



International Chamber of Commerce

The world business organization

Policy statement

World business priorities for a new round of multilateral trade negotiations

Commission on Trade and Investment, 21 June 1999

French version

Market access in an integrated world economy

World business, as represented by ICC, firmly believes that an open multilateral system that facilitates flows of goods, services and investment across national borders is a major force for raising living standards and creating jobs in all parts of the world.

For almost half a century, ICC gave strong support to the several successive rounds of negotiations to liberalize world trade carried out under the aegis of GATT. We were particularly supportive of the ambitious Uruguay Round negotiations, which resulted in unprecedentedly wide-ranging agreements to further reduce tariff and non-tariff barriers to trade, and which initiated a process of extending multilateral rules to new trade-related policy areas of major importance to world business.

We warmly welcomed the creation of the World Trade Organization (WTO), with its strengthened dispute settlement machinery, as a powerful new institution through which governments can develop and enforce global rules.

The Uruguay Round was a major step forward in improving the ground rules and reducing impediments for business to trade across frontiers. However, the world of today is not the same world as in 1986 when the Round was launched. The years since then have seen a marked acceleration in the pace and dissemination of technological development and a phenomenally rapid integration of the global marketplace.

'Trade' in its traditional sense – cross-border movement of goods and services – is nowadays only a part of what constitutes the global marketplace, and it is no longer adequate to focus on 'trade' barriers as the primary impediment to doing business across frontiers. The focus today must be on a much broader conception of market access – on the international rules for doing business on a global basis.

Globalization is presenting great challenges as well as great opportunities to societies the world over. Sound multilateral rules for the worldwide marketplace are vital to ensure the smooth functioning and good management of globalization. Markets, like freedom, only work well within a suitable framework of rules. It is the task of governments, with the help of business, to cooperate closely to find the balance between freedom and rules that maximizes the scope for business to create wealth and employment.

A new round for the new WTO

The third Ministerial Conference of the WTO will be taking place towards the end of 1999 in Seattle, US. It seems likely that ministers will agree to launch a new 'round' of multilateral negotiations on that occasion – which commentators are already dubbing the 'Millennium Round'.

ICC supports the launching of a new round at Seattle, to begin in the year 2000.

International Chamber of Commerce

38 Cours Albert 1er, 75008 Paris, France

Tel +33 (0)1 49 53 28 28 Fax +33 (0)1 49 53 29 42

E-mail icc@iccwbo.org Website www.iccwbo.org

- We believe the timing is right. Negotiations are already due to begin next year in the major areas of services and agriculture as part of a built-in agenda agreed to during the Uruguay Round. A new round should 'shelter' those negotiations and complement them with negotiations in several other policy areas where new or improved rules for governments and business are now needed.
- In addition, the launching of a new broad-based round will send a positive signal to traders and investors the world over that governments are committed not only to keeping markets open, but also to further reducing barriers to market access. It will make a significant contribution to restoring confidence in the prospects for the recovery of the world economy in the wake of the emerging markets' crisis.
- It should be a major aim of the round to break new ground in shaping multilateral rules for business companies to compete freely and on equal terms in a global marketplace. Inevitably, extending the scope of market access will entail the development of further multilateral disciplines on national regulatory regimes.
- We further believe that WTO member governments must devise processes, including precise interim deadlines and regular reviews of progress at ministerial level, to ensure that a new round is concluded in a relatively short period – say, three years. There must be a firm commitment to avoid a repetition of the delays that characterized the Uruguay Round. Multilateral rule-making has to adapt itself to the faster pace of change in a global marketplace in order to keep the rules aligned with rapidly-evolving business realities and requirements.

Key business objectives for the new round

In the hope and expectation of a new round of multilateral trade negotiations, ICC wishes to submit an outline of what world business considers should be the priority objectives for such an undertaking. Once the negotiations are launched, our business experts will convey to governments detailed recommendations in relation to the policy areas addressed in the new round.

Meanwhile, ICC continues to attach the highest importance to the faithful implementation, in full and on schedule, of the commitments agreed to by governments during the Uruguay Round and in subsequent multilateral negotiations that formed part of the Round's unfinished business. Adherence to the letter and spirit of those agreements, and the avoidance of unilateral and extraterritorial measures, are essential foundations for the further liberalization of world trade in the context of a new round. So also is strict respect for the role and authority of the WTO's dispute settlement machinery, whose rules and procedures require clarification and perhaps some improvements in the light of recent experience.

Services

ICC was an early advocate of placing services on the agenda of the Uruguay Round. We warmly welcomed the establishment of the General Agreement on Trade in Services (GATS) and the extension of multilateral rules to international trade in services. Though the results of the Uruguay Round were somewhat disappointing in terms of individual countries' commitments on market access, the GATS subsequently proved its worth with the successful agreements in 1997 to liberalize basic telecoms and financial services.

- A major priority of the new round must be to expand the number and improve the quality of countries' commitments on market access and national treatment under the GATS, including

in the key sectors of basic telecoms and financial services where important progress has already been made.

- ICC supports efforts to further liberalize maritime transport services provided liberalization is substantial and there is no acceptance of 'grandfathering' restrictive practices. Meaningful and comprehensive market access commitments, including the free establishment of maritime and related services, by a defined critical mass of countries are essential to any new GATS agreement on maritime transport services.
- Although the air transport sector possesses characteristics that are peculiarly difficult to liberalize on a multilateral basis, ICC believes that a start could and should be made with air cargo.
- We also recommend the new round should aim to liberalize postal and express delivery services, and develop multilateral disciplines on the domestic regulation of professional services generally for integration into the GATS as legally-binding provisions.
- The need to move professional, technical and managerial personnel across national boundaries for purposes linked to international trade and investment is crucial to business, and especially to service providers. We therefore recommend that the movement of natural persons be treated as a priority issue in the GATS negotiations.
- The liberalization of government procurement of services remains an important objective of world business since it would open up a vast potential market to international competition.
- Finally, ICC commends for the new negotiations on services generally the precedent of the pro-competitive principles in the Reference Paper that accompanied the 1997 WTO Agreement on Basic Telecommunications Services.

Agriculture

The new round must accelerate the process begun in the Uruguay Round of reducing the substantial protectionist barriers that severely impede and distort trade in agricultural products – and that have a particularly injurious effect on the export capability of many developing countries. The aim must be increasingly to expose the sector to international competition through:

- further substantial tariff cuts to improve market access
- the progressive elimination of export subsidies
- the reduction of domestic farm support by the elimination of subsidies that encourage overproduction and distort trade
- the promotion of food safety regulations grounded in scientific consensus about risk
- the acceptance of new standards that recognize the role of trade in food security

Tariffs and non-tariff barriers

The GATT made immense progress in dismantling tariff barriers to international trade, but its work is by no means completed. In consultation with business, negotiators in the new round should:

- substantially reduce tariff peaks and tariff escalation
- eliminate tariffs which are already very low
- extend tariff bindings, particularly in respect of products for which tariffs remain high

- include more signatories to zero-for-zero and tariff harmonization agreements

Efforts to improve market access by further reducing tariffs should be complemented by more effective curbs on non-tariff barriers. To prevent abusive use of anti-dumping measures, we support a more harmonized and disciplined approach in the implementation of the anti-dumping instrument.

International investment

The traditional distinction between international trade and foreign direct investment (FDI) no longer reflects business realities. Trade and investment are increasingly becoming complementary, mutually supportive means of supplying the global marketplace. Companies no longer invest abroad principally as a way of jumping over trade barriers; they invest overseas to optimize corporate productive efficiency.

Over the past half-century, the world has developed a comprehensive and uniform body of multilateral rules to govern international trade. Yet cross-border investment remains subject to a veritable patchwork of rules contained in many hundreds of bilateral investment treaties and other commercial accords, in regional integration arrangements, and in a few WTO agreements.

ICC believes that FDI has today become too important for the wellbeing of the world economy to be left under the sway of a multitude of overlapping legal instruments – with the accompanying costs, confusion and potential for legal conflict. We urge governments to seize the opportunity of the new round to push forward the process of creating within the WTO high-standard multilateral rules to protect and liberalize foreign investment in order to afford greater security to the enormous existing stock of foreign direct investment and to encourage its continued rapid expansion in a new era when countries everywhere are keen to attract it.

Trade and environment

ICC believes that governments should be vigilant not to undermine the rules of the multilateral trading system when designing policies intended to achieve environmental objectives, and in particular to ensure that such policies are not misused for protectionist purposes. The new round should:

- develop WTO-consistent criteria for the use of trade measures contained in multilateral environmental agreements
- clarify the application of the Uruguay Round Agreement on Technical Barriers to Trade to the expanding array of eco-labelling schemes in view of their potential for creating de facto trade barriers

As part of a broader strategy to reconcile trade and environmental concerns, ICC commends to negotiators in the new round the significant environmental benefits that would flow from deep cuts in the huge subsidies allocated to agriculture, fisheries and energy.

Trade facilitation

The benefits of trade liberalization flowing from successive rounds of multilateral negotiations continue all too frequently to be frustrated by cumbersome trade procedures – and, in particular, by antiquated, slow and bureaucratic customs procedures that impose heavy costs on business, and on consumers. The new round should develop comprehensive and effective multilateral rules to simplify and modernize trade procedures – to the advantage, in particular, of developing and transition economies.

Government procurement

The new round must improve the existing plurilateral Agreement on Government Procurement to

broaden its membership and its sectoral coverage – including its extension to services. The aim must be a truly multilateral agreement with strong provisions to increase transparency, openness and due process in government procurement.

Electronic commerce

ICC does not believe that there is a class of services that can be labeled electronic commerce and thus negotiated separately. However, we urge governments to give full recognition in the new round to the fact that the breaking down of domestic regulatory barriers across a wide range of service sectors is essential to permit the robust development of electronic commerce. We also urge them to make permanent their current provisional commitment not to impose customs duties on electronic transmissions.

Intellectual property rights

While there is scope for improving the Uruguay Round Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) – particularly to take into account issues raised by new technological developments – world business attaches primary importance to the effective implementation of the commitments that governments have already made under the TRIPS agreement, which further negotiations could put at risk.

Trade and competition

The WTO has made a good start in analyzing the interaction between trade and competition policy in a continuing dialogue with the business community, and this valuable work should continue. ICC believes, however, that understanding of the complex issues involved and their ramifications has not progressed sufficiently for this subject to be included for negotiation in the new round.

Labour standards

ICC reaffirms its strong support for the decision taken at the WTO's first Ministerial Conference in Singapore in 1996 that the competent body to set and deal with labour standards is the International Labour Organization (ILO). We commend the ILO Declaration of Fundamental Principles and Rights at Work, to which business contributed. The Declaration and its follow-up procedures will strengthen the capacity of the ILO to deal with member states that record persistent policy failures in the area of workers' rights. We believe that trade sanctions are neither an appropriate nor an effective means to improve labour standards. Indeed, ultimately, labour standards will be most rapidly and securely advanced by sound economic development based on all countries' full participation in the multilateral trading system.

ICC underlines the need for the new round to extend effective market access on a mutually-beneficial reciprocal basis, while recognizing that many developing countries will require special transition periods and technical assistance to enable them to fulfil their commitments. Furthermore, business urges governments to pay special attention to ensuring that the results of the round are coherent and mutually consistent, taking into account the rapidly growing linkages and interdependencies between trade in goods, trade in services, intellectual property protection, and foreign investment.

