



FOREIGN TRADE ASSOCIATION

For a Successful Conclusion of the Doha Development Agenda

FTA Position

The FTA is the association for European commerce that specialises in foreign trade issues. It is committed to achieving its goal of a true free trade environment. For almost 30 years it has supported its members, consisting of national trade associations and companies from all over Europe, by providing expertise and up-to-date information and by campaigning on their behalf against protectionist measures in the European and international arena.

Introduction

In December 2005 the 6th WTO Ministerial Conference took place in Hong Kong. Initially it was intended to conclude the current round of negotiations on the DDA (Doha Development Agenda) which aims at further liberalisation of world trade. However, owing to the poor progress the negotiations had made in the past, the conference could only serve as an opportunity to agree on corner stones and a working plan for 2006.

This result is very disappointing. The focus on agricultural negotiations prevented substantial progress on topics of importance for European Commerce. The FTA had hoped for progress on crucial issues such as market access, liberalisation of services, improvement of rules for anti-dumping and trade facilitation. European traders are also concerned about the limited results of the so-called development package for the least developed countries (LDCs). Initially this package was supposed to provide duty and quota free market access for all LDCs to all developed countries by 2008 - an idea the EU has already put into practice under the "everything-but-arms" (EBA) initiative. Unfortunately some WTO members opted out of this commitment and excluded a certain number of LDCs and sectors from duty and quota free market access, such as the USA, who excluded textiles from Bangladesh.

The fact that the Hong Kong conference did not completely fail may be regarded as a success. However the WTO negotiations cannot afford any further delay and in these days only a step forward can be considered a success, not a half hearted interim agreement as drafted in Hong Kong. The US American Trade Promotion Authority (TPA) ends in July 2007. If this final deadline cannot be met it is very likely that the multilateral liberalisation process will come to a standstill for several years. For business this would be the worst case scenario as well as for the developing world. Growth and development would be hampered.

The multilateral trading system needs far more ambition and commitment from all trading partners if the DDA is to be brought to a timely conclusion.

The FTA appreciates the efforts undertaken by the European Union to bring forward the negotiations but now calls upon Commissioner Mandelson to strive for a comprehensive final agreement.

The FTA also calls upon governments of all WTO member states to cooperate constructively in the coming months. The WTO is the only institution to foster multilateral trade liberalisation for the sake of growth and development on one hand and multilateral trade rules that provide legal security and justice on the other hand. Both are of utmost importance in today's quickly changing economic conditions in a globalized world. A failure of the DDA would harm the WTO as an institution.

All those who joined the WTO for the sake of the benefit it provides must now act in accordance to their responsibility and make the system work.

WTO members agreed in Hong Kong on a Ministerial Declaration and the so-called 'Doha Work Programme' (http://www.wto.org/english/thewto_e/minist_e/min05_e/final_text_e.htm) to strive for a conclusion of the DDA in 2006. The FTA strongly supports this. The vital question for FTA members however is not only whether Ministers will manage to meet the deadlines set but also whether the European Commission will finally succeed to put the offensive interests of European business through and achieve the urgently needed results.

In October 2005 the FTA published European traders' demands on the DDA in a paper called "*FTA position on the 6th WTO Ministerial Conference in Hong Kong*" which can be found on the FTA homepage www.fta-eu.org under "opinions". It refers to the offensive interests of European commerce. Furthermore it calls for further European commitments in the agriculture negotiations. The content is still valid and the FTA renews its appeal.

Market-Access for Non-Agricultural Products (NAMA)

The Ministerial Declaration adopts a Swiss Formula for tariff reduction. Unfortunately the text does not define clearly, to which of the two different Swiss Formulae that were discussed in the past it refers.

The FTA supports the application of the original Swiss Formula that has been promoted by the EU without any modifications. This formula is easy to apply and has the advantage that high tariffs are decreased to a bigger extent than low tariffs. The coefficient should not be below 15% for industrialized countries and should achieve meaningful reductions not only regarding the bound but also the applied tariffs.

Developing as well as industrialized countries gain substantially from the liberalization of trade with manufactured goods. This is the result of a recent study called "Winners and Losers: The impact of the Doha round on developing countries", published in 2006 by the independent "Carnegie endowment for International Peace".

The FTA therefore calls for substantially improved market access for all goods of the combined nomenclature. Exceptions to these rules for the so-called "especially sensible products" - as promoted by some interest groups - should be avoided. Sectoral approaches are only acceptable if the relevant negotiations lead to a tariff reduction that goes further than the reductions effected by the Swiss Formula.

It is now vital that the deadlines set for the establishment of modalities (30 April 2006) and the tabling of comprehensive draft schedules (31 July 2006) are respected. The linkage between

the two major issues NAMA and Agriculture in the Ministerial Declaration gives hope that at the end of the day there will be a comparably high level of ambition in providing better market access for all goods.

Non-Tariff-Barriers to Trade (NTBs)

After Hong Kong the negotiations on the reduction of non-tariff-barriers to trade (NTBs) were taken up again. WTO-members are expected to table on April 30th 2006 a list of NTBs they want to see abolished in other WTO countries. From May to July 2006 these demands shall be negotiated on bilateral level.

The FTA welcomes that NTBs are finally being dealt with in a structured manner.

Traders face major problems with differing technical standards in third countries, namely in Turkey, Romania, Bulgaria, Switzerland and Russia. In some of these countries the principle of mutual recognition is often not applied for electronic goods and the details of standards can quickly change. The consequences are time and cost intensive certification procedures for goods that comply with European standards and can therefore already be considered as safe.

Further non-tariff barriers to trade are excessive demands on the labelling of goods. China and Brazil for example have very high demands on the declaration of the composition of shoes. This goes hand in hand with difficulties traders have in achieving information on these often unexpected requirements. In order to abolish this NTB, WTO members should strive for uniform labelling requirements as consumer needs regarding information on products can be expected to be the same worldwide. Traders would also appreciate if every WTO country would offer easily accessible information like the EU does via its electronic 'Exporters Helpdesk' on the internet.

In view of Russia's approaching accession to the WTO this becomes even more vital. FTA members face difficulties at Russian borders because amendments to import regulations are not published and often only known to the customs officers, who tend to interpret them in an inconsistent way. This concerns also the classification of goods.

However, as importers of consumer goods, FTA members suffer mainly from European NTBs that serve as protectionist measures. In particular, the European labelling requirements for products and packaging need to be reduced, not extended.

Liberalisation of the Services Sectors (GATS)

Ministers in Hong Kong adopted the content of 'Annex C' to the Declaration as a basis for further negotiations on the liberalisation of the service sector which also includes distribution

services (retailers and wholesalers). The FTA hopes that the GATS negotiations will provide better market-access for FTA-members who invest in third countries. The offers that have been tabled by third countries so far were very disappointing and need to be improved as soon as possible.

Annex C of the Ministerial Declaration contains three items appreciated by the FTA:

First, it opens the possibility for WTO members to negotiate their liberalisation offers on a plurilateral level. Before Hong Kong service liberalisation had to be discussed on a multilateral level which was hampered by countries that were not willing to open up their markets to foreign services. This obstacle can now be tackled.

The FTA has already called upon the EU Commission to focus especially on countries like China, Japan, India, Brazil, Malaysia, Mexico and the USA, where commercial presence must be facilitated for retailers and wholesalers. Further requests of European commerce are: discriminatory licensing must be avoided; economic needs tests must be abolished or follow the principle of national treatment; the purchase of real estate should not be impeded by unnecessary bureaucracy or discrimination.

Second, the Ministerial Declaration calls for targeted technical assistance for DCs and LDCs to allow their participation in negotiations. In the past these countries often claimed that they could not table substantive offers because of capacity problems. The envisaged technical assistance which can help to solve these problems needs to be put into practice immediately.

Third, the Ministerial Declaration determines detailed deadlines for the services negotiations in 2006 (28 February, 31 July and 31 October) to safeguard the necessary process. These need to be respected strictly.

Trade Facilitation

The Ministerial Declaration also contains a short chapter on Trade Facilitation that reaffirms the modalities contained in Annex E. Trade Facilitation proved to be the only issue to which all member states provided constructive input in the run-up to Hong Kong.

The focus lies on (among others): improved publication and availability of trade regulations; longer time periods between publication and implementation; measures that enhance impartiality and non-discrimination; general disciplines on fees and charges imposed on or in connection with importation or exportation; enhanced use of international standards; reduction of formalities and documentation requirements; single window/one-time submission practices;

elimination of pre-shipment inspections; objective criteria for tariff classification; simplified and preferential clearance of goods; limitation of inspections and controls, etc.

The FTA called for many of these measures to facilitate trade and strongly supports the approach taken by WTO members.

The FTA emphasizes that trade facilitation measures do not only concern third countries' borders but also European borders, as importers still have to deal with various obstacles that hamper smooth imports into the EU.

The results achieved for Trade Facilitation should be put into practice at the latest by the end of 2007, even if the DDA can not be completed in time. The issue is carried by a broad consensus of many WTO members. Its benefits should not be taken hostage by political tactics and should be concluded in a side-agreement that follows the 'early-harvest-principle'.

The FTA also welcomes the recommendation of WTO members to provide technical and financial assistance to DCs and LDCs which will enable them to negotiate and to implement the agreed measures.

Trade Rules

European importers, as well as the developing countries, demand stricter rules and higher thresholds for the initiation of anti-dumping proceedings.

The FTA therefore welcomes the fact that in spite of a long lasting US-American reluctance to renegotiate the current WTO-agreement on anti-dumping, the Hong Kong declaration contains a commitment of all WTO member states to continue negotiations on rules as set forth in Annex D to the Hong Kong declaration. They acknowledge the need for amendments of the AD-agreement in order to provide more transparency, predictability and clarity in procedures and to take into account the need to avoid unwarranted use of anti-dumping procedures. The FTA has been calling for these amendments since the beginning of the DDA.

Conclusion

The key to a successful and timely conclusion of the DDA is agriculture. The world trade share of agricultural products lies far below 10 %. However, only if this issue is tackled, can liberalisation of trade in industrial goods and services proceed. The FTA therefore calls upon the EU to set its priorities right by improving its WTO offer on agriculture and asking for more commitments on NAMA, GATS and trade rules from their trading partners, especially those emerging countries that have recently become competitive in individual sectors.