjustified higher penalties and a highly uneven playing-field in trade defence operation. This must be addressed.

The Doha Development Agenda is a single undertaking and must deliver in all major pillars of the negotiations. Only an ambitious and balanced outcome will drive world growth and development creating real new business opportunities. We know you are committed to this goal and call on WTO members to take these views into account to ensure that the Doha Round serves the interests of all its members.

Yours sincerely,

Cordialement.

Philippe de Buck