

WTO DOHA DEVELOPMENT AGENDA

CBI POSITION PAPER

1. The Confederation of British Industry (CBI) is the premier voice of British business, operating at national and international levels to help create conditions in which British businesses can compete and thrive. CBI represents some 240,000 UK companies and over 150 trade associations. CBI pursues its goals in cooperation with its members, national governments, international organisations and global business federations.
2. CBI advocates free and fair trade and, as such, is committed to the multilateral, rules-based trading system of the WTO (World Trade Organisation). CBI also believes that the Doha Development Agenda (DDA) presents a vital opportunity to consolidate and enhance this system by further liberalising the global trading environment. Trade liberalisation fuels economic growth, which leads to higher living standards and ensures sustainable development for developing countries, as well as providing direct benefits to the UK economy.
3. Following the collapse of ministerial negotiations in Cancún in 2003, it is vital that the authority and credibility of the WTO as the sole global body governing international trade are reinforced. The benefits of freer multilateral trade for developing countries must be stressed throughout the negotiations. Effective capacity building will help developing countries to improve their ability to trade and, in turn, boost their economic growth. Furthermore, the counter-productive and misleading anti-WTO message promulgated by a minority of non-governmental organisations (NGOs) must be rebutted.
4. It is therefore essential that an ambitious agreement is achieved in Hong Kong and the Doha Development Agenda (DDA) itself completed in 2006. CBI urges all WTO members to accelerate progress up to and during the Ministerial Conference in December 2005.

KEY CBI PRIORITIES

5. CBI recognises that a satisfactory outcome for all WTO members in each area of the DDA negotiations will be necessary to complete the Doha round successfully in 2006. Nevertheless, CBI gives the highest priority to the following negotiating areas:

- **Agriculture**

CBI acknowledges the importance of an agreement on agriculture to the success of the round. CBI would like to see substantial improvements in market access and reductions in all forms of trade-distorting domestic support. It supported the agreement in principle to abolish export subsidies and urges further work on modalities.

- **Non-Agricultural Market Access (NAMA)**

CBI would like to see a worldwide maximum bound tariff level of 15% across all sectors. Progress must also be made on reducing non-tariff barriers (NTBs) to trade.

- **Services**

It is important for all WTO members to make greater commitments in the General Agreement on Trade in Services (GATS) discussions. CBI supports efforts to move beyond the request-offer procedure in order to generate greater progress in the negotiations.

- **Trade Facilitation**

CBI supports improvements in border controls and customs processes and would like to see further progress made at a multilateral level.

- **Rules**

CBI wants to see a balanced approach to the implementation of a rules agreement that reflects the need for a solid legal framework to underpin the WTO system and allows disputes to be resolved swiftly.

Agriculture

6. CBI recognises the crucial importance of the agriculture negotiations to secure an overall agreement. However, a focus on agriculture discussions must not distract from efforts in other areas of the DDA. Recent moves by the EU and US on agriculture have provided a sounder platform from which negotiators from all WTO members can work. This momentum must be translated into real progress in the negotiations in order to achieve an **ambitious and balanced overall package**.
7. The 2004 July Framework Agreement established modalities for the three pillars of the agriculture negotiations: domestic support, market access and export subsidies. Following advances in talks on export subsidies, the two key areas for future work are now **market access** and **domestic support**.

Market Access

8. CBI is encouraged by a proposal from the G20 group of developing countries on a **tariff cutting formula**, which was welcomed by the EU and US as a good basis for further negotiations. The agreed formula must be sufficiently ambitious to result in bound rates that are below the currently applied rates. CBI urges tariff cuts to reduce raw material prices.
9. It is vital that **tariff peaks** and **tariff escalation** are substantially reduced and **nuisance tariffs** abolished. All tariff lines must be subject to substantial reductions. CBI urges the replacement of **tariff rate quotas** with tariff only regimes wherever it is feasible to do so. Bidding and auctioning systems lead to commercial uncertainty and should be avoided.
10. Reduced commitments on cutting tariffs for **special and sensitive products** must not be allowed to undermine the goal of achieving improved market access. Products must qualify for special and sensitive status only on the basis of clear and objective criteria.
11. CBI acknowledges the need of developing countries for **special and differential treatment** in the agriculture discussions. However, any flexibilities must be tied to the genuine needs of developing countries. CBI wants to see real market access for developing countries and opposes government policies to maintain higher than world prices for products that benefit from tariff preferences. However, the importance of trade between developing countries (South-South trade) must also be acknowledged.

Domestic Support

12. CBI wants to see substantial reductions in all forms of trade-distorting subsidies and it is necessary to achieve consensus on a **formula** for cutting such support. Progress must be made on **Amber Box** subsidies, which have trade-distorting effects. The EU is one of the largest users of this box and it is necessary that significant cuts be made to its support measures.
13. CBI urges cuts in **Blue Box** subsidies, which, while requiring limits to production, nevertheless have trade-distorting effects. It is important that countries are not allowed to avoid making substantial cuts to trade-distorting subsidies by 'box-shifting' (i.e. switching Amber Box subsidies to other boxes).

Export Competition

14. CBI supported the agreement in principle to abolish **export subsidies** and urges further work on modalities. Agreement on modalities must take account of the need to retain our export competitiveness in certain markets. Reductions in export refunds must be accompanied by commensurate cuts in domestic raw materials prices. More work is also required on **parallel commitments**, **state-trading enterprises** and **monopoly powers**.

Non-Agricultural Market Access (NAMA)

15. The UK is the **8th largest exporter** of goods in the world, worth approximately £190 bn in 2004. Further liberalisation in global trade offered by this round stands to bring significant benefits to British exporters and the UK economy as a whole. NAMA negotiations are therefore a key CBI priority. CBI urges enhanced progress in this area.
16. CBI wants to see consensus over the tariff cutting **formula**. A breakthrough over the formula is vital to achieve progress in other areas of the market access talks. CBI welcomes the convergence that is emerging around a Swiss style formula, which would subject higher tariffs to higher reductions. It wants to see a maximum **bound tariff level of 15%** for all sectors.
17. CBI recognises the need for **flexibilities** for developing countries. Flexibilities, however, must be tied to the genuine needs of developing countries and must not undermine drives for improved market access. Agreement on the structure of the formula will allow negotiators to determine how flexibilities are to be incorporated into the final agreement.
18. CBI acknowledges the specific needs of **least-developed countries (LDCs)** in the NAMA negotiations and it is appropriate that they should make only reduced commitments or none at all. CBI urges the abolition of all import tariffs on industrial goods originating in LDCs. However, more advanced developing countries must grant substantial market access opportunities for trade in non-agricultural goods.
19. CBI believes that meaningful liberalisation is best achieved by making cuts in **applied tariffs** (tariffs that are applied in practice) rather than bound tariffs (maximum tariff levels permitted under GATT). Remaining unbound tariffs should be bound at no more than 15%. There should be no *a priori* exceptions.
20. Agreement on a formula should not preclude making deeper cuts in as many **specific sectors** as possible. Individual sectors may then pursue complementary harmonisation and 'zero-for-zero' agreements. Zero-for-zero commitments should be extended to all WTO members except LDCs. Where zero-for-zero agreements cannot be reached, CBI accepts the idea of 'zero-for-x' harmonisation, whereby developed countries reduce tariffs to zero while developing countries reduce to level 'x'. However, less-than-full reciprocity must not undermine pre-existing zero-for-zero agreements.
21. **Nuisance tariffs**, defined as 2% or less, should be wholly eliminated. **Tariff peaks** and **tariff escalation** must also be substantially reduced.
22. It is helpful that **non-tariff barriers** have been listed and categorised by negotiators. This will provide the necessary basis for their reduction and, where feasible, elimination. There needs to be more effective implementation of WTO NTB agreements; these rules must be properly adhered to.
23. **Technical barriers to trade (TBTs)** must be substantially reduced. An urgent issue is the rising number of, and technical requirements imposed by, **labelling schemes**. CBI wants to see progress in harmonising labelling regimes generally and in eco-labelling particularly.
24. **Export restrictions** can severely disrupt the operation of market economy mechanisms in any sector. In particular, they are currently causing disruptions to companies operating in the raw materials and commodities sectors by leading to locally protected sectors gaining substantial competitive advantage in exporting. In this case, lower import tariffs are being nullified by recourse to export duties.

Services

25. The UK is the world's **second largest exporter** of commercial services, which are worth around £80 bn per year and account for 8% of global services exports. Britain enjoyed a surplus in services trade of £4.8bn in 2004. The UK is particularly strong in financial and professional services, as well in more specialist areas such as architecture and engineering consultancy. Services therefore ranks as one of CBI's highest priorities in the DDA.
26. CBI is dismayed by the lack of meaningful progress in services talks. It is vital that the services negotiations lead to liberalisation beyond the status quo and that substantial **new business opportunities** arise from the DDA. It should be recalled that GATS (General Agreement on Trade in Services) commits all parties to 'achieve a progressively higher level of liberalisation'.
27. CBI urges negotiators to look beyond the current **request-offer procedure** and utilise all means at their disposal within Article XIX of GATS and the Negotiating Guidelines. However, a focus on bilateral or multilateral procedures must not distract from the need for real, new market opening in services across all sectors. All developed members should agree to adhere to a broad set of regulatory principles in this area.
28. Since WTO members have now submitted specific details of the **trade barriers** their services exporters face, it is important that work should begin on their reduction and, where possible, elimination. CBI urges substantial reductions in the number of **exceptions**. The **most-favoured nation** (MFN) principle should be reinforced.
29. An integral part of services liberalisation is access for professionals to provide services. It is vital that companies are able to relocate skilled personnel from other countries. **Mode 4** (temporary movement of service providers) is therefore a key area for improvement and a CBI priority. Developing countries also have significant interests in this area.
30. CBI is opposed to the introduction of an **Emergency Safeguard Mechanism** (ESM). ESM would allow countries to temporarily reverse commitments made under GATS in cases where domestic industries were deemed to be struggling due to increased competition. CBI believes that ESM would undermine drives for liberalisation in services and jeopardise investment security for foreign companies.
31. All pre-existing commitments should be formalised within the GATS schedules. **Standstill** guarantees should be made in areas where unilateral liberalisation has already been achieved. Rights of commercial presence that have already been granted to foreign companies should be included in the schedules (**grandfathering**). However, pre-existing commitments should not distract from, or be considered substitutes for, offers granting new business opportunities.
32. It is vital that any WTO member yet to ratify the **WTO Agreement on Financial Services** does so in the near future. Moreover, the **Agreement on Basic Telecommunications** must be fully implemented, especially in the field of electronic commerce.
33. CBI recognises the concerns of **developing countries** in this area of the talks and acknowledges their need for technical assistance. No aspect of the DDA negotiations restricts developing countries' policy space. It should also be noted that services inject valuable investment, particularly in infrastructure, insurance and banking sectors, as well as providing crucial expertise and knowledge. This is especially true for developing countries.

Trade Facilitation

34. The OECD estimates that the potential benefits of improved **trade procedures** would represent 2 - 15% of the value of traded goods. There is clearly the potential for substantial cost reductions for traders. Trade facilitation also reduces risk, improves efficiency and reduces unnecessary delays thereby increasing transparency, predictability and accountability. These benefits will be particularly beneficial to small companies.
35. CBI believes that multilateral negotiations are the most effective means of improving trading procedures globally and so welcomes progress in this area of the talks. Trade facilitation encompasses not just customs procedures but also the three key principles of **transparency, non-discrimination and least trade-restrictive measures**. Work in this area of the DDA must continue at its current pace.
36. Trade facilitation requires **enhanced cooperation** between operators and customs officials. CBI wants to see **single window** communication for traders and **one-stop** clearance procedures. The need for legitimate **security concerns** to be addressed is appreciated, but these concerns must be balanced with trade facilitation objectives. Transport and border **control procedures** should be harmonised and simplified.

Other Areas

37. CBI opposes the elimination of tariffs on **environmental goods** via a list approach. CBI does not see how an objective definition could be obtained and feels that this debate will distract from making necessary progress in the NAMA negotiations. In addition, it does not support process and production methods (PPM) being taken into account since this would lead to a distinction at the border between identical goods.
38. CBI supports work to simplify **rules** and is encouraged by progress in dispute settlement and in the area of special and differential treatment for LDCs. CBI believes that the principles of the **Anti-Dumping** and **Subsidies and Countervailing Measures** agreements are sound and should not be weakened. It supports improvements to the text of these agreements where they lead to enhanced transparency, non-discrimination and harmonisation of implementation.
39. CBI stresses the importance of **intellectual property protection** to enable a secure trading environment in which businesses can have confidence. It is imperative that the provisions of **TRIPS** (Trade-Related Aspects of Intellectual Property Rights) be fully implemented. **Geographical indications** are an integral part of TRIPS and it is appropriate that they should be discussed only within this context and in particular the wine and spirits register as mandated by the TRIPS provisions.

Conclusions

40. The authority and credibility of the WTO as the sole global governing body for international trade are at stake in the Doha negotiations. It is vital that the benefits of trade liberalisation for all countries are demonstrated and the development aspect of this round must be emphasised. The misleading and counter-productive anti-WTO message of some NGOs must be rebutted.
41. It is imperative that all WTO members strive to achieve rapid and tangible progress up to and during the Hong Kong Ministerial so that agreement can be reached and the DDA itself completed in 2006. An overloaded Ministerial reduces the chances of this happening. Activity in Geneva and in national capitals must accelerate in order to generate sufficient forward momentum. To avoid another crisis, as in Cancún in 2003, negotiators must be focused on achieving an ambitious and meaningful conclusion to the talks that delivers real economic benefits to all members. The serious repercussions for the global economy of failure in Hong Kong must not be underestimated.