

FTA

Foreign
Trade
Association

**FTA Position
Reviving the DDA after Cancun**

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Introduction

Multilateral trade needs a stimulation of the worldwide economy through improved market-access and improved rules. A successful completion of the DDA will contribute to stability and growth, urgently needed in the present weak domestic and global economic climate.

Cancun has shown that the interests of the developing countries were not sufficiently recognized within the WTO process. It is necessary to reach fair terms in all those areas where their vital interests are at stake.

European Traders strongly advocate the completion of the Doha Development Round. Even before Cancun, some results were achieved, evidence enough that the parties involved can move. The overall structure of the WTO should therefore not be questioned because of a failed ministerial meeting. If the actual system - with only few procedural rules - does not work properly, the international community must find alternatives. But the FTA strongly stresses that a stand-still of the multilateral process must be avoided by all means.

Bilateral solutions cannot serve as an alternative to the WTO process. Competitive disadvantages will lead to uneven development in DCs and LDCs. A differing process of liberalisation would be detrimental to the development needs of weaker and the weakest partners. European traders would face legal uncertainty and a lack of transparency abroad.

The FTA highly welcomes the latest commitments of nearly all WTO members to the multilateral process. It is now important to act accordingly and complete the DDA in due time.

In respect of the difficult negotiation climate the Foreign Trade Association has reviewed its position.

FTA Expectations regarding the completion of the DDA

The FTA supports the EU Commission in its new approach to focus at present on the most important issues namely NAMA, Services, Singapore-Issues and Agriculture.

Market Access for Non Agricultural Products (NAMA)

The initial FTA approach regarding tariff reductions and the abolition of non-tariff trade barriers remains valid. It supports the EU demand before and after Cancun to use a general formula covering all goods as a basis for further negotiations.

From the point of view of the FTA, the tariff reduction formula suggested by the EU Commission (compression mechanism) complies with the main demands trade has on improved market access: high tariff rates will decrease to a bigger extent than low tariffs, the 15 per cent threshold will no more be exceeded.

Minor tariff rates should be completely abolished. The FTA advocates a limit of 3 % instead of the 2 % as proposed by the EU-Commission.

Moreover, the FTA welcomes the proposal to reduce tariffs for textile and clothing products as well as footwear even beyond the formula in order to meet the specific requirements of the developing countries. A freezing of textile and clothing tariffs on the present level as requested by some parties should be refused.

Apart from tariff reductions on the textile and clothing sector, a harmonisation of the tariff rates is desirable.

Amongst other things, requirements regarding product quality, rules for product labelling as well as national examinations and certifications still prove to be non-tariff trade barriers. Therefore a harmonisation of technical rules, respectively the implementation of the principle of mutual recognition, is imperative.

Trade in Services / GATS

The service sector contributes more to economic growth and the creation of jobs than any other sector of the economy.

In April 2003 the EU tabled a far-reaching offer regarding liberalization in the distribution sector. Now other WTO members must follow. Market access for services in industrialized and developing countries must be improved. The service sector offers manifold new economic opportunities also for developing countries.

The GATS-provisions regarding mode 4 should enable service suppliers to move qualified personal, i.e. managers, for a period of several months between the WTO member states. Especially the distribution sector is highly interested in improved flexibility, as the successful implementation of warehouses and stores abroad depends to a large extent on company know-how, corporate design and corporate philosophy. Furthermore, mode 4 should provide for free movement of business related services.

Singapore Issues

The FTA regrets that the Singapore issues (trade facilitation, investment, competition, transparency in government procurement) could not be further promoted in Cancun. The vital question – should these issues be dealt with within the single-undertaking – is now in the centre of discussions.

For the sake of transparent rules that handle the challenges of a liberal trade climate, this should be a priority for all WTO members. Comparable conditions for investment worldwide, fair competition, a minimum of bureaucracy for traders as well as predictable decisions in public procurement serve the interests of all parties. A completion of the negotiations on the four issues by the end of the present WTO-round, together with improved market access, should be a priority.

The FTA therefore welcomes the statement of the European Commission in its communication to the Council, the EP and the ECOSOC dated November 2003, which says:

“In seeking to build a practical foundation for WTO work on the Singapore Issues, the EU should start therefore from the premise that it remains desirable to pursue the four Singapore issues within the single undertaking.”

But regarding the tense atmosphere and the emotional approach to the Singapore issues by developing countries, the FTA would accept unbundling the package if necessary to avoid a definite failure of the whole DDA:

This concerns investment and competition whilst trade facilitation is considered less critical among the WTO-countries.

Despite a commitment to multilateralism for all WTO issues, the FTA would accept to take small steps towards agreements on investment and competition. Countries ready to negotiate should not be blocked by others unwilling to do so. The FTA considers a plurilateral approach outside the single undertaking for these two issues a realistic option, if every WTO-member has the possibility to join the agreements at a later stage and negotiations start with a minimum number of countries representing a meaningful volume of world trade.

The FTA underlines that investment and competition must remain part of the DDA negotiations. The readiness to unbundle these two issues should in no case be interpreted as a readiness to drop them from the current WTO agenda. With the completion of the DDA, European traders expect at least a framework for further proceedings, agreed among those countries that are interested to come to agreements. The FTA therefore calls upon the EU to start informal consultations among the WTO members in order to identify potential partners.

The long-term target should be multilateral agreements on investment and competition. The GATT negotiations serve as good example: a group of countries took up negotiations, other countries joined the GATT-“community” in order to share the benefits of the achievements.

Agriculture

The DDA depends largely on substantial farm trade liberalisation, which is the key issue for developing countries. Particularly industrialized countries must undertake reforms to achieve equilibrium.

The FTA deeply regrets that even after the very controversial discussions on agriculture before Cancun and the disastrous outcome of the ministerial meeting, the EU does still not see the need to show more flexibility in its position on agriculture. It is true that the EU has shown some effort to go beyond its initially intended offer. But the past made clear that there is a need to go further.

The above mentioned EU Communication contains the following passage:

“The EU, for its part, both before and at Cancun, moved, often repeatedly, on all important issues, many of which are very sensitive for European interests. It should continue to do so.”

This must not remain an empty phrase. Otherwise the inflexibility of the EU in agriculture will prevent the urgently needed liberalisation in other sectors like NAMA and trade in services.

The FTA is of the opinion that the EU policy on agriculture is still aiming at the maintenance of protectionism that severely impedes and distorts trade in agricultural products and poses a heavy bur-

den on European consumers and tax payers. They have an injurious effect on the export capability of many developing countries.

The EU must expose the agricultural sector to international competition through:

- further tariff cuts from applied rates in order to improve market access
- elimination and prohibition of all forms of trade-distorting export subsidies (not only for products of special interest to developing countries)
- meaningful reduction of domestic support measures that encourage overproduction and distort trade
- avoidance of using non-trade concerns (like animal welfare) to create new barriers of trade

Other Important Issues

Focusing on the big DDA issues does not mean that European traders have lost interest in other important items on the agenda:

European importers as well as the developing countries are demanding stricter rules for the initiation of **anti-dumping** proceedings in the future. The WTO should act as a watchdog and strengthen its surveillance of the use of trade defence instruments, in order to prevent the misuse of anti-dumping measures for protectionist purposes.

The FTA also calls for more transparency in anti-dumping proceedings. For European trade to be able to take part in such proceedings more easily, all parties should be obliged to submit a non-confidential version of their documents at the opening of proceedings.

Although the current **Dispute Settlement Understanding (DSU)** has significantly developed the system for settlement of trade disputes, the FTA believes that a number of changes should be made to the DSU in order to strengthen it further.

An important step would be to increase the transparency of the proceedings. More steps should also be taken to limit the damage of illegal measures and increase the efficiency of the agreement. Since the developing countries are often not in the position to properly defend themselves against anti-dumping, greater knowledge of the impact of dumping would lead to more legal security and capacity building for exporters as well as importers.

The FTA welcomes the EU decision that **social standards** shall not be discussed within the WTO. Other fora including international institutions such as ILO and Worldbank are more apt to deal with the social consequences of globalisation.

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