



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 08.07.1999
COM(1999) 331 final

COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

The EU Approach to the WTO Millennium Round

Communication from the Commission to the Council and to the European Parliament

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SUMMARY

The European Community has been at the forefront of efforts to launch a Millennium Round of trade negotiations in the WTO in 2000. In its conclusions of 30 March, 30 April and 18 May 1998, and 21 June 1999, the Council unanimously supported such an aim. The present communication sets out the case for a new WTO trade round as an important means to improve the European economy, to foster global economic growth and development, and ensure the successful management of globalisation. It argues that a comprehensive Round offers the best way to take account of the trade interests of the WTO membership as a whole.

The Communication sets out a possible EU agenda for the Round, which should among other things include further liberalisation or rule-making in the fields of agriculture and services, non-agricultural tariffs, investment, competition, trade facilitation, and trade and environment. Results in all areas should support and contribute to sustainable development. The Communication sets out in addition the views of other trading partners on the question of a new round, noting that support for this is growing. It also proposes a detailed agenda to ensure that the needs and interests of developing countries are concretely reflected in the negotiations, and suggests an approach to the question of labour standards and the WTO. The Communication explains further the ways in which the Community has sought to involve, and reflect the views of, the European Parliament as well as European civil society in developing its approach to the new round. Finally, the Council is invited to endorse the main orientations of the Communication.

Communication from the Commission to the Council and to the European Parliament

The EU Approach to the WTO Millennium Round

I. Introduction

The European Community has been at the forefront of efforts to launch a Millennium Round of trade negotiations in 2000. A comprehensive trade round, conducted as a single undertaking and offering a balance of benefits to all WTO members will make an important contribution to global economic growth and strengthen further the rules-based trading system.

In its conclusions of 30 March, 30 April, 18 May 1998 and 21 June 1999, the Council unanimously supported the aim of such a comprehensive Millennium Round. Frequent and substantive discussions on several occasions within the Council's 133 Committee have developed further the Community's position on the approach to, and possible scope of such a Round, enabling the EC to continue to exercise leadership in the WTO.

Building on this consensus, the present Communication recommends that the Council endorse the Community's aims in the Millennium Round, in order to provide the necessary guidance to the Commission during the final preparatory phase of the work leading to the WTO's 3rd Ministerial Conference in Seattle. In making this recommendation, the Communication first reaffirms the case for a comprehensive Round and the fundamental premises of the EC approach. It then sets out what could constitute the principal elements of the round on the basis of detailed discussions in the 133 Committee and at the level of EU trade ministers. The paper then considers how best to work with trading partners, especially the developing countries, to ensure the success of a Round. It then turns to how the Community and other WTO Members should ensure that the Millennium Round reflects the interests of society as a whole. Finally, the Communication describes the process leading up to the WTO's Seattle Ministerial Conference, at which agreement to start a Round should be reached, and identifies the type of decisions that the Council is likely to have to take at Seattle in order for the negotiations to start.

II. The Case for a Comprehensive Trade Round

The WTO, like the GATT before it, stands for the rule of law, the free association of sovereign nations, the peaceful settlement of disputes, and the application of such basic principles as non-discrimination, transparency and proportionality to the management of international economic relations. This system has, for fifty years, contributed to stable and continued economic growth, with all the benefits that implies. Eight rounds of trade liberalisation and strengthening of rules have made a major contribution to global prosperity, development, and rising living standards. Since 1951, global trade has grown seventeen-fold, world production has more than quadrupled, and world per capita income has doubled. The multilateral system has also helped a number of developing countries successfully integrate into the international economy. It is significant that it is countries with sound macro-economic policies and outward-oriented strategies (export-led and FDI intensive) which have taken full advantage of the opportunities open by trade and investment liberalisation and have achieved higher levels of economic growth and development. Developing countries' share in world exports trade has increased by nearly 50% over the past thirty years, with related increases in per capita GDP that have outpaced those of developed countries. Developing countries' performances in terms of GDP per head growth rates, have, however considerably varied from one region to another. Despite significant progress in terms of food availability, literacy and life expectancy in all developing countries, poverty remains a challenge. Nonetheless, developing countries' continued commitment to, and recognition of the benefits of the multilateral system, is evidenced by the fact that today, the great majority of the WTO's 134 Members are developing countries, while most of the countries applying to join are also developing.

The WTO, since the conclusion of the Uruguay Round, has brought about major improvements in market access and more predictable rules that have benefited the membership as a whole, in particular smaller countries. Over the period 1995-97, the volume of global trade increased by almost 8% annually, far outpacing the growth in world GDP. Economic growth has become increasingly trade driven, with trade accounting for an increasing proportion of growth. WTO and OECD studies on the impact of the Uruguay Round have confirmed the positive impact on the world economy as its results are taking effect.

Today, however, the global economy faces circumstances comparable to those before the Uruguay Round, thirteen years ago, namely lower growth, in general, although with notable exceptions. Further trade liberalisation and expansion through WTO can, by removing obstacles, help stimulate competition, growth and employment in Europe. The EU already is the world's largest exporter but could improve its trade prospects still further through the removal of barriers to market access, and through stronger multilateral rules. The Community should therefore develop a multilateral agenda aimed at tackling remaining obstacles to trade, and strengthening WTO rules, in order to expand opportunities for international trade and growth, in a manner conducive to sustainable development.

While the importance of international trade is recognised, debate has increased in recent years about the impact of globalisation and trade liberalisation on employment, wealth distribution, development, the environment, consumer health and protection, and cultural diversity. As the pace of innovation increases, and as international competition intensifies, these questions remain high on the public agenda. Within Europe, globalisation has given rise to intensive economic and political debate regarding the performance of and perspectives for Europe in the face of such changes. Concern has also, rightly, been expressed over the continued or in some cases growing marginalisation of some countries unable, for a variety of reasons, most often domestic, to exploit the benefits of trade liberalisation or the multilateral system at large. The WTO must contribute to broader efforts, at both the domestic and international level to further the integration of countries facing such problems.

A distinction must of course be made between the system represented by WTO and the phenomenon of globalisation. Globalisation is mainly driven by technology and by the action of economic operators, but liberalisation of trade and financial systems has acted as an important facilitator. The challenge for governments and the WTO in future is how to continue to develop the multilateral trading system in a way that secures the maximum benefits of globalisation for sustainable development. The WTO's principal role is in providing a framework of rules that guarantee transparency and non-discrimination, and which protect WTO members, particularly smaller ones, from the threat of unilateral actions. But it is not a panacea. It is primarily governments who must themselves ensure, through appropriate domestic policies, that the benefits of liberalisation are equitably shared, that rapid economic change is successfully managed, and the impact of globalisation, properly addressed. However, those policies must at the same time be supported by the international community through incentive-based multilateral and bilateral instruments. Developing countries should be helped to participate more actively in the world trading system. The dimension of sustainable development should be taken into account in trade rules in such a way that further liberalisation would provide incentives for achieving this dimension, including the need for adequate domestic policies in all countries. In this area the WTO, in co-operation with other international organisations, has a role to play. The experience of the EU itself has demonstrated that further liberalisation (through both the creation of a single European market and through multilateral obligations), underpinned by policies aimed at improving social conditions and sustainable development, can be carried out in a way that optimises the benefits of globalisation, mitigates negative effects, and creates net welfare gains. In this respect, therefore, globalisation is at the same time both an opportunity and a challenge, in particular for developing countries.

In the new Round, there is a need for public confidence-building. European citizens need to be reassured that the European Union is liberalising its market while keeping in mind their basic concerns. Our objective must be to start a new Round while explaining its potential benefits to the European consumers.

It is against this background that the Community believes that the challenges to the multilateral system can best be met through a new comprehensive round of trade negotiations. A comprehensive round will help WTO live up to the challenges created by rapid and far reaching economic change, and help meet the concerns expressed by civil society. Also, in view of the pressures the international economy is now under, there is a risk of slipping backwards. As the financial and economic crisis has shown, more and better focused liberalisation, rather than less, is needed, if economic growth is to be restored. Governments' policies should be devised and implemented so as to ensure that growth does lead to sustainable development. Successive European summits have called for sustainability to be incorporated into all relevant EU policy areas. The EU objectives for the new round must reflect this in terms of creating better conditions for the competitiveness of European business and industry, balanced with social progress and environment protection in Europe. In a broader sense, further liberalisation in the WTO should therefore be underpinned by multilateral rules bringing not only transparency, fairness and predictability, but also promoting sustainable development and other concerns. In order for the WTO to be able to continue to apply its basic principles in a changing environment, trade rules have to move with the times.

A comprehensive round is also needed to ensure balance. The WTO's built in agenda foresees negotiations to further liberalise agriculture and services starting at the end of 1999, but with no end-date foreseen. Those negotiations are only going to lead to substantive results if placed within a broader, time-bound negotiating framework. The Community and its Member States also remain strongly committed to promoting the interests of developing countries. The Uruguay Round has shown that this is best achieved through a comprehensive approach, involving a broad range of issues, in which all participants can identify gains. A narrow sectoral approach cannot do this.

With the above considerations in mind, the Commission considers that the Community should approach the Millennium Round with a fourfold agenda. First, to secure meaningful further trade liberalisation and market access, creating better conditions for competitiveness, and leading to substantive and balanced results. Such liberalisation and market access should take into account the continued need for special and differential treatment for developing countries, in order to promote their development. Secondly, to promote the further strengthening of the WTO multilateral system so that it becomes a truly universal instrument for the management of international trade relations. Third, to strengthen the developmental role and capacity of the WTO, with specific actions in favour of LDCs capacity building. And fourth, to ensure the WTO continues to address, and is seen to address, issues of concern to the broader public, and such as health, environment and social concerns.

The Commission has commissioned an assessment of the impact on sustainable development of its New Round agenda, which is expected to be available by the end of 1999. Several other countries have followed this example. This will help to provide the basis for consideration of the environment and sustainability implications of the new round throughout the negotiations, in line with the commitment reflected in the first

preambular paragraph of the Agreement establishing the WTO. The analysis has so far led the Community to conclude that a comprehensive round should cover the built in agenda of agriculture and services, the new issues identified at the 1996 Singapore ministerial meeting, together with more traditional items such as industrial tariffs. The Community also wishes to address squarely the needs of developing countries and to ensure that the New Round supports sustainable development. It also sees the need to promote wider understanding of the social and economic benefits of the WTO system through, inter alia, a significant improvement in information provided and exchanges of views with all interested parties in our societies.

Negotiating Modalities

The results of a Round should be adopted in their entirety and apply to all WTO members. This principle of a single undertaking constitutes the only guarantee of benefits of a Round to all members, and the best means to ensure an end result acceptable to all. Without a single undertaking it will be difficult, indeed virtually impossible, to strike a generally advantageous balance of rights and obligations. The Community should therefore continue to argue in favour of launching and concluding the negotiations as a single undertaking.

A comprehensive trade Round needs careful preparation and should deliver results as rapidly as required by the speed of economic change. There are good reasons why a Round encompassing the subjects the Community and other members of the WTO have identified can be concluded expeditiously. First, the subjects we may cover have been extensively discussed in WTO and are thus well prepared, in most cases much better prepared than was the case of previous rounds. And secondly, unlike in the Uruguay Round, WTO members are unlikely on this occasion to disagree on systemic questions about the structure of the WTO, or major political decisions about the feasibility of integrating sectors historically outside the system. Many WTO members including the Community (as agreed at the Cologne European Council) consider that our aims in a new round could be achieved through a relatively short negotiation of three years. It is recalled that, during the Uruguay round, consistent with, and subject to, the concept and principle of a single undertaking, agreements were reached at an early stage and implemented by consensus, on a provisional basis prior to the formal conclusion of the negotiations.

III. Specific Sectors and Issues

The Article 133 Committee and the General Affairs Council have, in the course of the last year, discussed in detail what the Community's objectives should be in respect of key sectors and issues that may be negotiated in a new round. The following presentation of aims seeks to reflect the outcomes, both formal and informal, of those discussions.

a) Agriculture

The regular work of the Committee on Agriculture has proven to be a key element of the Agreement on Agriculture (AoA) itself, and provides a foundation for the future negotiating process in a new round. Concerning implementation of the Agreement, Members have to a large extent complied with their commitments on market access, domestic support and export subsidies. The notification process has proceeded in a timely fashion, permitting members to monitor implementation. One important concern to the Community relates to export credits, where despite a specific reference in the AoA text to an undertaking by members to negotiate disciplines, little progress has been made due to resistance on the part of the US. The Community attaches great importance to the fulfilment of this commitment.

The EC has also been actively involved in the process of Analysis and Information Exchange (AIE), which was launched at the 1996 Singapore Ministerial, and has submitted informal papers on issues notably related to domestic support i.e. on 'the role of blue box measures in the reform process' and as regards non-trade concerns on the multifunctional character of agriculture.

Regarding future negotiations, the built-in agenda to which WTO Members have subscribed commits them to negotiations on the continuation of the reform process in agriculture. This is laid down in Article 20 of the Agreement on Agriculture, which is carefully crafted, and strikes a balance between the long term objective of substantial, progressive reductions in support and protection, resulting in fundamental reform, with other concerns, notably the experience and effects of implementing the reduction commitments agreed in 1994, special and differential treatment to developing country Members and non-trade concerns.

In approaching the negotiations, the EU will have in mind:

- (a) the need to maintain a number of existing provisions in the Agreement, on which key elements of the EU's agricultural policy is built;
- (b) the need for improvements, particularly regarding access to third country markets;
- (c) the need to ensure compatibility of certain rural and environmental policies in agriculture, through a recognition of the "multifunctional" role of agriculture, and the need to address certain new issues, which could include animal welfare.

The main issues under (a) above are:

- a successful defence of the "blue box", which will be essential to ensure implementation of CAP reform ;
- a renewal of the "peace clause" after the year 2003; and
- renewal of the "special safeguard provisions under the AoA.

With regard to possible improvements in the Agreement on Agriculture, which must reflect Article 20 of that Agreement ((b) above), certain issues will clearly arise, in particular those related to domestic support, market access including management of tariff quotas, where the Community should pursue an active market access policy with a view to eliminating barriers to entry in certain third country markets, export subsidies (including export credits), and state trading enterprises. Certain problems relating to the application of the provisions on special and differential treatment will also need to be addressed.

The issues at (c) above would need to fall under the heading “non-trade concerns” which are foreseen in Article 20. They include a defence of the multifunctional role of agriculture, the preservation of human, animal and plant life or health, the relationship between trade and the environment, animal welfare, food safety and food quality and other consumer concerns relevant to agriculture, which are of increasing relevance to the public, and have an important place under EC law. They will, therefore, have to be addressed in an appropriate manner in the negotiations as they are at the crossroads of other WTO Agreements, notably the SPS and TBT Agreements. In addition our partners will have their own priorities which may or may not coincide with ours. These will include food security for some partners.

Finally, it should be recalled that the European Council, meeting in Berlin, considered that the decisions adopted regarding the reform of the CAP within the framework of Agenda 2000 would constitute essential elements in defining the Commission’s negotiating mandate for the future multilateral negotiations at the WTO.

b) Services

The run-up to GATS 2000 has started with the assessment of trade in services carried out by the Council for Trade in Services, leading to the establishment of negotiating guidelines as foreseen by Art. XIX §3 of GATS. Given the EU’s position as world leader in trade in services, the majority share of services in the EU’s GNP, and the potential for growth of this sector, the Community’s opening position should be broad and ambitious.

In substance, the Community should aim at achieving the following:

- **Comprehensive negotiations** with a view to obtaining more and better commitments from all WTO Members on market access and national treatment. The binding of autonomous levels of liberalisation since entry into force of GATS would be a priority, and commitments to further liberalisation should be secured. For the efficiency of the negotiations and in order to maximise the results while at the same time ensuring coherence of commitments, horizontal formulas, when appropriate, should be considered as a useful tool for the negotiations. While aiming at achieving these overall interests, the Community should take into account the sensitivities of specific sectors.

- Further market opening coupled, where necessary, with regulatory disciplines. The aim is to achieve real and meaningful liberalisation, and ensure the development of a transparent and predictable domestic regulatory environment, justified on the basis of specific public policy objectives, which can provide legal certainty and confidence to service suppliers, investors, users and consumers. These objectives can be obtained, through, inter alia, a substantial strengthening of the disciplines built on Article VI of GATS, and, where appropriate, the development of more pro-competitive disciplines to provide a basic international discipline to certain practices preventing or reducing market entry.
- Any unfinished business which may remain, and may include for instance safeguards, subsidies and government procurement, should be absorbed in the GATS 2000 negotiations. Building on the results of the e-commerce work programme, further liberalisation of electronic means of delivery should be pursued within the respective service sectors. Likewise, other aspects of the functioning of GATS, which have been subject to inconclusive discussions on interpretation or implementation could be reviewed.
- Facilitation of an increased participation of developing countries in world trade in services by duly taking into account national policy objectives and levels of development, both overall and in individual sectors. GATS is particularly relevant to development, as it provides a key opportunity for all countries to attract stable long term investment and to improve the related infrastructure (transport, telecommunications, financial services), fostering their long-term growth and the competitiveness of their economies as a whole.

c) Investment

It has long been the position of the Community and of the Member States that our interests call for the establishment of a multilateral framework of rules governing international investment, with the objective of securing a stable and predictable climate for investment world-wide. The following paragraphs set out in general terms the basic objectives that the Commission believes the Community should have in the negotiation of such a framework, as well as some of the parameters that would make the launch of this negotiation acceptable to our WTO partners, recognising that the exercise in WTO will be significantly different from the approach taken in the MAI negotiations in the OECD.

- The WTO as a negotiating forum and the application of WTO principles

Traditionally, developed countries have been home and host countries in comparable proportions, whereas developing countries have been mostly in the role of host countries. Investment flows between developing countries, as well as from developing to developed countries, have also been growing, but are far from reaching their full potential, and have not been evenly spread amongst different regions. The WTO appears as the only

multilateral forum that can fully take into account the interests of both developed and developing countries in their position as home and/or host countries to international investors. The WTO also has the undeniable advantage of a well-established institutional framework (including the Dispute Settlement Understanding) and of tried and tested basic non-discrimination principles. Indeed, the EC and its Member States consider that non-discrimination is the linchpin of an open and efficient investment regime.

- Sustainable development

The potential of international investment to contribute significantly to economic growth in both home and host countries is being increasingly recognised. This is not necessarily the case, however, of any investment under any circumstances. A framework of multilateral rules for investment has to ensure the right conditions for international investment to be conducive to sustainable development. To this end, *inter alia*, such a framework should preserve the ability of host countries to regulate the activity of investors (whether foreign or domestic) on their respective territory, for the achievement of legitimate policy objectives.

Quite naturally, this aspect is of even greater importance for developing WTO Members, where it blends with the more “traditional” issue of development. In this respect, traditional provisions on special and differential treatment for developing countries (e.g. exemptions and exceptions, or longer transitional periods) may no longer suffice. Rather, the dimension of sustainable development should be built into the basic rules themselves, in a manner that enables all WTO Members, whether as home or host countries for investment to implement and apply them. A telling example of this is the question of definition of international investment where, for instance, a way has to be found to distinguish it from, say, short-term capital movements, in spite of the technical difficulty of doing so.

- Access to investment opportunities

The ability to open a country’s domestic market to international investment differs greatly among WTO Members. We believe, therefore, that a bottom-up approach to the question of admission, based on commitments undertaken by each Member, is the way to allow for the flexibility that many WTO Members require.

- Protection of investment and right to regulate

Uniform multilateral rules on investment protection would go a long way towards creating a level playing field for investment opportunities that would benefit both international investors and host countries. While investment protection rules, such as those enshrined in bilateral or regional investment treaties, are aimed at reducing the risks of actions by host countries that would harm foreign investors once they are established, these rules have sometimes been subject to unwanted interpretations. This question will

need to be tackled, while bearing in mind the Community's own interests as a regional integration organisation. As mentioned before, multilateral investment rules should preserve the ability of host countries to regulate, in a transparent and non-discriminatory manner, the exercise of economic activity on their territory. This question is of crucial importance to all host countries.

- **Creating a Stable and transparent business climate**

One of the keys to attracting long term international investment is to ensure that the treatment of established investors is predictable. Accordingly, changes in applicable domestic laws and regulations should be brought about in as transparent a manner as possible. Difficulties in establishing knowledge of the laws and regulations of the host country have been identified by international investors as an important brake to their propensity to invest abroad.

d) Competition

The WTO has developed strict disciplines on different types of government obstacles to trade and further progress as regards the liberalisation of such restrictions can be expected as part of a comprehensive New Round. At present, however, there is no multilateral framework relating to the application of competition law to anticompetitive practices by business, which can also have a significant impact on access to a market. The need for such a multilateral framework has also increased as a result of the globalisation of business activities. A growing number of competition cases now have an international dimension; cooperation among competition authorities is essential to enhance the application of competition law and to limit the risk of conflict arising from extraterritorial enforcement and fact-finding. A framework of common rules and principles would also contribute towards reducing unnecessary costs for business arising from the application of different competition laws to the same international transactions.

For the reasons outlined above, the EU supports negotiations within WTO, as part of a new comprehensive round, on a binding framework of multilateral rules on competition. The basic architecture of a WTO agreement on competition could include the following elements: a) Core principles and common rules relating to the adoption of a competition law (i.e., commitment to adopt a comprehensive competition law, limits on sectoral exclusions, application of principles of transparency and non-discrimination, rights of firms) and its enforcement (i.e. a combination of an active enforcement policy by competition authorities with well defined powers and enforcement through private action in national courts). b) Common approaches on anticompetitive practices with a significant impact on international trade and investment (i.e., hard-core cartels, criteria for assessment of vertical restrictions or abuses of dominance with a foreclosure effect, principles for cooperation on export cartels and international mergers). c) Provisions on international cooperation, which could include provisions on notification, consultation

and surveillance in relation to anticompetitive practices with an international dimension as well as exchanges of non-confidential information. It could also incorporate concepts of negative and positive comity, while not imposing a binding obligation to investigate on behalf of another country. d) The basic function of dispute settlement would be to ensure that domestic competition law and enforcement structures are in accordance with the provisions agreed multilaterally. Dispute settlement modalities will have to be further considered in the light of the scope and nature of the commitments to be assumed, and need to be well adapted to the specifics of competition law. In any event, there should be no review of individual decisions.

The development dimension must also be at the centre of the considerations of a multilateral framework of competition rules in the WTO. Transitional periods and flexibility in the rules would need to be considered. Beyond this, it would be important to give specific attention to means of ensuring that developing country administrations can derive maximum benefits from modalities of international cooperation, as well as to promoting enhanced and better coordinated technical assistance.

e) Trade Facilitation

Inefficient and unnecessary import, export and customs procedures impede trade. Industry groups in the EC and worldwide are looking to WTO to simplify, harmonise and automate procedures, reduce red tape and documentation, and increase transparency. Gains can be especially great for small companies and traders in developing countries. Simple, transparent trade procedures also improve the climate for inward investment and allow service sectors such as transport and distribution to compete efficiently. They equally help governments to improve administration, reduce operating costs, increase customs revenue intakes and better detect fraud or illicit transactions. Against limited government resources, but rapidly growing trade volumes, simplification is thus a must, but a coordinated, not piecemeal approach, is vital.

The WTO, as the main organisation for international trade, has a natural role in setting rules and in promoting existing international standards in this field. A rules based approach will guarantee transparency and predictability for traders, and ensure that appropriate measures are introduced. A WTO framework can provide confidence to the private sector and international institutions to invest in necessary capacity building and assistance. It can also ensure regional and national initiatives developing in the same direction, thus reducing obstacles.

The Community therefore advocates developing a set of WTO commitments to simplify and harmonise trade procedures. Those commitments could include: application to trade procedures and processes of basic WTO principles of non-discrimination, national treatment and transparency; a proportionality requirement, building on Article VIII of the GATT, for the avoidance of unnecessary procedural obstacles to trade. Provisions should also be developed to ensure that small and medium sized enterprises benefit fully from simplified procedures and are not overburdened by rules; commitments to simplify and

harmonise trade and transport documents and data, drawing on UN and other standards; progressive introduction of automated systems to replace paper-based procedures, including through the removal of barriers to the use of paperless procedures in international trade; application of modern customs techniques such as pre-arrival processing, time limits for release of goods, facilities for authorised traders and rapid redress mechanisms, drawing on the WCO's revised Kyoto Convention; provisions to facilitate convergence of official controls on border crossing goods, to reduce the delays caused by separate, uncoordinated official interventions; and coordinated, long term capacity building, involving relevant international bodies and the private sector. Countries should where necessary be given not only support but also time to introduce commitments. Consideration should be given too to provisions to ensure banking and payment transactions are conducted smoothly for the benefit of traders, and in the longer to whether multimodal rules affecting goods trade should be reviewed.

The task for WTO members now is to develop a balanced set of commitments in these areas that corresponds to members' needs and that will bring all members benefits. Those benefits should accrue to large and small traders through reduced costs and delays, and to governments through better controls, higher revenue intakes, more efficient management, and a better investment climate. For all participants, a virtuous circle between greater facilitation, compliance and control.

f) Tariffs on Non-Agricultural Products

The tariff structures of different WTO Members differ considerably with regard to tariff peaks (e.g. peaks on textiles, ceramics, glass, leather and leather shoes, and very high bound ceiling rates), tariff escalation, percentages of binding, and spread between binding and applied rates. Some developed country tariff structures are also unjustifiable in light of their own pronouncements on free trade, while some tariff structures in developing countries can in themselves hamper development.

The Community has advocated a comprehensive tariff negotiation aiming at reducing tariffs, removing all tariff peaks and at harmonising the tariff structures of all Members across all non-agricultural products, without exceptions. The approach should be sufficiently flexible to allow Members of different development levels to subscribe fully. A tariff-band approach, defining a low, medium and high band within which all tariffs would have to fall, would allow such flexibility while leaving no sector excluded. Such an approach could be accompanied by average weighted tariff objectives differentiated according to the level of development, and which would take into account the sensitivities of certain products. It would obviously also allow for deeper reductions, with a view to bringing the gap between the EU tariffs and those of our trading partners more closely in line, or indeed tariff elimination for specific products or product groupings. The definition of bands could also have a negative impact on relative preferences for trading partners under the GSP scheme as well as Lomé and other regional agreements. This is one of the elements to be taken into account in the negotiations in order to avoid

any unacceptable reduction of margins of preferences in key sectors for the development of developing countries. One implication of the results of the negotiations could be the need to increase current GSP preferences, including those under the environmental and social incentive components of such preferences.

A credible market access negotiation must be accompanied by a comprehensive non-tariff initiative, so that non-tariff concerns do not counter the benefits of further tariff reductions. The non-tariff initiative may have to be based on a rules approach, looking at horizontal issues such as customs valuation, licensing, origin, product safety standards and certification procedures, but should also allow for discussions of specific non-tariff measures on a case by case basis.

Efforts should also be made to simplify the tariff structure of all Members (in particular where the customs duty difference is marginal) by reducing tariff differentiation to the six digit HS level. This would provide considerable gains for customs administrations as well as traders, as the level of classification differentiation today creates considerable uncertainty, if not fraud.

A tariff initiative in the Round must take into account the concerns of the least developed countries. The Community has proposed an up front commitment, at Seattle, from all developed countries to implement, no later than the end of the Round, duty free access for essentially all products from least developed countries. The more advanced developing country partners could also contribute to this special effort.

Tariff preferences in favour of the developing countries continue to offer real perspectives for better integration of developing countries into the multilateral trading system. During the Round developed country members should also seek to provide, on an autonomous basis, significant margins of preference in favour of developing countries in all product areas of particular export interest for these countries. While these would be non-reciprocal preferences, developing countries' willingness to reduce tariffs and assume increased MFN tariff bindings, in line with the above outline approach, would facilitate efforts by GSP donor countries to expand the coverage of their present preferential system. The likely negative effect of WTO tariff negotiations on the EU's own system of preferences under its GSP scheme, and its commitments in regional agreements such as the Lomé Convention, needs to be further examined and taken into account during the WTO tariff negotiations.

g) Trade and Environment

A central benchmark of the New Round should be the WTO's overall objective of sustainable development. Trade and environment policies should play a mutually supportive role in favour of sustainable development. Accordingly, environmental considerations should be integrated into the EU's approach and therefore effectively addressed throughout the negotiations so as to achieve by the end of the Round an overall outcome where environmentally friendly consequences can be identified in the relevant

parts of the final package. The question is, also, to define a set of specific issues in appropriate parts of the negotiations.

The agenda must and can be organised to meet every participant's trade interests, including, the legitimate interests of developing countries, and to promote sustainable development. To this end, the New Round should maximise positive synergies between trade liberalisation, especially as regards market access, environmental protection and economic development. It is equally important to avoid the establishment of requirements that would unduly constrain the development of effective environmental policies by WTO Members. At the same time, developing country concerns over unilateralism and eco-protectionism need to be met with a view to preventing potential abuses.

The development of environmental policy worldwide has resulted in an increased use of trade and trade-related measures for environmental purposes. The extent to which existing WTO rules accommodate such measures could still be usefully clarified. It is in the interests both of the global environment and of the open trading system and hence of all WTO members to avoid possible conflict through clarification and to avoid putting an unreasonable burden on Panels or the Appellate Body.

Along the lines set out at the High Level Symposium on Trade and the Environment on 15 March 1999, the Commission is of the view that, without prejudice to the need to address environmental considerations throughout the negotiations, priority should be attached to the following specific issues:

- Greater legal clarity on the relationship between WTO rules and trade measures taken pursuant to Multilateral Environmental Agreements (MEAs). MEAs remain the best way of tackling international environmental problems. The fact that any trade measures they may contain were negotiated and agreed in a multilateral context is a guarantee against unilateral action and their use for protectionist purposes. Accordingly, consensus should be sought on the accommodation within WTO rules of trade measures taken pursuant to MEAs and on the types of multilateral agreements which constitute MEAs.
- A clarification of the relationship between WTO rules and Non-Product Related Process and Production Methods requirements and, in particular, of the WTO-compatibility of eco-labelling schemes. To be successful, this would require ensuring, in a multilateral framework, transparency and non-discrimination in the creation and administration of such schemes. Subject to such important safeguards, there should be scope for a clear understanding that there is room within WTO to use such market based, non-protectionist instruments as a means of achieving environmental objectives and of allowing consumers to make informed choices.
- A clarification of the relationship between multilateral trade rules and core environmental principles, notably the precautionary principle. It is necessary to maintain the right of WTO Members to take precautionary action to protect human health, safety and the environment while at the same time avoiding unjustified or disproportionate

restrictions. Such clarification should seek to secure , within the relevant WTO rules, the importance of the precautionary principle, and to agree on multilateral criteria for the scope of action possible under that principle.

The WTO Committee on Trade and Environment (CTE) should pursue and intensify its work during the Round, particularly in order to ensure that environmental considerations are addressed throughout the negotiations. The CTE can also provide a forum to exchange views and information on the environment and sustainability reviews of the Round that the Community and other WTO Members intend to undertake. Cooperation of the WTO with other relevant international bodies, in particular the World Bank, IMF, UNEP, UNCTAD and secretariats of MEAs, should be encouraged

h) TRIPS

The TRIPs Agreement was a major step forward in the global protection of intellectual property rights through establishing minimum rights for right-holders and adequate enforcement mechanisms. International consensus building has progressed since then. New treaties were adopted in WIPO in December 1996, and the latest UPOV Act of 1991 entered into force in April 1998. It would in principle be useful to incorporate the results of the latter treaty into the TRIPS Agreement, as well as the results of the two WIPO treaties at an appropriate point in time after they have entered into force, as well as to consider the relationship between the TRIPS Agreement and the IPR-related provisions of the Convention on Biological Diversity. In other areas, the level of protection under the TRIPs Agreement should be reviewed, notably on patents and geographical indications.

The justification for technical adaptations to the TRIPs Agreement will not be shared by all the Community's trading partners. Some developing country WTO Members, who are required to apply most of the provisions of the TRIPs Agreement only as of 1 January 2000, will question the need to modify the Agreement, though it should be noted that several developing countries have themselves shown interest in extending the protection of the Agreement in certain areas of interest to them. In any event, any initiative for future negotiations should not lead to a lowering of standards or affect the ongoing work in the TRIPs Council under the so-called 'built-in agenda'. The present achievements and the current transitional periods must not be re-opened on the occasion of new negotiations.

i) Government Procurement

The procurement market accounts for up to 15% of GDP in most developed and many developing countries. EC companies have limited guaranteed access to this market. The EC's long term objective therefore remains to bring procurement within the WTO framework. Building a substantive framework of rules, and negotiating market access and

national treatment, will take time and demand pragmatism, but work is being carried out already in three separate processes : the discussions on transparency in procurement, the review of the GPA and the GATS work on services procurement. This work should be brought to a successful conclusion.

The EC must press for a high degree of transparency in procurement coupled with a phased programme of gradual market opening. It may be possible at the Seattle Ministerial itself to register progress on transparency, but this would need to be substantive and should be combined with an agreement to pursue negotiations to progressively liberalise the government procurement markets. Effective rules to ensure enforcement will also be vital.

The review of the GPA should lead to an agreement which is more effective in achieving its objectives among current members and more attractive to other WTO parties. Furthermore, the GPA should be adjusted to new developments, particularly on electronic procurement.

j) Technical barriers to trade

Enterprises face numerous barriers in terms of technical regulations, standards and conformity assessment procedures. These barriers are of growing concern, and the New Round provides an ideal opportunity, to strengthen existing provisions, clarify a number of outstanding issues and expand the scope of certain provisions in the TBT Agreement. The interests of small and medium sized enterprises should be fully taken into account in the discussions, with a view to minimising the burdens on them.

- **Strengthening existing provisions**

The TBT Agreement has only had a limited role in addressing the underlying cause of trade disputes. It should promote regulatory co-operation to a greater extent and include more explicit guidance on good regulatory practice. This guidance could develop the principle of limiting regulations to essential objectives while encouraging manufacturers to use international standards as a means to meet regulatory objectives.

WTO Members, especially developed ones, along with relevant international bodies, should provide greater technical assistance to strengthen the ability of developing countries to implement the Agreement and participate in the preparation of international standards.

- Clarification of existing definitions and provisions

To ensure consistency in the application of the Agreement, a number of provisions and definitions should be clarified. First of all, the status of international standards, and the linkage between the Agreement and international guides for conformity assessment, needs to be strengthened. It is important to clarify the essential criteria that characterise standards as international thus making a clear distinction between international and other standards. Incentives to take up international standards should be reinforced.. Principles, covering issues such as transparency, balance of interest, impartiality and accountability, could be drawn up for guidance to international standardisation bodies.

Health, consumer safety, and environmental issues, already covered in the existing Agreement, need to be strengthened in a manner that ensures the right balance between prompt, proportional action, where justified, and the avoidance of unjustified precaution.

- Expansion of the scope of certain provisions of the Agreement

Further international harmonisation of conformity assessment procedures should be addressed. This includes the harmonisation of criteria for third party certification. Self-certification should be actively promoted, provided that it takes sufficient account of health, safety, environmental and consumer concerns, and that consideration is also given to market surveillance and product liability issues. Accreditation procedures should also be harmonised where appropriate.

Labelling has become a trade policy issue in many different fields related to both the TBT and SPS Agreements. Further consideration should be given to the development of multilateral guidelines on labelling.

k) Consumer Health

Under the SPS Agreement, each Member has the right to choose its own level of protection of consumer health and to apply the corresponding sanitary measures. WTO Members may resort to restrictive trade measures in order to ensure that level of protection, under the conditions laid down in that Agreement, provided such measures are based on international standards or sound scientific advice. Where the relevant scientific evidence is insufficient, the Agreement explicitly allows Members to adopt provisional measures on the basis of the precautionary principle, under the conditions defined in Article 5.7 of the Agreement. While seeking the additional information necessary to make a definitive assessment, these measures have to be based on the available pertinent information.

To improve the existing position, the Community should pursue the following objectives:

- To promote the introduction of international standards and to enhance their credibility. Excellence, independence and transparency should be fixed as basic principles in the area of setting of international SPS standards.
- To ensure a fair participation of all interested parties, including consumers, in the decision making process of establishing international food standards.
- To clarify and strengthen the existing WTO framework for the use of the precautionary principle in the area of food safety, in particular with a view to finding an agreed methodology for the scope of action under that principle..

l) Trade Defence Instruments

Several WTO members, in particular developing country members, have complained about what they see as excessive recourse to anti-dumping measures (sometimes adopted by other developing countries). Proposals have been made to tighten the disciplines of the Uruguay Round anti-dumping agreement or to strengthen its provisions on special and differential treatment for developing countries. The agreement, which is the result of a very extensive negotiation, constituted a carefully negotiated balance of often conflicting interests. Nevertheless, the Community should be open as regards the inclusion of anti-dumping in the new Round, noting that it will have both offensive and defensive interests. Similarly, proposals to make the Subsidies agreement better support the development objectives of developing countries should also be given positive consideration. Insofar as the Agreement on Safeguards are concerned, numerous countries make wide use of this instrument. The Community's interest is to ensure that the use of safeguard measures is kept within narrow, clearly defined and, above all, predictable limits.

m) The New Round and Development

A new Round should provide benefits to developing countries, and assist the integration of those countries, particularly the least developed countries. The WTO must ensure that future trade liberalisation and rule making support sustainable development, and take account of the capacities and constraints of developing countries. As stated in the Copenhagen Declaration on Social Development and other UN documents, economic development, social development and environmental protection are interdependent and mutually reinforcing components of sustainable development. The WTO should also serve to encourage regional economic and trade integration between developing countries, and between developed and developing countries, in a manner which is complementary to and compatible with the principles and objectives of the multilateral trading system. At the national level, further liberalisation must be accompanied by domestic policies that enhance overall economic and social development and environmental protection. These policies are necessary for the successful management of

economic change and to minimise any negative effects of globalisation, thus contributing to the success of further liberalisation.

The WTO also however must help establish a framework to facilitate development. As proposed by the European Community during the High Level Symposium on Trade and Development held in Geneva in March 1999, A development agenda for the new round should be reflected in several ways. First, where a member has encountered genuine difficulties in implementing WTO agreements, the EC and other members must be forthcoming in helping to overcome those problems, and finding effective responses to them.

Second, in market access, all industrialised countries should commit themselves to tariff free treatment on essentially all products from the least developed countries to be implemented by 2003, while more advanced developing countries could also make a contribution. In industrial tariff negotiations we should seek a comprehensive, not sectoral approach, to ensure that all sectors of interest to developing countries are included. The industrialised countries' tariff levels should remain below those of developing countries. Industrialised countries should be ready to introduce tariff reductions at an earlier stage. The needs of the developing and least developed countries should be an explicit objective of negotiations in all areas.

Third, newer areas like investment and, to a lesser extent, competition, have aroused concerns in some developing countries about the possible impact of rules on their control of their economies. Such WTO rules should support development. They should create a strong international framework that effectively aids the exercise of national sovereignty, disciplines anti-competitive practices, enhances international cooperation, and in no way diminishes members' capacity to manage broader economic and monetary policy. The proposed approach to specific sectors and subjects set out earlier in this paper seeks to accomplish these aims.

Fourth, the EC and other developed WTO members should welcome proposals from developing countries aimed at their fuller integration, including proposals to make special and differential treatment more operational.

And lastly, institutional improvements should be sought. New rules should be accompanied by further capacity building going beyond standard forms of technical assistance. Cooperation to address human resource and infrastructure constraints, particularly in the least developed countries, must be integrated in a new Round, and not an adjunct. New agreements should include features which facilitate their implementation by all WTO members, including developing ones, and incorporate capacity building. Targeted technical assistance would also be particularly important to reinforce developing countries' regulatory capacity in connection with the creation of disciplines in new areas. A strong endorsement of capacity building should be given at Seattle, with the aim of building on the achievements of the 1998 High Level Meeting on an integrated framework for least developed countries, and, in particular, enhance co-

operation and avoid duplication. This implies developing longer term cooperation in conjunction with other international organisations and in some cases the private sector.

Better coherence between trade, money and finance should also be pursued inter alia to ensure coherence with the objective of sustainable development. Enhanced coherence will flow from improved cooperation between international organisations, including the Bretton Woods institutions and UN organisations. Such cooperation should also contribute to an effective implementation of the new approach to capacity building in trade related areas that the EC proposes. The Community should support an agreement by the time of the Seattle conference to establish cooperation and complementarity of action of all relevant institutions to assist developing countries to fully benefit from further trade liberalisation and enhance their domestic capacity related to the implementation of WTO rules with the aim of reaching agreement at the Seattle ministerial meeting. The practical implementation should then be the object of further discussions and reflections after Seattle, involving all relevant institutions (WTO, World Bank, IMF, UNCTAD, the UNDP and possibly others).

Within the WTO itself, measures could also be taken to simplify notification requirements and streamline the institutional structure to facilitate the participation of developing countries with limited resources. The EU has also proposed ways to help developing countries use better the WTO dispute settlement system.

The above measures, taken as a whole, constitute a substantial development agenda for the New Round which the EU should seek to improve further together with its partners

Separately, the Community attaches great importance to the accession, on commercially meaningful terms, of countries currently outside the system. Only when partners like China and Russia are members of the WTO can we talk of a truly multilateral trading system. For this reason the EU has recently launched a new initiative on accessions aimed at completing as many as possible before the launch of a New Round. As part of that initiative, the Community has called on flexibility for least developed countries.

n) Trade and core labour standards

The European Union and its Member States are firmly committed to the promotion of democracy, the respect of human rights and the rule of law. This is reflected in their strong attachment to core labour standards. Moreover, the EU's commitment in this area extends not only its internal policies, but also to its external and development policies. It has consistently supported the ILO in its efforts to promote core labour standards. It has also adopted incentives under the generalised system of preferences aimed at encouraging the implementation of the relevant ILO conventions.

The Commission has also consistently supported the promotion of core labour standards in its dealings within the WTO. An example was the Commission's support at the

Singapore Conference in 1996 for the creation of a working group in the WTO to consider the issue of core labour standards and international trade. This position was not without controversy. Many developing countries saw such support as unwarranted interference in their internal affairs and a disguised form of protectionism. However, the Commission has been equally insistent that the issue should not be used as a pretext for trade protectionism. Instead, the focus should be on promoting the adoption of internationally recognised labour standards – best epitomised in the relevant ILO conventions – through positive incentives and dialogue. Their promotion through restrictive trade practices would, conversely, prove counter-productive and should not be encouraged. It is not our intention that trade sanctions should be used to advance labour standards. There is also a recognition in the Commission that the worst abuses of core labour standards most often take place in sectors of the economy not exposed to international trade.

The working group idea has failed within the WTO. Rather than agreeing to such a group, instead, the WTO Ministerial in Singapore in December 1996 identified the ILO as the competent body to set and deal with these standards. It also rejected the use of labour standards for protectionist purposes and noted that the WTO and ILO Secretariats will continue their existing collaboration.

Over the past two years the ILO has made very considerable progress in giving a new impetus to the debate on core labour standards. In June 1998 the International Labour Conference adopted a Declaration on Fundamental Principles and Rights at Work. This commits the Organization's 174 member States to respect the principles inherent in seven core labour standards and promoting their universal application. Instrumental to this breakthrough was the recognition that labour standards should not be used for protectionist trade purposes or to compromise or call into question the comparative advantage of any country. Further successes were achieved at the International Labour Conference in June 1999 with the adoption of a Convention and Recommendation banning the worst forms of child labour and an unprecedented Resolution against Myanmar for consistent violations of the Forced Labour Convention.

The Commission strongly welcomes the substantial progress achieved in the ILO and fully recognises that it is the body best placed to make real progress in this area. It also calls on Member States to support all necessary measures to promote the implementation of the core ILO conventions and declarations. However, the Commission recognises with regret that the EU's efforts to secure agreement on the creation of a working group in the WTO have been unsuccessful. Opposition to its establishment remains strong. In spite of all our efforts, the suspicions of the developing countries on this sensitive issue also remain intact.

In the circumstances, the Commission recognises that there is no realistic prospect of consensus for the establishment of a working group within the WTO. The Commission believes that this should not be allowed to block progress. Taking into account the conclusions of the Cologne European Council of 3-4 June and those of the General

Affairs Council of 21 June 1999, the Commission advocates a five point strategy for progress on this issue to be pursued in parallel with the new Round:

First, cooperation between the WTO and the ILO and their Secretariats, in a way which respects the distinctive rules and competences of each institution, should be enhanced in line with the Singapore Ministerial declaration, by means of more regular contacts, and reports made to WTO members on the results of that co-operation.

Second, the Community should support any request by the ILO for observer status in the WTO. This will among other things make a practical contribution to transparency and mutual understanding between the two organisations.

Third, the Community should initially propose to convene a joint WTO/ILO high-level meeting on trade, globalisation and labour issues. In view of the structure of the ILO, this would also allow for direct participation by employees' and employers' organisations.

Fourth, the Community already operates an incentive scheme whereby third countries that are eligible for GSP benefits can obtain extra benefits if they demonstrate that they meet core ILO conventions on labour. The improvement of labour rights should be encouraged through positive measures of this type, in particular through improved market access, for developing country exports, rather than trade restrictive measures. More specifically, the Community should take the lead in encouraging and promoting the more widespread adoption, by the WTO's membership, of positive incentives, and by making such incentives more economically attractive, drawing on the experience acquired through the implementation of its own GSP-linked incentive scheme. However, it has to be recalled that the success of a policy based on incentives depends on the willingness of developing countries to apply for the incentives offered.

Fifth, between now and the third Ministerial meeting, the Community should also engage in a continuous dialogue with its trading partners and its own civil society on these issues, in order to define further an approach which would be in the best interests of those who are really affected by them, i.e. those millions of workers whose basic rights remain ignored.

IV. Other Issues

It should be noted that some issues currently under discussion or negotiation may be ripe for decision or adoption at the Seattle ministerial meeting. The overriding priority of the Ministerial meeting must be the launch of a comprehensive Round, and the Community must not deviate from that position. If, however, agreement on some of these issues would improve prospects for the launch of the Round, the Community should look at them positively. We attach great importance to an agreement to provide early tariff free treatment to products of the least developed countries, and improved procedures to create greater transparency and public awareness of the WTO. A number of improvements to the Dispute Settlement Understanding, to which we and many other WTO members also

attach great importance, should also be ready for adoption by the Seattle meeting. The Community has also proposed that the Seattle ministerial adopt a decision on improving coherence between the WTO and other major institutions – primarily the World Bank and IMF, and also UNCTAD, UNEP, the UNDP, and possibly other specialised organisations such as the WCO, both as a means to improve economic and trade policy decision making and as a means to strengthen capacity building in developing countries. These areas collectively constitute a balanced package that will aid the integration of the least developed countries, strengthen the WTO as an institution, create the institutional basis to better address development concerns, and demonstrate the WTO's openness to civil society.

Finally, it may be possible to reach decision by Seattle on issues relating to electronic commerce but, as on other issues, this would have to be on the basis of balanced results of the work programme adopted at the 1998 Geneva ministerial meeting. As noted above, any agreement on transparency in government procurement would need to be substantive and without prejudice to important objectives for government procurement in the Millennium Round. As regards these last two issues, the Community should ensure that any initiative on them supports, and does not detract from the objective of launching the New Round. More broadly, the Community should not support any proposal at Seattle meant to benefit solely one country or group of countries, or which fails to reflect the balanced interests of all the WTO members. Should additional proposals be made for decisions at Seattle, we should take a positive view on them only to the extent that they are balanced and of interest to the membership as a whole, and to the extent that they support the objective of launching a Round.

V. Working With Our Partners

The Community has made considerable progress in its advocacy of a comprehensive Round, and many WTO members now favour such a Round. At the time of drafting, this includes the members of the OECD and many countries in Latin America, Asia and elsewhere. Many of these countries have different priorities in a Round, but despite, or perhaps because of this, most agree that a comprehensive round, in which benefits can be gained by all, promises the best outcome for their particular priorities. Some agricultural exporting countries' support for issues such as investment and competition depends on their hope of obtaining a successful outcome in agriculture negotiations.

A smaller group of developing countries either remain hesitant about negotiations beyond the built in agenda or are reticent about the timing. Their priority is implementation of WTO agreements, better access for their goods and services, and introduction into WTO of more operational provisions reflecting development needs. Some important developing countries, are believed to be receptive to a comprehensive Round provided it squarely addresses their key market access and other concerns, and carries again a strong development component. The least developed countries, and many African countries, also seek improvements to market access, better integration into the

WTO system, and support for implementation of agreements. Their willingness to join a new round would largely depend on the prospects of these needs being met.

The Community recognises that consensus can only be reached if a new Round brings with it opportunities of interest to all our partners. First, although we must reject sectoral approaches in favour of a broad agenda, our ambitions within each area of negotiation should be reasonable, and geared to increasing support rather than reducing it. This applies notably to “newer” areas like investment and competition where, in a three year round the WTO should at least set a foundation of basic principles that could be built on progressively over time.

Second, the Community must be open to considering, as part of a comprehensive package, issues of interest to others, including further market access in sensitive areas or further rule making where we are not seeking change or where difficulties can be anticipated. These proposals will need to be looked at constructively for our advocacy of a balanced negotiation to be taken seriously. It was very much with these considerations in mind that the June 1999 G8 Summit, for its part, called for a new round of broad based and ambitious negotiations, and that all members should have a stake in the process.

Last but not least, it should be noted that the launch of a new round, at a time when the EU is preparing for enlargement implies that the Community should prepare and conduct the New Round in close cooperation with these future members. It is equally essential to work in close cooperation with Turkey, in view of the customs union between the EU and Turkey. Through such close cooperation and coordination the views and the interests of these countries can be properly taken into account, with a view to establishing common approaches and positions in the course of the New Round. Coordination on the WTO new round is also explicitly foreseen with other countries. In particular, the Community has agreed, in the context of negotiations for new agreements with Mercosur and Chile, to start concertations with those countries in the second half of 1999 on preparation for the WTO negotiations.

VI. Working With The European Parliament

In respect of the European Parliament, the Commission will continue to keep it fully informed of key developments in the trade field. It attaches the utmost importance to sustaining and improving this dialogue. Among other things, it has initiated an annual report to the Parliament on EU activities within the WTO, appears regularly before the Parliament's Committee on External Relations, and has welcomed the participation of Parliamentarians in WTO Ministerial meetings, High Level Symposia, and consultations with NGOs. The Parliament should be in a position adequately to examine draft agreements subject to parliamentary procedures, as it was for example in respect of the outcome of and implementing legislation for the Uruguay Round.

This approach – concerning provision of information, consultation, and participation - represent a broad interpretation of the commitments made by the Commission under the so-called Luns-Westerdorp procedures, and the 1995 code of conduct to keep the Parliament fully informed on the progress of negotiations.

VII. Working With Civil Society

In order for the new round to succeed, we will have to make sure that we carry the general public with us. Member States, in the process of developing Community trade policy, reflect the wishes of their elected parliaments and arbitrate between the interests of different constituencies within their societies. The Community, both in its positions in the WTO, as in its trade and development policies more generally, seeks to reflect the views of civil society. More can be done, however, domestically by individual WTO members and in the WTO, to explain to society the benefits of the multilateral system, to enhance dialogue with organisations of civil society, and at the same time to assuage concerns. Domestically, the Community has made public its consultation papers on possible issues for the New Round, and has begun a regular dialogue with European NGOs. Further, more regular dialogue with all these partners is foreseen. This represents a significant departure from earlier trade rounds, and an evolution which is essential.

The European business community has strongly backed the concept of a comprehensive WTO trade round as a means to improve growth, employment and living standards, and there is considerable international support for a balanced and broad based approach of the kind proposed. Concerns, however, about aspects of the new round continue to be registered by some other non-governmental organisations. The dialogue begun with these non-governmental organisations should continue on a pragmatic basis, so as to enable the Commission better to understand their concerns and, as appropriate, take these into account in the formulation of its policy proposals. The Community has sought to reflect, in its issue papers for the new Round, in its trade and development policies, and in WTO fora such as the recent High Level Symposia on Trade and Environment and Trade and Development, civil society priorities. Representatives of civil society will also be consulted on the sustainable development impact assessment currently being carried out on behalf of the Commission.

Within the WTO itself the Community has been a leading proponent of the need to improve transparency, by making proposals for the early derestriction of documents and minutes of meetings, and supporting more regular and structured contacts and exchanges with NGOs. Such exchanges, such as the High Level Symposia, should continue during the New Round. Within the Round itself the Community will, in all negotiating areas, seek to find a balance, acceptable to all partners, between the interests of trade liberalisation and the avoidance of unilateralism or protectionism, with legitimate objectives of health, environment and consumer protection, in a non-discriminatory manner.

VIII. Preparations for the Seattle Conference and the Decisions To Be Taken

The May 1998 WTO Ministerial declaration calls on WTO Members to « prepare recommendations to Ministers » meeting at Seattle concerning the scope, modalities and timeframes for future negotiations. In line with this, it is expected that, from September onwards, delegations in Geneva will begin to negotiate the text of a draft Ministerial declaration concerning the launch of a New Round, for approval by Ministers at Seattle at the third Ministerial Conference (November 30 – December 3). As well as launching the negotiations proper, this declaration should also incorporate issues agreed as ripe for decision at Seattle, such as, we hope, the granting of tariff free treatment to least developed countries (see section VI above).

The Community clearly participate fully in the elaboration of the draft declaration and be prepared, at Seattle, to take the necessary decisions in order to launch the Millennium Round. Based on the earlier Council discussions, as well as the conclusions of the Council on the present Communication, the Community should be able to participate fully in drawing up a substantial draft declaration for Seattle, in which it will seek reflection of its negotiating aims. We should aim for a text at Seattle which corresponds to our aims as regards the overall scope and modalities of the negotiations, and which, in respect of the individual subjects for negotiation in the Round, treats all issues on an equitable basis, and gives reasonably precise guidance to negotiators, in terms of the negotiating objectives. In that way negotiations can begin at once with adequate certainty as to their parameters for all participants. The approach used for the Punta Del Este declaration that launched the Uruguay Round could serve as a reasonable model for the overall approach we should aim for, recognising however that in general we may wish to seek a greater degree of precision than that declaration provided.

Turning to Seattle itself, the Council will be invited there to consider and adopt the draft final Ministerial declaration, by means of a formal Council decision. The text of a draft decision to this effect is attached. In brief, the proposed Council decision, which should be adopted at Seattle, would take the following form:

- a) the Council will be invited to consider and approve the draft WTO Ministerial declaration on the part of the EC and its Member States
- b) the Council will be invited to authorise the Commission to open negotiations on the basis of that declaration, and to conduct such negotiations on the basis of negotiating directives that the Council may issue to it subsequently, it being recognised that such authorisation is without prejudice to the distribution of competence between the Communities and their Member States.

IX. Conclusions and Advice Sought

This paper has set out an assessment of the Community's priorities for the new trade Round, based on the substantive discussions carried out since last year in the 113 Committee. A comprehensive round, conducted as a single undertaking and concluded in three years, offers the best means to secure a balance of benefits for all WTO members, and thereby contribute to economic growth. Further liberalisation and further strengthening of multilateral rules has a role in helping all WTO members to channel the benefits of globalisation in a positive direction minimising any negative effects, and thus contributing to the overall objective of sustainable development .

Within the different sectors and subjects for a New Round, the interests of the Community and of its partners should be reflected in a balanced way. Market access or rule making in those areas can contribute to economic growth and sustainable development. As for the best way to reconcile the different – and sometimes divergent – interests of different trading partners, this should include ensuring that the market access and other interests of developing countries are taken fully into account in the negotiations and their results, and in improving the institutional functioning of the WTO to support development objectives.

Measures to improve the transparency of the WTO being also necessary, it is proposed that at the domestic level the Community and its Member States should continue, and deepen their dialogue with different members of civil society, both in order to improve understanding of the benefits of the multilateral system and to ensure that relevant interests and preoccupations of civil society continue to be reflected in multilateral outcomes.

The Council is invited to note the contents of this Communication and to endorse its general orientations. This will enable the Commission, in close consultation with the 133 Committee, to ensure that the interests and objectives of the Community are fully taken into account in the work undertaken in the WTO in preparation for the third Ministerial Conference.

ANNEX

Proposal for Decisions to Be Taken by The Council at the WTO's Third Ministerial Conference, Seattle, November 30 - December 3 1999.

The Commission recommends that the Council approves the Seattle Ministerial declaration, and authorises the Commission to open the negotiations provided for in that declaration within the framework of negotiating directives which the Council may issue to it subsequently.

Such authorisation is without prejudice to distribution of competence between the Communities and their Member States.

ISSN 0254-1475

COM(1999) 331 final

DOCUMENTS

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02 11 06 10

Catalogue number : CB-CO-99-364-EN-C

Office for Official Publications of the European Communities
L-2985 Luxembourg