BUSINESSEUROPE

ARTICLE

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EDITORIAL BY PRESIDENT ERNEST-ANTOINE SEILLIÈRE
DOHA – WHAT IS IN IT FOR BUSINESS?

Trade negotiators have often announced that the WTO is entering a critical phase. However, it seems that we are now truly coming up to a make-or-break moment because the round has simply been dragging on for too long. Putting the round on hold for another two years would strengthen the hands of the WTO sceptics that this deal can never be done. And that would be a shame.

BUSINESSEUROPE has actively supported the round since its launch in 2001 because in a globalised world a strong multilateral trading system is needed. We should keep in mind that recent trade disputes with the US over Airbus-Boeing or with China over automobile parts are currently being resolved through the force of the law thanks to the WTO system. A successful Doha round would strengthen this multilateral approach and be the necessary answer to any protectionist tendencies.

However, we also recognise that a commitment to multilateralism is not enough to generate strong business support for a successful conclusion to the round. Business needs to see real trade liberalisation between the major trading nations to sign on. We have to be aware that from 2002 to 2006, exports to China and other dynamic Asian economies grew by 40% to reach an annual flow of 160 billion euros. But over the same period, imports from these countries increased by 70%, raising the EU trade deficit with these fast-growing Asian markets to 165 billions euros in 2006. This accounted for 85% of the overall EU trade deficit of 195 billion euros observed in 2006. It is for that reason that European companies want and need new export opportunities, particularly in those highly competitive emerging countries like China, India and Brazil. This would also enhance job creation in Europe. However, in the current WTO negotiations we cannot see where the ship is headed. We need clarity.

1. On industrial goods trade – such as cars, chemicals, machinery or textiles – European business is very worried that real liberalisation commitments by emerging counties such as China, India or Brazil will be thin on the ground because there are far too many open questions and loopholes for exceptions to trade liberalisation. If the WTO gives a *carte blanche* to emerging countries to shield whole sectors – including cars, chemicals or textiles – from tariff cuts, European exports would be shut out of key markets and that is not acceptable as it would create economic, social and political tensions. There is also a problem of balance in the timing of industrial tariff cuts. Granting China, the world's second largest industrial exporter, up to 14 years to cut its tariffs while expecting EU industries to cut theirs to close to zero over five years is a recipe for trouble. China has to start playing by the same rules of the game as the other big trading nations. In addition, China together with other emerging

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countries would also have to be involved if tariff reductions in specific willing sectors are enshrined in individual agreements. Yet negotiations are unfortunately still very vague on the possibility of having sector agreements in areas such as chemicals, pharmaceuticals or paper.

2. Services, including for instance banking or transport, represent the fastest growing sector of the global economy, account for two thirds of global output, more than one third of global employment and nearly 20% of global trade. Despite this, the WTO still refuses to give services negotiations their due place alongside agriculture and industrial negotiations. Services negotiations are also about market access and they should be given a higher priority in the WTO. A WTO ministerial meeting devoted to services liberalisation would give this issue the profile and commitment it deserves by showing that WTO members are truly committed to open their markets for new business development.

3. Everyone knows that agricultural liberalisation is a key component of the Doha Round and so it should be. From a business perspective, the prospects for liberalising farm trade and reducing subsidies could not be better than they are today. High global commodity prices are driven by demand from China and India as well as the development of alternative industrial and energy (bio-fuels) applications for agriculture. This should give trade negotiators ample opportunity to move boldly towards market driven agricultural policies and settle this recurrent problem.

4. There are other key issues in the round that could, if progress is made, appeal to business the world over. One major issue is non-tariff barriers (NTBs) like export taxes and restrictions, burdensome customs formalities or excessive product testing procedures. There are proposals on the table in Geneva that could truly facilitate trade for companies. Similarly, the WTO negotiations on dumping and subsidies are essential to create a level playing field for trade. However, achieving this objective requires that the WTO does not follow its current path of proposing unfair methods of anti-dumping calculation or allowing increasing recourse to trade-distorting subsidies.

It is time to conclude the Doha round. But business insists that its support is conditional on negotiation of an agreement that truly liberalises trade among the major trading nations in a fair manner. That means that the EU and the US must deliver on their liberalisation promises, including in agriculture, but it will also require the emerging countries to commit to real liberalisation on their side, including in industry and services.

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