



Priorities at the WTO Ministerial Meeting in Cancun

Peter Hendy, Chief Executive –

Australian Chamber of Commerce and Industry

The World Trade Organisation (WTO) Ministerial Council meeting in Cancun, Mexico, next week is likely to be one of the most important trade events for many years.

Failure at Cancun will send a message of encouragement to the protectionist lobby around the world who, for their own selfish reasons, want to stall further reforms or even wind back the substantial gains achieved from the Uruguay Round of trade negotiations of the 1990s.

Gains from past trade liberalisation efforts have given the equivalent of A\$1000 to each Australian family annually since 1986 – a welcome ‘tax cut’ by any measure.

Furthermore, a 10 per cent increase in our national export performance could create as many as 70,000 new jobs – a substantial economic dividend of tangible benefit to ordinary Australians.

We should also not lose sight of the fact businesses engaged in international trade also share the commercial benefits of their success with their employees. It is not widely known that those working for exporting companies enjoy higher wages – around A\$17,400 per annum more – than those working in the non-traded sector of the Australian economy.

Economists have estimated that if existing global tariffs were to be reduced by just one-half, Australia would gain an extra A\$7 billion a year in economic benefits, with further dividends coming from liberalisation in areas like investment and services, where the gains from trade reform are more difficult to measure in advance.

A major challenge for the Trade Ministers from the 146 WTO Member countries must be revitalization of global momentum toward international trade and investment liberalisation.

In the agriculture negotiations, this means sizeable reductions in tariffs on agricultural and related products such as processed foods, accelerated and steeper programs for the elimination of trade-distorting, especially export, subsidies, and decisive action on domestic agriculture support arrangements that interfere with agricultural trade. Farm subsidies are estimated to amount to some US\$300 billion a year world wide.

These agricultural trade barriers depress international farm prices, distort agricultural production and trade patterns, rewarding inefficient producers, and hold back economic development and growth in many poorer countries where some 96 per cent of the world's farmers live. In particular those relying on agriculture for their export income suffer.

The decision by the European Union in June 2003 to reform how it pays subsidies is a modest step forward. It is, however, nowhere near enough. Nor is the United States and European Union joint paper on agriculture released in August 2003. While welcome, the paper leaves open the crucial issues on the extent and timing of cuts in tariffs and subsidies.

For manufactures, the Cancun Ministerial should commit to meaningful negotiations to reduce substantially, if not eliminate, all remaining tariffs on industrial products, and to substantially reduce the rate of tariff escalation which greatly distorts value-added manufacturing.

For services, we need stronger commitments from WTO Members on national treatment, and better market access for service providers. The number of sectors and professions open to competition from foreign service providers also needs to be liberalized.

For investment, a notable gap in the WTO's armory of agreements, it means negotiations for a robust General Agreement on Investment (GAI). Most favoured nation and national treatment would be important features of a GAI, with coverage based on a negative list approach, where any exclusions would have to be clearly identified ex ante, with all other sectors open to foreign investment.

Environmental issues will also be on the Cancun agenda, in particular the much-debated linkages between 'trade and the environment'. Appropriately, there is strong resistance from many national governments, and from commerce and industry both here and abroad, to the WTO becoming a vehicle for enforcing multilateral environment agreements negotiated in other places. We are deeply suspicious that a number of nations are using environmental issues as a back-door way to reintroduce protectionist practices.

Other issues likely to attract attention during the Cancun WTO meeting are expected to include trade facilitation and labour standards.

Trade facilitation must be pushed up the action list within the WTO system, as many of the gains from trade liberalisation are being undermined by trade-distorting technical regulations, standards and testing arrangements. An enhanced agreement on trade facilitation should aim to deliver improved harmonisation, and ideally mutual recognition, of standards and conformance arrangements.

Labour standards continue to be a source of considerable tension within the WTO system, with some nations, principally those in the European Union, pushing for their incorporation into WTO agreements. Such claims only serve to introduce unnecessary



divisions, with labour standards better left to the International Labour Organisation, which has greater competency in such matters.

The guiding light for the WTO Ministerial Meeting in Cancun should be the substantial gains from trade and investment liberalisation for the many, in particular those from developing and transitional economies.