

Reaction to Hong Kong Ministerial

Hong Kong, 18 December 2005

INTRODUCTION

UNICE is pleased that the Hong Kong Ministerial Conference contributed to moving the WTO DDA negotiations forward. However, it continues to express strong concerns over the slow progress in the negotiations.

European business remains a strong supporter of the multilateral trade negotiations as a means to achieve substantial trade liberalisation. UNICE agrees that development is the key objective of the round. However, development will come from progress in the main growth generating issues – especially market access for goods, services and improved rules such as trade facilitation (to reduce costs and delays at the border).

UNICE therefore urges WTO Members to rapidly engage in real negotiations to pursue ambitious liberalisation on all issues. WTO Members must finalise the modalities for agriculture, NAMA and services by the agreed deadlines to be able to conclude the DDA negotiations by the end of 2006.

Although the wording of paragraph 24 linking Agriculture and NAMA has been improved somewhat, we remain opposed to creating such an exclusive linkage given that tariff structures are not comparable.

NAMA

UNICE deeply regrets the low level of ambition in the NAMA negotiations. We are aiming for an ambitious NAMA agreement that cuts deeply into applied rates in both developed and emerging countries.

We demand that the EU pushes for a higher level of ambition that ensures that no single tariff will be above 15% at the end of the implementation period of the DDA agreement and that tariff structures should end up in sight of each other.

We are very concerned that the accumulation of a higher coefficient and flexibilities for emerging countries will not provide any real market opening in this round. That would be unacceptable for European business.

We are concerned about the absence of commitments on removing non tariff barriers (NTBs).

Specific Issues:

PARAGRAPH 14

- We deeply regret that the WTO has not yet decided on the structure of an overall tariff cutting formula in Hong Kong. Delaying this decision until 30 April 2006 will reduce time available for actual negotiations.
- UNICE is strongly opposed to a Swiss formula with multiple coefficients as was proposed by Argentina, Brazil and India (ABI). We demand a **“non-linear simple Swiss formula**

applied on a line-by-line basis that is not based on tariff averages” in order to cut deeply into applied tariffs.

- UNICE will accept no more than two coefficients (one for developed, one for developing countries) and only if they are within sight of each other and provided that the coefficient for developing countries takes account of flexibilities under paragraph 8 of Annex B of the July 2004 package.

Paragraph 15

- The inclusion of paragraph 8 of the July 2004 NAMA framework as an integral part of the modalities is of great concern to UNICE. Recourse to these flexibilities should be linked to the level of ambition in the tariff cutting formula. UNICE requests that the text read “as integral parts of the formula”.

Paragraph 16

- We support the inclusion of a new paragraph on voluntary sectoral approaches but consider it essential that they are complementary to an ambitious tariff cutting formula as outlined above (paragraph 14).

Paragraph 17

- We welcome the inclusion of the paragraph covering the treatment of unbound tariffs under the formula. However, we consider that the mark-up should not favour countries with high unbound tariffs.

Paragraph 20

- Regarding preference erosion, UNICE believes that any solution should be compatible with the trade liberalising objectives of the WTO system. All developed and key emerging countries should grant duty free access to LDC products to facilitate a solution in this field.

Paragraph 21

- UNICE recognises the difficulties of small and vulnerable economies and supports the granting of additional flexibilities. However, the concept of small and vulnerable should be clearly defined to establish a list of beneficiary countries subject to periodic review.

Paragraph 22

- We call upon negotiators to set a date for submissions and agreeing on solutions to remove NTBs.

SERVICES

European Business considers the services section to be a useful step in the negotiations which can serve as a basis for further liberalisation. It provides guidance on the negotiating objectives in the four modes of supply and in sectors. In addition, it allows a complementary plurilateral negotiating approach for countries willing to pursue a higher degree of ambition.

We support the ambitious deadlines set in the agreement and urge WTO Members – including those representing key emerging markets – to move into negotiating mode as soon as possible.

AGRICULTURE

We note that progress is being made mainly on export competition which raises serious concerns as to the overall balance and coherence of the future agriculture agreement.

Export Competition

We have noted that our requests with regard to parallelism have been recognised. The elements which have been taken into account do not, however, include countercyclical payments and marketing loans. The different disciplines need to be completed now that an end date for the

elimination of export subsidies has been agreed. In addition, we underscore the link between the elimination of export subsidies and internal reform to ensure that the competitiveness of the EU food industry is not weakened.

Market Access

We are concerned by the amount of flexibility that may be granted to developing countries, in particular when designating their own special products. We believe that the indicators need to be clarified in detail in order to make sure that the export interests of EU companies will be taken into account.

DEVELOPMENT PACKAGE

UNICE welcomes the support for providing duty-free and quota-free access to LDCs by developed countries and developing countries that declare themselves in a position to do so. We hope that many emerging countries will respond appropriately. We note that there are flexibilities regarding the coverage of this access for LDCs and we sincerely hope that developed countries will not take advantage of them.

We support the proposed "Aid for Trade" package to be elaborated before July 2006 and encourage WTO Members to find effective and efficient approaches to help the poorest countries adapt to trade liberalisation.

UNICE hopes that the progress on the development package will go some way to facilitating consensus in the broader WTO negotiations. Now that the concerns of the LDCs have been addressed, the WTO can focus on pursuing ambitious market opening which we firmly believe will provide the greatest benefits to developing countries.

Other issues

UNICE welcomes the adoption of the section on Trade Facilitation which will contribute to reducing costs and delays at the border.

UNICE supports the proposals on Rules and encourages WTO Members to pursue these negotiations as indicated in the Chairman's report.
