



International Chamber of Commerce

The world business organization

Policy statement

Commission on Trade and Investment Policy

World business and the multilateral trading system

*ICC policy recommendations
for the Sixth Ministerial Conference
of the World Trade Organization
Hong Kong, 13-18 December 2005*

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Making essential progress at Hong Kong

World business, as represented by ICC, remains strongly committed to the success of the Doha round of multilateral trade negotiations. In our view, it will be essential for the success of this round to have agreement on all the parameters of the negotiation by the end of the Sixth Ministerial Conference of the World Trade Organization (WTO) to be held in Hong Kong, 13-18 December 2005.

ICC takes this opportunity to convey key business messages and policy recommendations to WTO members in advance of the Hong Kong Ministerial, building on the substance of the July 2004 agreements. World business as represented by ICC trusts that these recommendations will help to build consensus among WTO members regarding the key issues to be moved forward in Hong Kong. While ICC attaches great importance to all elements of the Doha Development Agenda and will continue to provide input on these as they progress, this statement focuses on those issues which ICC believes WTO members should advance as a priority in the lead-up to and at Hong Kong, and which include the following:

- reaching agreement on negotiating modalities for non-agricultural market access, including an ambitious tariff-cutting formula, sectoral initiatives, simplification of tariff structures, and a methodology for the dismantling of non-tariff barriers;
- reaching agreement on full negotiating modalities for trade in agriculture, and in particular on formulas for eliminating export supports, establishing strong disciplines to reduce trade-distorting forms of domestic support, and substantially improving market access for all products, including developing country agricultural products in particular;
- ensuring urgent and substantive progress in the negotiations on trade in services by expanding the number and improving the quality of WTO members' offers on the broad range of traded services, and across all modes of service delivery;
- making substantial progress in the negotiations on trade facilitation with a view to reaching agreement on a comprehensive set of trade facilitation measures; and
- ensuring a balanced approach to the "rules" element of the Doha Development Agenda, particularly the negotiations on antidumping and regional trade agreements.

It is incumbent upon all WTO members to ensure that the Hong Kong Ministerial Conference achieves meaningful results and locks-in further progress, in order to maintain momentum for achievement of a final result by the end of 2006. This must of necessity mean agreement on all modalities.

It will be essential, in our view, for ministers and capitals to stay strongly engaged and to give Geneva Ambassadors clear negotiating mandates to ensure steady progress between now and the Hong Kong Ministerial. The progress achieved at recent “mini-ministerial” meetings attests to the benefit of such high-level engagement.

The rules-based multilateral trading system must improve its capacity to keep up with the pace of global economic developments and new business realities by delivering meaningful results as rapidly as possible. This is all the more important since updated multilateral disciplines are necessary to maintain a liberalizing influence on the burgeoning number of bilateral and regional trade agreement, to safeguard the integrity of the multilateral trading system and the principle of non-discriminatory trade. Only an expeditious and successful conclusion of the Doha round that achieves substantial trade liberalization can mitigate the trade diverting effects of bilateral and regional trade agreements.

While making progress on agriculture will be necessary for progress in other areas, WTO members should strive to move forward in parallel the key elements of the Doha agenda mentioned above, in order to facilitate the give-and-take across negotiating subjects that will make it possible to reach a balanced overall result. For example, this means that work on services must be accelerated to maintain true parallel progress because the complex procedures of that negotiation take more time to complete.

Special efforts are required to facilitate the participation of developing countries, particularly the least developed among them, in the multilateral trading system. It is vital that the results of the Doha round create meaningful opportunities for increased exports from the least developed countries. Through increased exports, least developed countries will be able to benefit from the opportunities offered by trade liberalization and globalization.

ICC policy recommendations on specific elements of the Doha Development Agenda

Tariffs and non-tariff barriers for non-agricultural products

ICC considers that the negotiations on market access for non-agricultural products is of central importance to the Doha Development Agenda because of the benefits for both consumers and producers in all WTO member countries that further liberalization could bring. In particular, it is strongly in the interest of developing countries to substantially reduce tariff and non-tariff barriers, with an appropriate sequencing of tariff cuts. A large part of the expected gains from trade liberalization will result from trade liberalization by low and middle-income countries, with the major part of the potential gains to come from increased trade among these countries.

ICC urges WTO members to finalize, at the latest in Hong Kong, specific modalities for the negotiations on market access for non-agricultural products, and agree to:

- apply an ambitious formula approach to eliminate or substantially reduce tariffs for all products with no a priori exclusions by specified deadlines, and supplement this formula by other approaches, such as request and offer, sectoral harmonization and zero-for-zero, where they would contribute to further liberalization;
- substantially reduce tariff peaks, high tariffs, tariff escalation, and tariff disparities;
- establish a tariff threshold under which tariffs would be set at zero in order to eliminate administratively burdensome tariffs;
- increase efforts to eliminate or substantially reduce non-tariff barriers¹
- shift all tariff-related measures to bound ad valorem tariff rates; and
- bind substantially all tariff headings at the levels negotiated during the round.

ICC encourages WTO members to define more precisely in the modalities the following considerations for developing and least-developed countries (LDCs):

- application of the “less than full reciprocity” principle, mainly through longer implementation periods but not through the exclusion of entire product lines or sectors;
- credit for autonomous liberalization on bound tariff lines;
- elimination of industrialized country tariffs and quotas for products from LDCs by an agreed date;
- greater targeting of technical assistance and capacity building particularly for LDCs; and
- facilitate the involvement of developing countries in the setting of global technical standards.

¹ WTO members should agree to strengthen the obligations of least-trade-restrictiveness in the next review of the Agreement on Technical Barriers to Trade (TBT); develop closer links between the WTO and international standardization organizations; and establish national contact points to handle TBT complaints.

Agriculture

Further concrete progress should be made on establishing specific modalities towards substantial cuts in domestic support, the elimination of trade-distorting export supports, and the dismantlement of market access barriers. These measures severely impede trade in agricultural products, impose a heavy burden on consumers and taxpayers especially in industrialized countries, and have a particularly injurious effect on the export capability of many developing countries. Improved market access should be a key objective of the modalities to be finalized in Hong Kong and an essential outcome of the negotiations. ICC strongly urges WTO members to reach final agreement at the latest in Hong Kong on full modalities for the negotiations on trade in agriculture, with a view to achieving the following:

- substantial reductions in domestic support measures that encourage overproduction and distort trade, which should result in a meaningful cut in the overall level of support, as well as in deeper cuts for higher levels of support. ICC considers it essential that further work on modalities concerning domestic support should include strong disciplines and precise criteria to promote meaningful liberalization and prevent circumvention of the objective of the negotiations through shifts of domestic support measures between the different categories of measures (boxes);
- an agreed and credible end date for the elimination and ultimate prohibition of all forms of trade-distorting export supports. Ensuring parallel progress between the elimination of export supports and improvements in market access will be key to maximizing the opportunities for trade-offs among all WTO members;
- a formula that will achieve substantial improvements in market access for all products, including meaningful tariff cuts from bound rates, deeper cuts for higher tariff, as well as the reduction or elimination of tariff rate quotas;
- the avoidance of using non-trade concerns to create new barriers to trade in agriculture; and
- the promotion of sound science and risk assessment as the basis for food safety regulations.

Services

ICC is very concerned by the slow progress of the services negotiations. A majority of WTO members have yet to submit their initial offers. Commitments tabled so far would generate few if any new business opportunities. There is therefore an urgent need for all WTO members to submit substantially improved offers.

All WTO members should actively engage in the process of exchanging requests and offers at the earliest possible date to ensure that the negotiations on trade in services can make substantive progress before the Hong Kong Ministerial.

All offers should aim to achieve progressively higher levels of liberalization on the broadest possible range of sectors and across all modes of service supply.

ICC commends to WTO members the following horizontal objectives for the services negotiations:

- The development of multilateral principles for the domestic regulation of services, such as transparency, for integration into the GATS as legally binding provisions should be an important element of the negotiations. This should build on the considerable work already undertaken by the WTO in this area such as the 1998 Disciplines on domestic regulation in the accountancy sector, and, for appropriate sectors, the pro-competitive principles enshrined in the Reference Paper accompanying the 1997 WTO Agreement on Basic Telecommunications Services.
- WTO members should make binding commitments on the autonomous liberalization undertaken in recent years, and further commit to dismantle obstacles to establishment or expansion of commercial presence abroad (“mode 3”), and offer additional commitments regarding freedom of establishment for companies and non-discrimination.
- Particular efforts should be made to schedule additional commitments under “mode 4”, due to the increasing need to move professional, technical and managerial personnel across national borders for purposes linked to international trade and investment; an area of particular interest to developing countries. Further progress should also be made towards the mutual recognition of professional qualifications.
- 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.
- The inclusion of safeguard measures should be avoided. Such measures should not inhibit the activities of companies in connection with local commercial presence.

Trade facilitation

ICC welcomes the explicit consensus reached in Geneva to launch negotiations on trade facilitation and the agreement on modalities for the negotiation. As envisaged in these modalities, ICC encourages members to notify their trade facilitation needs and priorities as soon as possible. These notifications should build on the many suggestions made by members in the clarification phase of the discussions. The objective of the Hong Kong Ministerial should be to make concrete progress on a set of core trade facilitation rights and obligations fully integrated into the corpus of WTO instruments.

A WTO agreement on trade facilitation will ensure the full realization of the benefits of trade liberalization flowing from successive rounds of multilateral negotiations by further expediting the movement, release and clearance of goods – to the advantage, in particular, of developing economies and of small and medium-sized enterprises, and with significant welfare gains for all countries both when exporting and importing.

A trade facilitation agreement is fundamental to the establishment of an improved and more efficient management process for international trade in goods on a global basis. All WTO member countries will benefit from such an agreement – especially those burdened with the least efficient trading processes, either through infrastructure or managerial limitations or because of procedural barriers being imposed by trading partners. Trade facilitation is all the more important at a time when security concerns risk slowing down cross-border trade. ICC believes that security measures should be

properly integrated into efficient customs clearance systems, in order not to cause additional costs and delays to international trade.

The largest potential for improvement in trade facilitation exists in developing countries, and they are therefore likely to be the main beneficiaries of these negotiations. For this reason, ICC firmly believes that it is in the interest of all WTO members, developing countries in particular, to approach these negotiations in a proactive and positive manner. As trade facilitation is a “win-win” issue for all WTO members, it would be counterproductive to look upon it as a concession being extracted from developing countries by other WTO members. A WTO trade facilitation agreement will strengthen the capacity of developing countries to increase their share of international trade and investment flows, not least their trade with other developing countries.

While the clarification and improvement of articles V, VIII and X of the GATT 1994 constitutes a logical starting point, the aim of the negotiations should be to take a holistic, integrated and flexible approach to trade facilitation with a view to negotiating a coherent and comprehensive package of trade facilitation rights and obligations. Such an agreement should take due account of the work of other intergovernmental organizations in this area, notably the World Customs Organization (WCO).

Concerning capacity building with regard to trade facilitation, ICC considers that the efficiency of capacity building efforts should be increased in order to avoid waste and duplication. This would entail improving the coordination of existing initiatives, achieving sustainable efforts and durable results, building management capacity, adopting common standards, taking a holistic approach that is adaptable to specific needs, focusing on transparency and measurement, building confidence, and engaging the private sector. In accordance with the agreed modalities, least developed country members should only be required to undertake commitments to the extent consistent with their individual development, financial and trade needs or their administrative and institutional capabilities.

ICC commends the following key trade facilitation objectives and measures to WTO members for their consideration in the next phase of the negotiations and inclusion in a potential agreement:

- greater transparency and more efficient administration of regulations affecting cross-border trade;
- transparent conduct by customs and other government agencies, with easily accessible procedures and regulations, including an open, independent and efficient appeal process of customs decisions open to all importers;
- an authorization for legitimate traders, allowing operators to cross national borders with minimal interference, through the use of pre-arrival declarations and post-release audits, enabling customs to concentrate their resources on the key target of illegitimate trade;
- the measurement of release time at the frontier and, the introduction of targets to encourage governments to reduce release time;
- use of modern customs techniques such as risk assessment and profiling, enabling administrations to make direct resources gains, while reducing the time for legitimate trade to cross borders;

- utilization of commercial systems for customs controls including sophisticated information technologies, the internet and integrated information systems more rapidly adaptable to business and government needs than independent customs information technology systems;
- adoption and implementation of international standards in the trade transaction process such as those of the United Nations, the WCO and ICC;
- global automation to create a paperless environment, with data transmitted electronically, including over the internet;
- administration of official frontier controls by a single agency, preferably customs; and
- consider where appropriate, a "Seamless Integrated Transaction" where a core set of identification control data can be generated, submitted and processed at any time during the transaction, to avoid duplication of the traditionally separate export and import procedures.

Rules

Antidumping

ICC supports the aim of the negotiations launched at Doha to clarify and improve disciplines under the agreement on antidumping, while preserving the basic concepts, principles and effectiveness of this agreement and its instruments and objectives. The aim of these negotiations should be to prevent the abusive use of anti-dumping measures through a more harmonized and disciplined approach to the implementation of the anti-dumping agreement. ICC urges WTO members to undertake a balanced approach to this element of the Doha agenda in the lead-up to and at the Hong Kong Ministerial.

Preferential trade agreements

ICC shares the deep concern expressed in the report of the Consultative Board to the WTO Director General over the proliferation of preferential trade agreements, which threatens the integrity of the multilateral trading system and the principle of non-discriminatory trade, in the current de facto absence of WTO disciplines. Therefore, ICC attaches great importance to achieving substantive progress in the lead-up to and at the Hong Kong Ministerial on clarifying and improving disciplines and procedures under the existing WTO provisions applying to preferential trade agreements. At a minimum, WTO members should agree in Hong Kong to modalities for the negotiation of meaningful review procedures and effective multilateral disciplines. However, ICC also believes that the most effective long-term solution to concerns about the impact of discriminatory trade preferences is to expedite the conclusion of a broad and substantial multilateral reduction of tariffs and non-tariff barriers in the Doha round, to which the Hong Kong Ministerial Conference must make a significant contribution.

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For further information on detailed ICC policy recommendations on the Doha round, please visit the ICC website at www.iccwbo.org

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