



12 March 2008

The Honorable Susan Schwab
United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

The Right Honourable Peter Mandelson PC
European Commissioner for Trade
200 Rue de la Loi
B-1049 Brussels, Belgium

Dear Ambassador Schwab and Commissioner Mandelson:

We are writing to you jointly on behalf of our members to reiterate our determination to obtain an ambitious Doha Round outcome and to raise our serious concerns on weakening of some elements in the February 8, 2007 Non-Agricultural Market Access (NAMA) draft negotiating text.

Further weakening of the Swiss formula tariff coefficients would undermine the chances for a successful Doha Round agreement. It is relatively positive therefore that they remain at their previous levels in this current draft. However, we are extremely concerned with what we see as erosions of ambition on flexibilities, implementation, and measures to address certain non-tariff barriers.

The primary mechanism for tariff liberalization is a Swiss formula that provides significant market access to every WTO Member economy. Business has been disappointed with the proposed level of the industrial tariff-cutting formula as it would apply to emerging countries. Obviously, companies pay applied tariff rates on their exports so if these are not cut, there will be few benefits for business and their workers.

We are particularly concerned with the disappearance of the emerging economy flexibility numbers, which provide for exceptions from tariff cuts. These numbers have long stood as one of the few stable elements in the NAMA negotiations. Even though we have believed from the beginning that these numbers were too high, they provided a foundation for ongoing discussions, and we regard their complete absence in this new draft as an ominous sign.

In this light we welcome the reference to the EU-US proposal for an 'anti-concentration' clause which would guarantee that countries cannot shield entire sectors from liberalisation under the formula. The inclusion of this proposal in the final modalities is vital to redress the balance in industrial goods liberalisation.

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We also raise our concern with the substantial increase in implementation periods for emerging economies and recently acceded members. We do agree that implementation periods can provide necessary flexibility for emerging economies, but we believe these should not be so long as to negate the benefits of tariff liberalization. The much longer extensions in the new text ensure that some WTO member economies will have 9-14 years to implement what will be no more, in many cases, than a one-fifth cut in tariff rates, while industrialized nations will make cuts of about 50 percent within a much shorter period. For example, the current draft would appear to provide China, the world's second-largest exporter of industrial goods, up to 14 years to phase in its tariff cuts.

We are pleased to see the current draft maintains language providing for sectoral tariff liberalization. We believe zero-tariff agreements among key willing sectors are essential to provide the significant market access improvements needed to spur trade growth and contribute to global economic development. We continue to believe that robust participation in sectorals from both OECD and emerging economies is central to any successful Doha outcome. The European Union and the United States need immediately to advocate a highly ambitious program for zero-for-zero tariff removal in key sectors by as many countries as possible.

The EU and U.S. must also make clear that OECD-only sectoral agreements are not an option. High-income developing countries like China, Brazil and India must participate fully in the sectoral process if it is to proceed. We believe that individual sectoral proposals will provide appropriate negotiating flexibility to address the concerns of developing countries.

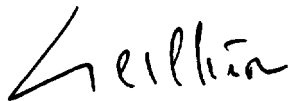
An ambitious outcome on non-tariff barriers (NTBs), including the proposed mediation mechanism, sectoral and thematic proposals, such as on export restrictions, is also vital to achieving an ambitious and balanced NAMA agreement. The importance of NTBs for business is likely to increase with time, so they must be tackled robustly in this round to lay out rules for the coming years.

BUSINESSEUROPE and the National Association of Manufacturers (NAM) seek to level the global playing field by obtaining significantly increased access to highly protected markets. We believe that the Doha Round can accomplish this by addressing the concerns raised in this letter. Other areas of the negotiations such as services, trade facilitation and rules are also key objectives for EU and US business. Failing to achieve these objectives could jeopardize the success of the Doha Round.

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BUSINESSEUROPE and the NAM will continue our efforts for an ambitious and successful outcome of the Doha Round, and will continue to support our negotiators in their efforts as they continue to press forward for trade liberalization and worldwide economic growth.

Sincerely,



Ernest-Antoine Seillière
President, BUSINESSEUROPE



John Engler
President & CEO, National Association
of Manufacturers