

**What Australian Business Wants
from the WTO Millennium Round**

Presentation by Brent Davis

Australian Chamber of Commerce and Industry

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Introduction and Overview

Australia's commercial and economic future is inexplicably tied to our closer integration into the world economy, and to the further liberalisation and strengthening of the rules-based multilateral trading system.

While much was achieved in the long-running Uruguay Round - in terms of new disciplines in areas such as agriculture, investment, intellectual property and services, to name just a few, and much stronger dispute settlement - much remains to be done.

The emerging groundswell of support for a Millennium Round, hopefully to be launched at the next World Trade Organisation Ministerial (to be held in Seattle, in the United States, in late November/ early December), is encouraging. But it is not a lay down misere; there remain important points of resistance which cannot be ignored.

The Australian Chamber of Commerce and Industry (ACCI) has already added its voice to the growing chorus, at home and abroad, of those calling for an ambitious and comprehensive Millennium Round, and we will be looking to the Australian Government to make the first down-payment by working hard to achieve the necessary consensus for its launch at the Seattle meeting.

The Australian Chamber of Commerce and Industry

The ACCI is the peak council of Australian business associations. The Chamber's members are employer organisations in all States and Territories and all major sectors of Australian commerce and industry.

Through our membership, the ACCI represents over 350,000 businesses nationwide, including the top 100 companies, over 55,000 enterprises employing between 20-100 people, and over 280,000 enterprises employing less than 20 people. That makes us the largest and most representative business organisation in Australia.

Membership of the ACCI comprises State and Territory Chambers of Commerce and Industry, and national employer and industry associations. Each ACCI member is a representative body for small employers or sole traders, as well as medium and large business.

The ACCI, and Trade and International Affairs

The ACCI is generally recognised as the leading voice of Australian commerce and industry in trade and international affairs, both at home and abroad.

In the trade and international affairs policy field, the Chamber actively participates:

- . at the multilateral level, in the work of the International Chamber of Commerce (which represent our views into the UN system and the WTO), the Business and Industry Advisory Committee (which represents our views into the OECD), and the International Organisation of Employers (which represents our views into the ILO);

- . at the regional level, in the work of the Confederation of Asian Chambers of Commerce and Industry (which represents our views into the APEC process), and the Indian Ocean Rim Business Forum (which represents our views into the Indian Ocean Rim Association for Regional Co-operation - or IORARC); and,

- . at the bilateral level, through our fraternal association with the some 240 sister national chambers of commerce and industry around the world, as well as the large number of bilateral business councils and chambers of commerce associated with the Chamber movement around the country.

The Australian Chamber movement is also active in trade matching and promotion, although this work is more the directly responsibility of State Chambers and our trade-active industry association members.

Activities in this area include trade training, market identification and information, trade fairs and exhibitions, trade documentation, and trade matching to export, import and investment opportunities - the 'nuts-and-bolts' of international trade and commerce, which converts policy into reality.

The ACCI and the Millennium Round

Australia's national interests are best served by the further development of a liberal, open, rules-based multilateral trading system, operating under the auspices of the World Trade Organisation (WTO).

At the same time, our longer term commercial interests and economic prospects will be best realised within a global trading system which allows commerce and industry to win and hold markets on the basis of genuine competitiveness and efficiency, and not government-induced distortions with market share derived from patronage or privilege.

Benefits of Trade Liberalisation

Previous efforts at trade liberalisation have delivered meaningful benefits. The "Open Markets Matter" report produced by the Organisation for Economic Co-operation and Development (OECD) found:

- . trade liberalisation arising from the Uruguay Round alone would deliver a global tax cut worth \$A 200 billion annually to the world economy; and,
- . those countries which have pursued more open economies, including through trade, have achieved economic growth rates double those who have adopted insular approaches.

This work has been usefully augmented by a useful study commissioned by the Australian Department of Foreign Affairs and Trade (DFAT) under the title of "Global Trade Reform 2000: Maintaining Momentum".

The DFAT report estimates the potential economic dividends of the anticipated Millennium Round, according to differing degrees of ambition, outcome and policy mixes.

Without going through the report in detail, it is worth highlighting just a few of the potential economic dividends which could be realised if the 130-odd Member governments of the WTO - including our own - are able to demonstrate the necessary political will and leadership:

- . eliminating all barriers to trade would generate global welfare gains worth around \$US 750 billion (or about \$A 1200 billion);
- . just halving the barriers would produce dividends worth around \$US 400 billion (or about \$A 630 billion);
- . with earlier and more comprehensive market liberalisation delivering superior gains to later or less comprehensive outcomes; and,
- . these figures are likely to be on the conservative side, given they do not take into account the likely substantial economic dividends from freer trade in services, and supplementary benefits relating to economies of scale and the dynamic benefits of trade liberalisation.

However, while the benefits of trade and investment liberalisation may be substantial, much greater effort is required by governments and opinion leaders to promote the cause of freer trade and commerce to ordinary citizens.

The fear-mongering generated by opponents of freer trade must be challenged head-on, and their polemic exposed and refuted by sound analysis and good argument.

The essential message, attested by experience, is that trade and investment liberalisation contributes to faster and more soundly based economic growth, employment creation and higher living standards for those nations prepared to open their economies.

The Millennium Round Agenda

The Millennium Round of trade negotiations, expected to be launched at the WTO Ministerial Meeting to be held in Seattle, United States, at the end of this year offers a valuable platform to build on past initiatives in trade liberalisation.

Commerce and industry sees the program of work for the Millennium Round falling into three categories: implementation of commitments from the Uruguay Round; proceeding with the so-called 'built-in agenda'; and, moving forward with the more trade-constructive aspects of the 'new trade agenda'.

- **Implementation of Uruguay Round Commitments**

An essential platform for further trade liberalisation must be effective and faithful implementation in full and on-schedule of commitments made during the Uruguay Round.

This issue is particularly important for developing and transitional economies who have yet to deliver on some outstanding commitments, most notably in the reduction and/or elimination of tariff and non-tariff barriers.

Australia could usefully offer 'economic and technical co-operation' assistance to such economies amongst our closer neighbours to accelerate their efforts in meeting their outstanding Uruguay Round commitments.

Effective implementation of the Uruguay Round outcomes will also require continued adherence to, and strengthening of, the Dispute Settlement Mechanism (DSM).

Equal access and treatment under the rule of law, implicit in the DSM, has been a notable feature of the post-Uruguay Round experience under the WTO. Early experiences with the DSM augur well for its future, and the rule of law in the multilateral trading system.

. **The 'Built-in' Agenda**

While the Uruguay Round of trade liberalisation negotiations made substantial progress across a broad range of issues (including new disciplines in agriculture, services, investment and intellectual property), a large body of work remains to be completed. This outstanding work program has become known as the 'built-in agenda'.

Without attempting an exhaustive listing of, and a detailed exposition of the outcomes sought from, the 'built-in agenda' commerce and industry would observe, in the area of:

- . agriculture, there is a need to build on the initial Agreement on Agriculture negotiated during the Uruguay Round, pursuing the objective of a market-driven agricultural trading system through delivery of further reductions and transparency in agricultural protection and support mechanisms;

- . industrial products, ensuring reductions in tariffs are delivered as scheduled, both in quantum and in time, with meaningful negotiations to reduce both tariff peaks and rates of escalation;
- . services, there is a need to expand and improve the quality of commitments to market access and national treatment under the General Agreement on the Trade in Services (GATS).

Elements of the services sector where further progress is required include basic telecommunications, information technology, professional services and transport services (both aviation and maritime, where much more substantial commitments are required); and,

- . government procurement, which should produce a comprehensive multilateral agreement on government procurement, delivering transparency, openness, due process and national treatment, as well as broader governmental (ie sub-national, and governmental agencies) and sectoral coverage, and wider membership.
- . **The 'New Trade Agenda'**

The WTO has already identified a series of 'new trade issues' which will need to be considered within the wider context of the multilateral, rules-based trading system.

Ministerial and other high-level meetings of the WTO have identified these issues as: trade and the environment; trade and labour; trade and investment; trade and competition policy; the simplification of trade procedures (also known as trade facilitation); electronic commerce; and, the movement of natural persons.

Without attempting an exhaustive listing of the many issues inherent within each of the elements of the 'new trade agenda', commerce and industry would observe, in the area of:

- . trade and the environment, there remains considerable disagreement over the nature and extent of linkages between these two areas, and particularly between WTO rules and the trade-measures in multilateral environmental agreements (MEAs).

Any linkages between trade and the environment must not compromise the integrity of the multilateral, rules-based trading system, or create the potential for protectionist or trade-disruptive measures;

- . trade and labour, the WTO acknowledges it does not have competence in international labour matters, which more properly resides within the International Labour Organisation. There is legitimate concern that some advocates of linkages between trade and labour standards may be implicitly advancing protectionist agenda.

Continued demands by some developed countries for WTO engagement in trade and labour issues could threaten ongoing commitment by developing and transitional economies to the rules-based, multilateral trading system;

- . trade and investment, there are clear and obvious linkages, and a demonstrable need for a comprehensive and robust framework of global rules on cross-border investment.

The existing WTO Agreement on Trade-Related Investment Measures (TRIMs) represents a starting point for negotiations of a discrete and substantive discipline on investment, being informed by the work of the OECD on the Multilateral Agreement on Investment (MAI);

- . trade and competition, where there are also clear linkages. However, given the need for further exploratory, analytical work in this complex area, the time does not yet appear ripe for robust multilateral negotiations on substantive issues.

In this regard, the preparatory work being undertaken by the WTO Working Group on the Interaction between Trade and Competition Policy should be mandated to continue;

- . simplification of trade procedures (trade facilitation), further preparatory work is required to more clearly define an agenda, the outcomes sought and the value-adding role which could be played by WTO mechanisms.

Any efforts by the WTO in this area, in particular, must be undertaken in close consultation with commerce and industry, represented at the multilateral level on this matter by the International Chamber of Commerce;

- . electronic commerce, international trade and commerce is increasingly being conducted by electronic means. In simple terms, just as the trade in goods and services is securing broader coverage by the multilateral, rules-based system, so also must the means by which this trade and commerce takes place.

Multilateral rules for the conduct of electronic commerce is best formulated, and the expansion of this important platform for trade and commerce best advanced, by a comprehensive and robust stand-alone Agreement on Electronic Commerce. Harmonisation of Articles on electronic commerce within separate WTO disciplines is, at most, a 'second-best' result; and,

- . the movement of natural persons, is likely to become an increasingly important issue in coming years, as the decision to engage in trade often involves the necessary positioning of natural persons in destination markets. Such matters are particularly important for the trade in services, and cross-border investment.

While the time is not yet ripe for fully-fledged negotiations on the movement of natural persons, the issue warrants consideration and exploration through a Working Party designated for this purpose.

Other Issues

Commerce and industry recognises meaningful progress in the lead up to and during the anticipated Millennium Round of trade liberalisation negotiations will mean dealing with a range of issues beyond just those listed above.

Three of the more notable amongst these will be: from the global perspective, progressive delivery of the outcomes from the Millennium Round, and expanding the membership of the WTO; and, from the Australian perspective, the appropriate mechanisms for domestic consultation.

Commerce and industry regards the progressive delivery of outcomes under the Millennium Round as an important operating objective for the negotiations, which should take place against a defined deadline of four years. Such an approach is preferred to the Uruguay Round model where 'nothing was agreed until everything was agreed', operating ostensibly on an open-ended time line.

Commerce and industry supports strongly expanding the membership of, as well as deepening the commitment of existing members to, the WTO. However, expanding the membership must not come at a cost to the integrity of the system, in particular the WTO's basic principles, rules and obligations.

New members should be required to give binding commitments to WTO rules and to commercially significant liberalisation at the time of accession. Any phasing of commitments should be allowable only in special circumstances genuinely related to the applicant's level of economic development.

While each of the 30-odd applicant economies currently seeking to join the WTO would be welcome members of the multilateral, rules-based trading system - with countries such as China, Russia and Taiwan, particularly so - accession arrangements must not result in a two-tier set of rules.

On the domestic front, commerce and industry supports an effective domestic consultation mechanism, where this adds-value to our negotiating strategies and capacity to optimise our national outcomes from the Millennium Round.

While commerce and industry sees merit in replicating the Trade Negotiations Advisory Group (TNAG) model used during the Uruguay Round, membership of such an advisory body should be limited to individuals and selected organisations with proven capacities and expertise in key aspects of multilateral trade negotiations and key issues under deliberation within the Millennium Round. Specialist sub-committees should be formed and operate on a similar basis.

Australia's official trade negotiation skills must be oriented overwhelmingly towards effective engagement in negotiations on the broad spectrum of issues likely to be considered in the Millennium Round, with the consultation mechanisms being used to add net value to this core work.

Summary and Conclusion

The multilateral, rules-based trading system has come a long way since it was formally instituted as the GATT half-a-century ago.

Global tariffs have fallen from an average of around 40 per cent at the end of the 1940s to around 6 per cent today, resulting in stronger and more sustainable economic development and growth.

The WTO which emerged from the Uruguay Round provides substantive rules covering, inter alia, agriculture, manufactures, services, intellectual property and investment, as well as improved dispute settlement disciplines.

Nevertheless, while the multilateral trading system has achieved much, still more remains to be done within areas where the WTO already has agreements and in a range of other areas.

The anticipated Millennium Round offers a valuable opportunity to accelerate, broaden and deepen the trade and investment liberalisation agenda, and through this deliver meaningful improvements in the standards of living for the world's citizens.

Thank you.