



**CERT POSITIONS ON THE LAUNCH OF A NEW WTO
MULTILATERAL TRADE ROUND, June 2001**

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Preface

The Canada Europe Round Table for Business (CERT) is a permanent EU-Canada dialogue for industry and governments on matters of trade and investment. Its membership comprises companies and associations of Canadian and European origin with major investments in, and trade flows between, the two territories. Constituted and operated to strengthen trade and investment at the bilateral and at the multilateral level, CERT members engage in dialogue with the Canadian and EU administrations to help shape the economic policy issues that are of key importance to the Canada-EU business community.

CERT can make a valuable contribution towards the solution of bilateral and multilateral trade problems affecting the two regions. The 1976 EU-Canada Framework Agreement and the aims of the 1996 Joint Canada-EU Action establish a context making CERT the natural partner of the EU authorities and the Canadian government to hold and feed a regular dialogue. CERT believes that both governments would be wise to seek and take into full account of the expertise and advice of Canadian and European business in deciding on negotiating priorities at the WTO. As Canadian and European businesses identify market access opportunities, so too are they confronted by new barriers to the free flow of goods and services.

CERT believes that it is of the utmost importance to continue to design a fair, efficient and effective rules-based global trading system in which countries live up to the expectations of existing agreements and help to strengthen the credibility of the multilateral trading system itself. Indeed, all countries gain where there are clear rules governing international trade and effective means of applying those rules at the international level. Conversely, Canadians and Europeans lose where there is a retreat to protectionism and a lack of respect for international law. Without the security of a strong international trade rules system and increased access to global markets, industry in Canada and the EU are at serious risk.

Introduction

This memorandum expresses a number of standing views of the Canada Europe Round Table for Business (CERT) on Canada and the European Union's shared commitment to furthered multilateral trade liberalisation at the World Trade Organization (WTO). While not introducing any major new elements at the time of writing, it nevertheless **meets the wish of CERT to put forth strong support to the European Commission and the Canadian government in their efforts to work together with other WTO members to formulate a package that will enable the launch of a new round of comprehensive multilateral trade negotiations as soon as possible.**

In submitting this CERT position paper, our members wish to communicate a strong message to the EU and Canada for the articulation of their respective government positions and agendas for a new WTO trade negotiations round.

CERT Positions for a New WTO Round - General

CERT strongly supports the launch of a new round of negotiations in the WTO. CERT feels that a new round of trade talks is necessary to settle a number of longstanding trade and tariff issues. Given the current downturn in the global economy, increased liberalisation of trade and investment are necessary to ensure sustained economic growth for the future. A comprehensive round of negotiations could provide a much needed boost to restore business confidence to WTO signatories.

Ideally, negotiations should last for no longer than 3 years, as drawn-out talks would have a negative impact on the role of the WTO and on more open markets. If early agreement can be reached on some issues, we would support the implementation of the agreed measures. We must take this opportunity to ensure that global markets continue to liberalise and not retreat into protectionism that has the potential to significantly compromise economic and social conditions.

The planned negotiations in the WTO should:

- Be broad based, thus offering possibilities for balanced concessions between sectors, and mutual advantage and increased benefits for all WTO members;
- Build on sectoral and regional commitments undertaken since the conclusion of the Uruguay Round; and
- Require final results of all negotiations to be adopted in their entirety by each WTO member.

Key Areas for Negotiations

Much progress has been made in the negotiations at the WTO on trade in agriculture and services. While Canada and the EU differ on some aspects of these negotiations, both have supported the reduction of agricultural export subsidies and increased commitments on market access and national treatment under the General Agreement on Trade in Services (GATS). These issues are in any event due to be further negotiated in a new round of talks in the WTO.

Given the range of interests at stake for both Canadian and European businesses, it is essential that negotiations be extended to encompass other issues, including telecommunications and financial services, industrial tariffs, technical standards-related barriers to trade, electronic

commerce, international investment, transparency and dispute resolution. Other important issues to CERT members are trade facilitation and rules of origin.

Although not necessarily exhaustive, the requests set out below represent the broad position of the CERT membership, taken as a whole.

Market Access - Tariff Measures

While the EU is Canada's second largest destination for exports, Canada is one of the few countries in the world still subject to the EU's full common customs tariff. CERT members would like to see a new round of talks in the WTO further liberalise global markets and reduce tariffs. Examples would be the removal or accelerated reduction of paper, chemical and aluminium tariffs, notably, between Europe and Canada. In the case of aluminium, the process of tariff reductions which has been spread over eight rounds of GATT negotiations has reduced the domestic price of the aluminium ingot and generated the same effects as those expected from the proposed elimination of the European Union 6 % tariff on aluminium ingot imports. CERT would like to see a further reduction/elimination of this tariff.

The Uruguay Round of multilateral trade negotiations which resulted in many trade liberalization advances was a major achievement, but Canadian and EU exporters still face tariff barriers to trade in many of the world's greatest markets for increased growth in the future, including Asia and Latin America. These remaining tariffs add significantly to the costs of exports from the EU and Canada making them that much less competitive going in those markets.

Canada and the EU should seek to accelerate the implementation of already existing tariff elimination agreements and expand the participation in those agreements to other non-signatories within the WTO; as well as negotiate complete tariff elimination in areas where there are no already existing agreements.

Technical Barriers

Based on the philosophy that trade and environment should be and can be mutually supportive, members of CERT are deeply concerned that the integrity of the rules-based world trading system is at risk if jurisdictions have the latitude to use environmental measures and/or labour measures as a means of imposing unjustified non-tariff barriers to trade. In too many instances, non-tariff barriers are technical regulations or requirements that lead to discriminating treatment of imported foreign goods compared with domestically produced goods. Examples of such measures can include environmental labelling and the certification of sustainable forest management.

CERT emphasizes that it is not opposed to environmental labels and standards. On the contrary, CERT supports such efforts as long as they are developed and used in a fully transparent, non-discriminatory fashion and according to proper and sufficient scientific evidence. However, recent cases at the WTO indicate that the rules with respect to process and production methods, and technical barriers to trade, need to be clarified and possibly amended.

In particular, CERT believes that the governments of Canada and the EU should seek to clarify, or if necessary, strengthen obligations under the Agreement on Technical Barriers to Trade (TBT). The TBT agreement, as it exists, is subject to a wide range of interpretation in areas such

as standards setting, and environmental labelling, and not all WTO members agree on what the rules mean. This issue is critical to exporting industries in the EU and Canada who are shipping products around the world where different process and product standards can come into play. Clarity on the application of current TBT rules to environmental standards (e.g. environmental labelling) should insist on the highest possible environmental integrity and trade neutrality for these types of measures. This type of an approach could ultimately allow for the harmonization, equivalency, and/or mutual recognition of such standards around the world.

However, aside from any clarification or amendment that might be necessary to individual parties' obligations, particularly those under the TBT Agreement, members of CERT believe that the current GATT Articles, including Article XX, do not need to be amended in any way. We believe that they are fundamental to the continued efficient and effective functioning of the WTO system and that they provide adequate scope for countries to take any necessary measures to protect the environment.

CERT members also recommend that a special body be established within the WTO to arbitrate concerns of individual WTO members regarding technical barriers to trade.

E-Commerce

With respect to e-commerce in particular, we recommend that there should be a moratorium on tariffs, and this moratorium should apply to both the transmissions themselves and to their contents.

Canada and the EU should continue to work together and with industry to develop fair, effective and internationally compatible tax policies for e-commerce. These policies should bear in mind the costs of compliance to business versus the anticipated economic gains from increased e-commerce activity. This is particularly evident with regards to the promise of e-commerce as a means through which to close the economic gaps between developed and developing societies.

Dispute Settlement

CERT recognizes that the dispute settlement system has been one of the major gains within the WTO process. Compared to the former GATT system, trade disputes are now settled more rapidly and effectively, on the basis of legal precepts and in a well-defined time frame for decision-making and implementation. Yet, Canada and the European Union should make a concerted effort to ensure that further Dispute Settlement Understanding (DSU) reform results in a more expeditious and transparent dispute resolution process and that the implementation of the rules remains fairly and consistently monitored. Moreover, while the WTO rules and decisions must be strictly adhered to, they should also be flexible enough to keep pace with and take into account changes in trade, technology and overall business activity.

Canadian and European companies frequently use the WTO-based trade remedy system to deal with trade problems. Various businesses in both geographic regions have gained by effective domestic trade remedy systems and by the assurance that other trading partners will "play by the rules". To make sure that this approach continues, both Canada and the EU must continue to work towards preventing the unwarranted use of national trade remedies such as anti-dumping and countervailing duties.

Both Canadian and European businesses are concerned over the proliferation of these types of distorted trade remedy systems, as well as over the increasingly frequent invocation of domestic laws to counter legitimate foreign competition. This issue should be given priority attention in upcoming WTO negotiations. There is no doubt that the WTO must continue to be the central pillar of both Canadian and European international commercial policy. The economic prosperity that Canada and the EU enjoy, as well as the future of global security and cooperation, are largely dependent upon a comprehensive and well-functioning multilateral commercial framework.

Trade and Competition – CERT Initiative 2001

CERT members feel very strongly that convergence between different legislative systems would be a major boost for international trade and investment. Given the nature of globalised markets and the needs of our members to maintain a strong international presence in efforts to sustain their competitiveness, mergers and acquisitions will continue in the European, Canadian and global markets for years to come. CERT members believe that a common set of rules will benefit companies that have to file notice with multiple competition authorities and strongly support the establishment of a plurilateral agreement establishing a common set of rules in the area of merger regulation amongst countries that have a competition authority. An agreement of this nature will help eliminate current redundancies, unnecessary costs and beauracracy.

CERT members further believe that companies should be included in international negotiations as “interested parties” irregardless of the organisation (WTO, OECD) exploring this subject. With their expertise, they can contribute to suitable solutions with respect to issues relating to competition laws.

CERT has convened an interest group of major corporations, industry bodies and legal and academic specialists to put forth business-case based proposals to government policy-makers for more harmonised rules governing international mergers and acquisitions. CERT will be delivering the results of its work to the Canadian government, the European Commission and selected members of the private sector on 28 and 29 November of this year in Brussels. The results will be subsequently published for further distribution.

Standards and Mutual Recognition

On the subject of standards, CERT supports discipline that avoids unnecessary barriers to trade when these measures are crafted, especially given that many non-governmental groups have started to develop their own voluntary standards. The governments of Canada and the EU should strongly support the use of the accredited standards bodies (e.g. the Standards Council of Canada in Canada) for the development of any standards within their respective borders, and the use of ISO for the development of any international standards.

The governments of Canada and the EU have already negotiated a number of bilateral mutual recognition agreements. They should do as much as they can to help facilitate further mutual recognition of standards between Canada and the EU and within the rest of the world. Mutual recognition is based on the concept of substantive equivalence. This concept, and the use of processes to assess equivalence, is common within many international industries, such as electronics, automotive, food manufacturing, information technology and communications. Mutual recognition, in the case of tests and regulation, removes a non-tariff barrier and reduces production costs and purchase prices, benefiting both the producer and the consumer.

Mutual recognition, defined as: *Reciprocal arrangements under which one standards body or system recognises and accepts other standards and certification systems as being substantively equivalent in intent, outcomes and process in identified critical elements*, is important to members of CERT because:

- Customers require cost effective and credible procurement and marketing tools for products to assist them in creating commercial advantage and inform final consumers;
- Mutual recognition represents an opportunity to more effectively market the environmental attributes of products around the world, and;
- Business groups in Canada and the EU are looking for cost effective and credible communication tools on environmental and social performance for use in the multiple markets within which they operate.

Without a solution, the current proliferation of standards systems and related trademarks and communication devices will likely lead to:

- Misinformation in the market place - within and between industry, distributors, retailers, communities, investors, environmental groups and government audiences, as well as the final consumer;
- Continued misperceptions of key audience groups regarding the environmental and social performance of the business interests, which has been effectively exploited by some environmental groups;
- Additional costs for the businesses who attempt to meet the operational requirements of multiple systems leading to a potential decline in competitiveness, and;
- Creation of a new set of environment based non-tariff trade barriers, due to the advantages that national systems provide domestic products over imported products, and, potentially, the imposition of “mandatory” solutions via NGO pressure or government regulation at the national or international level.

Government Procurement

CERT members urge the Canadian government and the European Commission to work together to ensure that public procurement is on the agenda and that it be broadly based to also include lower levels of government in federally organised states. A critical priority in government procurement negotiations is the extension of the Agreement on Government Procurement to industrial and developing country members of the WTO. We further recommend that acceding members of the WTO be strongly encouraged to also become members of the Agreement on Government Procurement, in particular China and Russia.

CERT members are concerned with so-called ‘green procurement’ policies that essentially act as non-tariff measures at the national, regional and local levels. CERT members are committed to environmental improvement and sustainable development and feel that government procurement should be a competitive, transparent, fair and systematic process.

Improved Functioning and Transparency of the WTO

CERT supports the efforts of both the Canadian and European Administrations to consult with environmental non-government organisations and with those organisations concerned with labour and social issues. In order to avoid a repeat of the failures of Seattle, consultation is necessary to ensure the effective participation of all WTO members and their constituencies.

CERT members recognise the need for greater coherence of economic policy and institutional coordination within the WTO and related activities. On the point of coherence and coordination of WTO activities with those of other multilateral agreements and institutions, CERT supports the provision of observer status to international organisations such as the ILO and UNEP.

CERT members also support the de-restriction of non-commercially sensitive documents. While CERT encourages Canada and the EU to promote transparency and accountability as part of the WTO process, we feel that the disclosure of draft negotiating texts and declarations could have an unintended yet debilitating impact on the efficiency and progress of multilateral trade negotiations. As such, efforts to increase transparency should always be considered in the context of the WTO's role in liberalising and strengthening trade.

However, given the success of the WTO in opening world markets, many groups representing labour, environmental and social interests have begun to brandish it as an undemocratic institution with extraordinary powers. At the same time, these same groups are pushing to have the WTO pursue and promote their interests. This sets a dangerous precedent. The WTO is not an institution for global governance and it does not exist to solve all of society's ills. It is a member-based organisation that works to guard against trade discrimination between countries and encourages economies to provide for the social needs of our society in cooperation with environmental priorities. The WTO must be allowed to continue as a trade-based organisation and members, including the EU and Canada, have a responsibility to ensure its integrity.

Trade and Environment

The members of CERT are committed to the development of businesses that are socio-economically and environmentally sustainable. The members of CERT acknowledge and respect the need to treat our environment in a responsible manner to preserve and strengthen it for future generations.

Business groups in Canada and the EU are working in partnership with other stakeholders to do their share in implementing Agenda 21, the comprehensive blueprint for achieving sustainable economic development. CERT believes that it is only through multi-stakeholder approaches — the active involvement of all parties affected by what we do — that development can be successfully redirected to a path that is socially desirable, economically viable and ecologically sustainable.

On the issue of climate change, CERT members propose the development of this issue as a business-driven process with an environmental focus. CERT members feel that the best way to effectively deal with this most pressing issue is through the creation of a strong international market for emissions trading. However, to put a cap on emissions at this stage will have the negative effects of hindering future development and investment while causing industrial activity to concentrate in areas with less-stringent emissions controls. Instead, CERT members feel that

an effective emissions trading scheme should be flexible and allow for longer-term development, investment and ongoing improvements.

In essence, climate change and the predictions governing it can only be adequately addressed through concerted international actions. Thus, CERT members do not omit the possibility of including discussions on a market-driven international emissions trading scheme within the WTO. At the minimum, it must be insured that there is coherence on climate change amongst multilateral environmental processes, such as those within the United Nations, and WTO rules.

Precautionary Principle

CERT members are concerned that legislation entirely based on the “precautionary principle” could be used as a non-tariff barrier to restrict trade. CERT wishes to ensure that sound science and risk management are utilised in the creation of legislation. An example of this would be the case of the chemical industry in Canada and Europe, which wants to ensure that the basic principle of chemicals risk management is properly reflected in the revised legislation and does not lead to market restrictions.

CERT supports voluntary compliance measures for biotechnology and life science industries affected by sanitary and phytosanitary measures. CERT members would also like to see greater clarity as to how the precautionary principle is applied and highlight the fundamental requirement for industry input in setting standards around the precautionary principle.

TRIPS

With the growing significance of the knowledge-based elements of the global economy, an efficient protection of intellectual property rights in general and in particular of their trade related aspects is critical. Protected intellectual property rights are a conditional driving force of investments in R&D, innovation and economic progress.

The inclusion of TRIPs in the WTO agreement was an important milestone and has to be seen in the same context as the trade related investment measures. It is therefore in the interest of both Canada and the EU that the existing TRIP's agreements resulting from the Uruguay Round are implemented effectively and within the given time frame. It is further indispensable that the obligations of the built-in agenda are fully respected.

We also view the efforts to restrict the protection of bio/gene-technology inventions as counterproductive. This would certainly harm the development of a key technology of the new century and the worldwide supply with innovative medicine.

Conclusions

CERT strongly believes that business, trade and investment conducted in a sustainable manner are good for society.

Free and efficient markets provide consumers with the power to choose from a wide variety of products and put their purchasing power to work in encouraging continuous improvement and sustainable industry practices. The members of CERT are committed to achieving free trade as an essential aspect to this process and believe that, as such, unjustified barriers to trade are inconsistent with sustainable development.

In keeping with these principles, the members of CERT wish to convey their strong support to the Canadian government and the European Commission in their efforts to help launch a comprehensive round of talks on trade and investment in the WTO for November this year in Doha.

The members of CERT are grateful for the opportunity to put forward their views on the future of the WTO and other trade policy issues. Canada and the EU members are nations built on trade and this next stage of multilateral negotiations is vital to the future of the business interests in Canada and the EU and the continued prosperity of citizens in the EU and Canada. We hope that the views and positions outlined in this paper will be useful as we work together to ensure that business interests in Canada and the EU can ultimately enjoy all the benefits that trade liberalisation can provide.