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26 March 2009

### **MEETING WITH PASCAL LAMY, WTO DIRECTOR GENERAL**

INTRODUCTORY REMARKS BY JACQUES DESPONTS,  
CHAIRMAN, BUSINESSEUROPE WTO WORKING GROUP

26 MARCH 2009, 15H00-16H30

- BUSINESSEUROPE is very pleased to have the possibility today to discuss with Pascal Lamy the potential way forward in these turbulent economic times. Present at the meeting today are a wide range of business representatives from national business federations, European branch organisations and companies.
- The financial crisis and subsequent economic crisis are hitting trade flows hard around the world. In the last quarter of 2008 and the first few months of 2009, international trade flows have suffered their biggest decline since World War II (roughly 10% decline per month as compared with 2007-2008). Latest estimates by the WTO predict 9% global trade decline in 2009. Moreover, it is very difficult to estimate the future development: in February, BUSINESSEUROPE predicted in its Economic Outlook a real GDP decline of 2.2% for the EU 27, but this figure already had to be reduced further downwards in the last weeks.
- BUSINESSEUROPE is very concerned that growing protectionism will deepen and prolong the economic crisis. Some very real protectionist measures have happened already around the globe:
  - Russia has increased tariffs on automobiles and agricultural products;
  - The US have imposed restrictions on procurement through its 'Buy American' provisions contained in the US stimulus legislation;
  - China has used VAT rebates to boost (some say to subsidise) exports on the world market;
  - Korea has used public export financing to expand export market share at the expense of EU companies in Russia for example.
- BUSINESSEUROPE is a strong supporter of trade liberalisation and opposes any forms of protectionism. The WTO has to play a crucial role in both preventing the closing of world-wide markets and the introduction of new restrictions on investments.



- BUSINESSEUROPE is also a strong supporter of the ongoing Doha round but regrets that a DDA breakthrough in 2008 could not be achieved – despite a clear agreement to finalise the round at the G20 meeting on 15 November 2008. Moreover, BUSINESSEUROPE is very worried that the ambitious level of the objectives sought at the start of the round will not be maintained in the final conclusion. This is also reflected in the worrying signs that global business support in leading trading countries for a WTO deal is fading – in spite of the importance of the multilateral trading system.
- The provisional NAMA results contained in the revised December 2008 draft will effectively lead to tariff rates cuts in OECD countries and China, but also need to commit other emerging countries to stronger tariff reductions more explicitly. Particularly China has to show further ambition as it could still benefit from an implementation period of up to 18 years and maintain high average tariff rates despite the competitiveness of many sectors. Furthermore, it is unclear how emerging countries will make use of their flexibilities granted under the formula. There is a risk that whole sectors could be excluded from tariff reductions. Finally, emerging countries have not yet shown sufficient willingness to participate in specific sectoral agreements.
- BUSINESSEUROPE expects WTO members to make stronger commitments than simply adopting rhetorical statements against protectionism and in favour of a rapid conclusion of the Doha round. BUSINESSEUROPE attaches the highest attention to the following points:

- **Fight against protectionism**

It is positive that the WTO has taken up the initiative of monitoring protectionist measures or new trade-hampering regulations around the world. Moreover, it should strengthen its stance by requesting WTO members to explain the reasoning and compatibility with WTO law of their measures to the whole WTO membership.

- **Rapid conclusion of the DDA / early harvest agreements**

Rapid clarification of key outstanding issues – namely the commitment to sector-specific free-trade agreements, use of a special safeguard mechanism in agriculture and elimination of cotton subsidies – will pave the way towards a successful DDA conclusion. The WTO should convene a ministerial meeting by mid-2009 to conclude modalities negotiations, but also ensure previous close cooperation and accordance among the leading world trading countries (for instance by those above a 5% share of world trade).

Trade facilitation is a potential area where an early harvest agreement could rapidly be reached among all WTO members. In particular developing countries would benefit from such an agreement.



- **“Standstill-Agreement” until conclusion of the DDA**

WTO members should refrain from any new protectionist measures by signing up to a temporary legally binding “Standstill-Agreement” (including a ban on new export restrictions) which should last until the end of the Doha negotiations. The “Standstill-Agreement” should enter into force immediately and last until the entry into force of the final Doha Agreement.

- **Counter increases in anti-dumping cases**

WTO members should adopt a temporary legally binding WTO Agreement against abusive initiations in anti-dumping to avoid the worst protectionist abuses while respecting each nation’s right of recourse to trade defence measures.

- **Long-term reflection on the future of the WTO**

WTO member states should launch in the long-term a comprehensive reflection on WTO governance, including the balance between free trade and better regulation, its engagement in new areas crucial for business and its adaptability to react quickly and efficiently to current challenges. Further avenues for consideration should be the reinforcement of the Dispute Settlement Body and the revision of the Government Procurement Agreement.

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