The Manufacturing Council

WASHINGTON, D.C. 20230

June 16, 2006

Dear Mr. Secretary,

As the United States pursues its agenda of multilateral trade liberalization through the current WTO (World Trade Organization) Doha Round negotiations, it is imperative that manufacturing now becomes the focus. Over the past four years of this process, agriculture has been the primary topic of discussion, but now it is time to put the emphasis on the manufacturing sector where it is possible to achieve some immediate and long lasting benefits through some very specific agreements. These benefits will certainly assist tens of thousands of US companies of all sizes, but will also positively impact developing economies in the emerging trade sectors of the world.

It is entirely appropriate to put the greatest emphasis on manufacturing, as manufacturing is the largest sector of trade in the world, accounting for 75 percent of global merchandize exports. This compares to 15 percent for fuels and mining products and 9 percent for agriculture. In 2005, US farmers accounted for $63 billion in exports while American manufacturers exported almost that much each and every month—totaling $710 billion for the year, or 10 times as much as our agricultural export market. Given these metrics, it is clear that progress on the manufacturing track is a lever for very broad progress toward our overall objective of worldwide free and fair trade, however some industries such as textiles, require special consideration.

The Doha Round through 2006 must achieve the broadest and deepest possible reductions in the tariff and non-tariff barriers currently impeding American manufacturing exports. Specifically, the Manufacturing Council recommends the following actions:

1) Agree to large tariff reductions in both developed and developing countries by establishing an aggressive type of formula for tariff cuts on industrial products. For example, a so-called "Swiss Formula" that includes a coefficient of "5" for developed countries and "15" for developing countries would dramatically cut tariffs around the world. In fact, no developed country tariff would exceed five percent while developing country tariff would exceed fifteen percent.
2) Formula cuts are not enough. High priority should also be placed on select sectorial zero-for-zero tariff agreements in the most promising sectors like chemicals and machinery. Taking negotiating precedent from the 1996 WTO agreement in the technology sector and the GATT Uruguay Round zero-for-zero agreements would be decisive in moving to multilateral free trade in the manufacturing sector.
3) For the least developed countries the United States, European Union and Japan should provide "duty free, quota free" market access for all products. This would provide full market access to the world's most lucrative markets while providing consumers with more product choices at lower prices.
4) Insistence on a reduction of non-tariff barriers focusing on customs clearances
    - Non-tariff barriers raise the fixed cost of trading and take many forms, including discriminatory standards, conformity assessment requirements, restrictions on remanufactured products, pre-shipment inspections, custom valuation practices, regulatory requirements, port procedures and security procedures.

- Now is the time to insist on progress the Trade Facilitation negotiations that are a part of the Doha Round and focus on simplifying, speeding and reducing the cost of customs clearances. This single area can relieve US companies of an estimated 5-to-8 percent cost of goods shipped (especially to developing countries). In many of these countries, the cost of clearing customs currently exceeds the tariff.

By concentrating negotiation efforts on these specific recommendations, the US can make definitive progress during 2006 toward the goal of multilateral free trade in the manufacturing sector. As a result, US manufacturing will be more competitive with increased market access to world markets. Equally important, our trading partners will benefit from better market access to American products.

Thank you for your consideration of this recommendation.

Sincerely,

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