EMBASSY OF THE
FEDERAL REPUBLIC OF NIGERIA
WASHINGTON, D.C. 20008

CHANCERY
3519 INTERNATIONAL COURT N.W.
TELEPHONE: (202) 986-8400
CABLE ADDRESS: NIGERIAN WASHINGTON

Ambassador

Ref. No. WA/EC/S.36/VI

March 27, 2007

The Honourable Susan C. Schwab
United States Trade Representatives
600 17th Street, NW
Washington, DC

Dear Hon. Schwab,

In response to the request for comments from stakeholders, it is with utmost pleasure that I write to put across my initial comments on the initiatives to provide duty free and quota free (DFQF) market access for least developed countries globally. I hope there would be further opportunities to discuss the issue in detail.

2. The implication of a DFQF market access initiative is that Sub-Saharan Africa may be negatively impacted, as it might eliminate the present margin of preference currently enjoyed by African nations under the AGOA Act. It is important to emphasize that Sub-Saharan Africa is the only region of the world that is getting poorer.

3. A high level meeting of Africa Union Trade Ministers has been scheduled for May 2007 in Brazzaville, Congo. It is most probable that the US proposal to create a single preference programme that will be applicable to all LDCs may be examined at the meeting. Considering therefore, the importance and implications of this proposal to African nations, I wish to request the United States to

tarry a while to enable African leaders assess the impact and discuss possible alternatives.

4. To my mind, the question posed by the proposal is not whether LDCs in Africa would benefit from the programme, but whether its implementation could threaten Africa's margin of trade preference. Already, African industrial growth had been reversed in 2005 with the phase-out of the global textile and apparel quotas. Another setback could cripple African industries and further hinder its economic development – especially in the textile sector. It is noteworthy for example, that Bangladesh and Cambodia each exported more than twice as much apparel to the US in 2006 than all 37 AGOA countries combined. In the light of this fact, it is important to avail African governments enough time to evaluate the proposed trade agenda.

5. Please be assured of my best wishes always.

Professor George A. Obiozor
AMBASSADOR

Doherty, Julia

From:
Sent: Monday, April 09, 2007 5:30 AM
To: FN-USTR-FR0704
Subject: Request for Tax Free & Quota Free Market of Bangladesh's Goods in USA

Respected Concerned Authority,

This is the earnest request of the general people of Bangladesh to the concerned authority of the government of USA to facilitate the Bangladesh government giving access of the Bangladeshi goods in the USA market as Tax Free and Quota Free basis.

Sincerely,

ABM Shamsul Islam
Research Fellow
Bangladesh Institute of Development Studies (BIDS)
E-17 West Agargaon, Dhaka - 1207
Bangladesh

AMERICAN FARM BUREAU FEDERATION®
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ph. 202.406.3600
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April 6, 2007

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Re: Public Comments Regarding Duty-Free, Quota-Free Market Access for LDC's

Dear Ms. Blue:

The America Farm Bureau Federation submits the following comments regarding the implementation of duty-free, quota-free (DF/QF) market access for the least-developed countries (LDC's) adopted at the December 2005 WTO Ministerial.

Farm Bureau does not support an early implementation of the Doha Round DF/QF commitment agreed to at the Hong Kong Ministerial. The WTO Doha Round of negotiations should continue with all measures considered as a part of the single undertaking approach. The DF/QF commitment must remain contingent upon the successful completion of the negotiations resulting in a final agreement accepted by the United States.

The DF/QF commitment is a benefit for the least-developed nations that will help advance the work toward an ultimate Doha agreement. The goal of the Doha Round is that all nations, including the least-developed, benefit from global trade liberalization in all sectors of the economy, including agriculture.

We thank you for the opportunity to comment on duty-free, quota-free implementation.

Sincerely,

Mark Maslyn
Executive Director
Public Policy

EMBAIXADA DA REPÚBLICA DE MOÇAMBIQUE
THE EMBASSY OF THE REPUBLIC OF MOZAMBIQUE
WASHINGTON, DC

THE AMBASSADOR

117-GE/WAS/07

Washington, DC, 26 March 2007

Ambassador Susan C. Schwab
United States Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Ambassador Schwab:

I have the honour to forward herewith a letter from HE António Fernando, Minister of Industry and Commerce.

Please accept the assurances of my highest consideration.

Sincerely,

Armando A. Panguene
Ambassador

1990 M St. NW, Suite 570, Washington, DC 20036 - Phone (202)293-7146 - Fax (202)835-0245
website: www.embamoc-usa.org e-mail: embamoc@aol.com

REPÚBLICA DE MOÇAMBIQUE

MINISTÉRIO DA INDÚSTRIA E COMÉRCIO
Gabinete do Ministro

Ref. 20/GM/MIC/DRI/2007 **Maputo, 6th February 2007**

RE: Comments from the Public on the 2005 WTO Ministerial Decision on Duty-Free Quota-Free Market Access for the Least Developed Countries

Dear Ambassador Schwab,

Congratulations on your appointment as United States Trade Representative! We look forward to continued collaboration in our Trade and Investment Framework (TIFA) discussions and to on-going discussions in the World Trade Organization (WTO).

I would like to take this opportunity to express Mozambique's gratitude in being able to comment on the duty-free, quota-free (DFQF) market access to the United States. We are pleased that the United States is fully committed to implementing the decision on DFQF to the Least Developed Countries (LDCs) in order to bring meaningful opportunities for products of LDCs.

Mozambique believes that implementing DFQF for LDCs is a step in the right direction towards reducing poverty, creating jobs and improving the purchasing power of our citizens.

Although total exports from Mozambique to the US have increased steadily—from $8.16 million in 2002 to $10.7 million in 2005—total exports are a microscopic percentage of total US imports. The number of products categories exported from Mozambique to the US is also small—predominately sugar, fish, nuts and apparel.

To bring meaningful decreases in the incidence of poverty in Mozambique, we need to diversify our export base and increase our export volumes and values to the United States.

To do this, Mozambique will require US Investment. And we want to do all we can to attract more US investment. We believe implementing DFQF can help attract the increased US investment. Mozambique remains at a severe disadvantage compared to other developing countries – our competitive labor and other production-related costs are often offset by long distances and sporadic shipping frequencies between our two countries. In the near-to-medium term, we will need to depend on duty-free and quota-free market access if we are to be competitive in the US market.

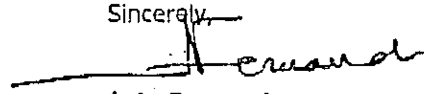
Mozambique has a very nascent productive and export capacity – as you can see by our minimal imports to the US – just $10.7 million in 2005. Single companies export

exponentially more to the US than Mozambique. And taken together, all LDCs exports together would likely only count for a small fraction of total US imports.

Again, we are grateful at this opportunity to comment and are pleased that the United States is fully committed to implementing the decision on DFQF to the Least Developed Countries (LDCs) in order to bring meaningful opportunities for products of LDCs.

Please do not hesitate to contact me during the DFQF consultative process should you require additional information.

Sincerely,



António Fernando
Minister

Honorable Susan Schwab
United States Trade Representative
Office of the United States Trade Representative
600 17th St., NW
Washington, DC 20508

NATIONAL CATTLEMEN'S BEEF ASSOCIATION

1301 Pennsylvania Ave., NW, Suite #300 • Washington, DC 20004 • 202-347-0228 • Fax 202-638-0607

March 12, 2007

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
Trade Policy Staff Committee
Public Comment

FR0704@USTR.EOP.GOV
Staff contact: Gloria Blue

Attn: Trade Policy Staff Committee

The National Cattlemen's Beef Association (NCBA) appreciates the opportunity to submit comments regarding the 2005 WTO Ministerial Decision on Duty-Free Quota-Free Market Access for the Least Developed Countries. NCBA has a long history of supporting the United States' membership in the World Trade Organization (WTO). NCBA's members strongly believe the greatest trade liberalizing benefits to our industry can be obtained via the multilateral and balanced approach of the WTO negotiating process. Producer-directed and consumer-focused, the National Cattlemen's Beef Association is the trade association of America's cattle farmers and ranchers, and the marketing organization for the largest segment of the nation's food and fiber industry.

International trade benefits U.S. cattlemen, and U.S. grain-fed beef has a unique place in the global food economy. The U.S. beef industry relies on international trade for its profitability, and with 96 percent of our customers outside U.S. borders, the United States must be proactively involved in institutions that set the guidelines by which international commerce occurs. But U.S. beef producers are also staunch believers that trade is a two-way street. WTO members, and particularly developing countries, must get beyond the idea that trade liberalization is somehow good for developed countries' agricultural support mechanisms but is not appropriate policy for economies and consumers in the developing world.

The United States has long been both the least restricted and largest beef import market in the world yet our industry continues to profit and prosper. While many beef markets around the world remain closed or essentially closed to U.S. beef due to non-tariff sanitary and phytosanitary (SPS) barriers, the United States annually grants other WTO members 716,621 metric tons (mt) of tariff rate quota (TRQ) at essentially zero duty.

The goal of U.S. agricultural trade policy should be to make our product as competitive as possible in the world market. Increased market access via tariff reduction is the core mechanism by which U.S. beef producers can better their position in the global marketplace, as U.S. beef producers receive no domestic support or export subsidies.

NCBA will support movement toward reduced tariffs and expanded TRQs for least-developed countries, **but only as part of a comprehensive package** that provides for **real and additional market access** for U.S. beef exports, eliminates export subsidies and substantially reduces production subsidies. In addition, for U.S. beef producers to get maximum benefit from tariff reduction, **greater assurances must be made on the part of our trading partners to eliminate unjustified sanitary and phytosanitary barriers and technical barriers to trade.**

Due to the unique position of our industry as one of the world's largest exporters and importers, we must consider the **balance and fairness** of proposed trade initiatives to assure that agreements provide as much or more access for U.S. beef as we give for imported beef.

While it is an economic fact that lower tariffs benefit the importing country as well as the exporting country, we do not believe the playing field is level. **As such, NCBA will not support unfettered access to the U.S. beef market for least-developed countries until meaningful access and tariff reduction is achieved for U.S. beef in those countries.** We believe that a successfully negotiated WTO agreement via the Doha Round has the greatest potential to level the international beef trade playing field. However, an absolutely critical component of these negotiations will be the percentage of sensitive products that developing countries (including least developed countries) will be allowed to declare.

Ours is a progressive and unsubsidized industry, and we wholeheartedly believe that we can compete very aggressively in the world marketplace with our product, once we have market access. High quality beef is one of this nation's most competitive products and U.S. beef producers know that our future and that of our families depends on the viability and growth of our industry. The greatest opportunity for such growth hinges on our ability to market our safe, wholesome high quality beef around the world.

For additional information contact:

Gregg Doud
Chief Economist
National Cattlemen's Beef Association
(202) 347-0228
gdoud@beef.org

From: ijahan
Sent: Tuesday, March 27, 2007 10:01 PM
To: FN-USTR-FR0704
Cc:

There should be no discrimination of treatment among LDCs. All LDCs should be granted duty-free and quota-free market access for all products. US must grant duty-free and quota-free market access for all products which have export interest to Bangladesh, particularly garments, textile, apparels, footwear, leather and frozen foods, fruits and vegetables.
The product that Bangladesh is presently exporting in US are low value products. They do not compete with US product."

Bijoy Online WebMail System.

To: Office of the U.S. Trade Representative

From: Women's Edge Coalition (contact: Katrin Kuhlmann, kkuhlmann@womensedge.org)
Oxfam America (contact: Katherine Daniels, kdaniels@oxfamamerica.org)
Bread for the World (contact: Emily Byers, ebyers@bread.org)
Center for Global Development (contact: Kimberly Elliott, kelliott@cgdev.org)
German Marshall Fund of the United States (contact: Randall Soderquist, rsoderquist@gmfus.org)
Trade, Aid and Security Coalition (contact: Shamarukh Mohiuddin, smohiuddin@globalworksfoundation.org)
Carnegie Endowment for International Peace (contact: Will Talbott, wtalbott@carnegieendowment.org)

Re: Duty-Free Quota-Free Market Access for Least Developed Countries

Date: March 15, 2007

We write in response to the January 18, 2007 request for comments on considerations relating to the decision adopted at the Sixth Ministerial Conference of the World Trade Organization (WTO) on duty-free quota-free (DFQF) market access for the least-developed countries (LDCs).[1] We support the commitment made by the United States to provide duty-free quota-free market access for LDCs and, for reasons outlined in this submission, we urge that this commitment be implemented as soon as possible and for as many products as possible. Our analysis, discussed in greater detail below, shows that implementation of duty-free quota-free market access for LDCs on all products (100 percent) would produce the greatest gains for the LDCs, including sub-Saharan Africa, would best serve U.S. objectives in the Doha Development Round, and would not adversely impact U.S. industry. Ultimately, it would also serve the national security interests of the United States by creating the economic foundations for political stability in developing countries.

We structure our comments in four parts. First, we discuss the historical impact that U.S. preferential market access programs have had on developing countries. Second, we identify the primary impediments to development gains through preference programs. Third, we discuss the impact that implementing a comprehensive (100 percent) duty-free quota-free initiative would have on U.S. negotiating objectives in the Doha Round, how LDCs, including sub-Saharan Africa, would benefit the most from a comprehensive duty-free quota-free initiative, even if only the United States went forward on this basis, and the lack of adverse impact on U.S. business granting LDCs this additional market access

[1] Office of the United States Trade Representative. "Trade Policy Staff Committee: Seeking Comments From the Public on the 2005 WTO Ministerial Decision on Duty-Free Quota-Free Market Access for the Least Developed Countries." 72 *Fed. Reg* 2316 (January 18, 2007).

would have. Finally, we offer recommendations on how to most effectively implement a duty-free quota-free initiative to help low-income countries the most.

I. Trade Is A Driver for Economic Development and Preferential Market Access Programs Have Encouraged Trade

The rationale that developed countries can more effectively promote economic growth and industrialization in developing countries through trade is over four decades old,[2] yet it continues to form a basis for modern trade policy, including the Administration's commitment to provide duty-free quota-free market access for LDCs.

This perspective is supported by both research and practice. Literature shows that increased trade is associated with growth and that this growth can occur through a number of channels. International trade gives developing countries access to larger and wealthier markets. Demand for developing country goods, in turn, creates new, much-needed opportunities for employment. Job creation in developing countries is a critical component of any national development strategy and should continue to be a key piece of U.S. policy. Increased trade stimulates investment, and that, in turn, has a strong positive effect on growth.[3] In addition, increased trade may increase total factor productivity in an economy through channels such as improved access to new information, products, and technologies.

Preferential market access, as embodied in U.S. preference programs, is a vital means for helping developing countries boost exports, attract investment, achieve economic growth, and, in some cases, promote economic and legal reforms. The 1974 Generalized System of Preferences (GSP) legislation was a landmark in U.S. trade policy with its focus on helping poorer countries take advantage of the development benefits trade can offer.[4] Since then, other region-specific unilateral preference programs, including the African Growth and Opportunity Act (AGOA), the Caribbean Basin Initiative/Caribbean Basin Trade Partnership Act (CBI/CBTPA) program, and the Andean Trade Promotion and Drug Eradication Act (ATPDEA), have expanded on GSP's goal of promoting economic growth, poverty alleviation, and reform in poorer countries through increased trade.

Evidence shows that preference programs are achieving their intended goals of promoting economic growth and development. One study of U.S. preference programs from the 1980s shows that GSP beneficiary countries increased exports of products eligible for GSP treatment by about 8 percent annually.[5] The current GSP program helps

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[2] First articulated at the United Nations Conference on Trade and Development (UNCTAD) in 1964.

[3] See Judith M. Dean, "Do Preferential Trade Agreements Promote Growth: An Evaluation of the Caribbean Basin Economic Recovery Act." USITC Office of Economics Working Paper. No. 2002-07-A (Washington. DC: USITC, July 2002).

[4] For a brief history of GSP, see *Assessment of the Generalized System of Preferences*. General Accounting Office. Report 95-9 (November 1994), Chapter 1.

[5] Samuel Laird and Andre Sapir, "Tariff Preferences," in *The Uruguay Round: A Handbook on Multilateral Trade Negotiations*. eds. Michael J. Finger and Andrzej Olechowski (Washington. DC: World Bank. 1987), cited in William H. Cooper. *Generalized System of Preferences*. CRS Report for Congress. (March 30, 2006).

support jobs in manufacturing of electrical equipment, plastics, wood products, and jewelry in Indonesia (income per capita $1280); plastics, toys and ceramics in Bangladesh ($470); rubber, plastics and ceramics in Sri Lanka ($1160); and electrical equipment in Afghanistan.[6]

A more recent analysis of U.S. preferences extended to countries in Central America under the Caribbean Basin Economic Recovery Act (CBERA) reveals two very positive impacts from that preference program. First, increased access to the U.S. market has had a significant positive impact on investment in Central America, which, in turn, has contributed to income growth in the region.[7] Second, the study shows that preferences have played an important role in promoting export diversification.[8]

Notably, all U.S. preference programs include eligibility criteria aimed at promoting economic and legal reforms, which have, in many cases, provided an impetus for domestic reform and improvements in rule of law. The threat of losing benefits under one of the preference programs has often prompted countries to implement critical legal reforms, such as improvements to commercial laws or labor reform, which are in the interest of both the United States and the beneficiary countries themselves. These are essential components of the preference programs that ensure that the benefits derived from reduced tariffs are spread beyond the normal distribution patterns and also reach the poorest members of society.

II. Complete (100 Percent Duty-Free Quota-Free) Would Help to Address Restrictions in Preferential Market Access Programs That Have Limited Potential for Economic Development, Especially Among the LDCs

Notwithstanding the positive impact of preference programs, these initiatives have fallen short as a tool to promote economic growth and reduce poverty. GSP and the other preference programs have stimulated trade for many poor countries; however, they have not done as much as they might for the poorest countries because of statutory exclusion of the products that low-income and least developed countries produce. Paradoxically, the products excluded by statute from the preference programs include many products no longer produced in the United States, such as watches, certain glass products, many types of footwear, some handicrafts, leather products, and some electronics. Textiles and apparel and agricultural products are also largely excluded from the system of preference programs or face restrictive rules of origin or quotas when eligible for duty-free coverage. Many of the sectors that are excluded from the preference programs are those that tend to be dominated by vulnerable populations, including women and low-skilled workers – precisely the people preference programs should be designed to help.

AGOA, the most comprehensive of U.S. preference programs, covers only 94 percent of tariff lines or products. Other regional trade preference programs, while more comprehensive than GSP, also exclude many products that are critical for developing countries. In addition, many LDCs

[6] USITC Tariff and Trade Dataweb; World Bank World Development Indicators, 2005.
[7] Dean, *supra* note 3, at 19.
[8] Dean, *supra* note 3, at 5.

are left out of the more generous regional trade preference programs, and, as a result, their exports face stiff duties in the U.S. market.

For Bangladesh, for example, the absence of preferences for its major exports means that a country with an income per capita of $470 has received preferential market access for only 2 percent of exports to the United States.[9] Nepal, with an income per capita of $270,[10] receives preferential treatment for only 5 percent of exports to the United States.[11] Overall, among the LDCs that are eligible only under the GSP program, half have preference coverage rates near or below 25 percent,[12] even though the GSP-plus LDC program offers greater product coverage than the regular GSP program.

Implementation of the duty-free quota-free initiative provides an opportunity to ensure that LDCs are able to take advantage of the development benefits of trade. If, however, product coverage remains limited and the products most important to LDCs are excluded (as would be likely under a 97 percent duty-free quota-free scenario), benefits to the LDCs will continue to fall short of their potential. As discussed in more detail in Section III (A) below, in order to maximize the poverty-reduction potential of a duty-free quota-free initiative and its benefit to the LDCs, product coverage should be increased to 100 percent. In addition, while the UN-designated LDCs are unquestionably in significant need of attention, other impoverished countries are only marginally better off, and many of them are vulnerable to economic shocks or natural disasters. Accordingly, duty-free quota-free treatment should apply not only to all LDCs, but to vulnerable countries and all of AGOA-eligible sub-Saharan Africa as well.

Beyond product exclusions, several other aspects of the current system of preference programs impede its effectiveness in promoting trade with and development in impoverished countries. These impediments include:

- **Disincentives for long-term investment because of lack of certainty and predictability of the preference programs.** Over the last 12 years, GSP has been allowed to lapse periodically and has usually been renewed for periods of less than one year. Regional preference programs have also been allowed to lapse, as have special provisions within these programs. This has greatly undermined the effectiveness of these programs in promoting trade and investment in marginal, developing countries. Simply put, investors and importing firms attracted by the opportunity of preferences will not invest in or source from countries if the status of the preferences is in doubt. This has been the case with apparel under AGOA. Each time that the third-country fabric rule has approached its expiration, companies that use the rule have become nervous about their ability to continue to source from Africa. In contrast, where

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[9] World Bank, *supra* note 6. For GSP Coverage, see Judith M. Dean and John Wainio, "Quantifying the Value of US Tariff Preferences," (January 2006), revision of a paper presented at *Preference Erosion: Impacts and Policy Responses*, WTO International Symposium, Geneva, June 12-14, 2005, at 30.

[10] World Bank, *supra* note 5.

[11] Dean, *supra* note 9, at 30.

[12] Dean, *supra* note 9, at 9.

preferences are stable, trade and investment has flourished. For example, U.S. preferences for the Caribbean and Central American countries, which are permanent and have been in effect continuously since 1984, have had a significant impact on investment.[13]

In addition, countries that enjoy export success to the United States under the GSP program risk losing their preferential access due to the competitive needs limitation (CNL). The CNL was put into place to help less competitive GSP beneficiaries – once a country reached the CNL, it was assumed to be a competitive exporter, and revoking benefits was assumed to provide less competitive beneficiaries with the opportunity to export. Unfortunately, the CNL has not had that effect. Data show that the CNL causes imports of the affected goods to drop by 10 to 17 percent, with no shift of trade in favor of less developed/competitive producers.[14] Moreover, the CNL has an unintended effect of chilling investment in countries perceived as likely to exceed it. Investors appear reluctant to invest in certain sectors in marginal countries because they believe that as soon as their investment succeeds, they will no longer receive the preference.

- **Disincentives for long-term investment because of lack of simplicity and transparency under the preference programs.** Under the current system of preference programs, countries face a confusing, inefficient web of terms and rules. Many countries are eligible for both GSP and one of the regional preference programs, with different rules of origin, customs requirements and eligibility criteria under each program. For example, a t-shirt may qualify for duty-free treatment under one preference program, but that same t-shirt may be ineligible for duty-free treatment under another preference program. These various rules and requirements create compliance costs, which studies have estimated can add more than 3 percent to the cost of exports.[15] In addition, it is difficult for both beneficiary countries and American businesses to navigate the various programs and requirements. The restrictive rules of origin are also increasingly cumbersome in a global market where firms source inputs from multiple countries and regions.

- **Lack of focus on supply side constraints.** In addition to duty-free quota-free market access, the Doha Development Round of WTO negotiations has rightly focused on the issue of whether developing countries have the capacity to capitalize on the market access opportunities provided by developed countries through multilateral trade negotiations. The same concern exists with respect to unilateral preference programs. U.S. preference programs have not adequately

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[13] Dean, *supra* note 3, at 5.
[14] James Devault, "Competitive Need Limits and the U.S. GSP," Contemporary Economic Policy (Huntington Beach: Oct 1996), Vol.14, Iss. 4.
[15] Paul Brenton, "Notes on Rules of Origin with Implications for Regional Integration in South East Asia." World Bank. J. Herin, "Rules of Origin and Differences Between Tariff Levels in EFTA and in the EC." ETA Secretariat, 1986.

tied trade capacity building assistance to the types of market access opportunities provided.

III. Implementing 100 Percent Duty-Free Quota-Free Market Access for the Poorest Countries Would Significantly Boost Economic Development, Would Best Serve U.S. Negotiating Objectives, and Would Not Adversely Impact Other LDCs and U.S. Industry

With discussions continuing on how to revive the Doha Development Round, immediately committing to expanded duty-free quota-free preferential access for least developed countries could help put the Doha Development Round back on track. WTO members made commitments both in 2001 and 2005 to provide better preferential market access to LDCs. Providing 100 percent duty-free quota-free access to LDCs and vulnerable countries now would truly put the interests of the poorest countries at the heart of the Doha negotiations. Such a policy could strengthen the U.S. proposals in the ongoing WTO talks and shift pressure to other WTO members. The United States should lead by example to urge other high-income and larger developing countries to put in place similar preference initiatives for LDCs.

A. Complete (100 Percent) Duty-Free Quota-Free Market Access for LDCs, Africa, and Vulnerable Countries Would Exponentially Increase Development Benefits

Careful research by the International Food Policy Research Institute (IFPRI) shows that if the United States were to increase duty-free quota-free market access for LDCs to 100 percent, significant gains in export volume would result for several countries, including Bangladesh, Madagascar and Malawi. Not only can the United States alone have a significant impact, but U.S. leadership on a duty-free quota-free initiative could encourage other developed and larger developing countries to implement comprehensive duty-free quota-free initiatives, generating even larger gains for the LDCs.

Research has shown that duty-free quota-free access to the U.S. market alone would substantially increase exports from extremely poor countries, such as Bangladesh and Cambodia, that currently pay high tariffs because clothing and other key exports are excluded from GSP. One calculation shows that Bangladesh pays more in import duties (nearly $500 million) on its $3.3 billion in exports to the United States, than does the United Kingdom ($430 million) on its $54 billion in exports. These duties add up to an amount that is higher than the total U.S. bilateral aid to Bangladesh. Cambodia pays as much ($367 million) on $2 billion in exports, as does France on $37 billion in exports.[16]

[16] Progressive Policy Institute, Trade Fact of the Week, February 21, 2007, available at http://www.ppionline.org/ppi_ci.cfm?contentid=254199&knlgAreaID=108&subsecid=900003, accessed on March 14, 2007.

Yet these countries are extremely poor, with per capita incomes of less than $500, and they are highly dependent on apparel exports, as shown in Table One.[17]

Table One: Developing Countries Most Dependent on Apparel Exports (average 1997-2002)

COUNTRY	Apparel Exports as Percent of Total Exports	Exports of Apparel to US (million $)	Exports of Apparel to US as Percent of Total Apparel Exports
Bangladesh*	81%	$1,808	42%
Cambodia*	84%	$638	65%
Haiti*	77%	$214	92%
Lao PDR*	59%	$10	8%
Lesotho*	85%	$163	100%**
Mauritius	58%	$232	25%
Sri Lanka	57%	$1,362	59%
LDCs Less Dependent on Apparel Exports			
Madagascar*	39%	$77	26%
Nepal*	37%	$157	86%

Sources: TRAINS; Department of Commerce, Office of Textiles and Apparel, Major Shippers Database; Eurostat.

* UN-designated least-developed countries.

** The actual data from two different sources indicates that this number would be even higher, but since this is not possible, it is capped at 100%. It is important to note that this does suggest that virtually all of Lesotho's apparel exports are sent to the United States.

Countries outside of the regional preference programs, such as Bangladesh and Cambodia, face tariff rates on textiles and apparel that average about 12 percent, far higher than the 0.8 percent average on other products.[18] Cambodia, with $2.2 billion in apparel exports making up a third of their $6.8 billion real-dollar GDP, faces tariffs between 8 and 32 percent.[19] For both Bangladesh and Cambodia, textiles and apparel are the bulk of trade with the United States, totaling 89 percent and 98 percent of exports, respectively. In Sri Lanka, a country still recovering from the devastating effects of the 2004 tsunami, apparel accounts for 79 percent of U.S. imports from the country.

Around the world, and in these countries especially, women make up the majority of workers in the apparel manufacturing sector. Many of these women come from rural areas, and these jobs are often their only chance to leave subsistence farming for income-

[17] Table One provides a baseline for judging the importance of apparel exports in these economies, showing average exports over several years in a period mainly before China joined the WTO and quotas under the Multi-Fiber Arrangement (MFA) were phased out.

[18] Progressive Policy Institute, *supra* note 16.

[19] Progressive Policy Institute, *supra* note 16.

generating work and greater socio-economic opportunities. In Cambodia, the average apparel worker is a young woman, whose job sustains the livelihood of her entire family.[20] While the apparel industries in Bangladesh, Cambodia and Sri Lanka have managed to survive despite the expiration of the global quota system and the continued application of high tariffs, these jobs remain less secure in the face of competition from larger developing countries as long as these countries continue to face relatively higher barriers.

Moreover, 100 percent duty-free quota-free access to the U.S. market would also benefit many Sub-Saharan Africa countries that currently receive better than average access under AGOA. Although AGOA, unlike the GSP program, provides duty-free access for eligible clothing exports, particularly from LDCs eligible to use the third country fabric rule that permits sourcing from countries other than the United States and African countries, agricultural exports subject to tariff-rate quotas, including sugar and peanuts, remain restricted and some labor-intensive products, including some textiles, footwear, and luggage, as well as a few other products, remain excluded.

Table Two shows the AGOA-eligible countries that could benefit immediately from increased access to the U.S. sugar market because they have exportable surpluses that are currently sold at depressed world prices, due to U.S. and European restrictions on sugar imports. Countries such as Ethiopia, Malawi, Mozambique, and Zambia that currently benefit little from access to the U.S. market for apparel could see substantial export gains from increased access for sugar.[21]

Table Two: AGOA-eligible Sugar Exporters, 2005

COUNTRY	Exportable Production (metric tons)	Exports to the EU (metric tons)	US TRQ Allocation (metric tons)	Actual exports to US (metric tons)	Balance (metric tons)
Ethiopia	79,446	14,113	0	0	65,333
Malawi	113,980	46,970	12,817	5,292	61,718
Mauritius	509,328	553,561	15,380	4,208	--
Mozambique	115,799	29,797	16,662	14,604	71,398
South Africa	803,262	0	29,478	30,500	772,762
Swaziland	649,496	153,036	20,507	33,782	462,678
Zambia	138,500	24,359	0	0	114,141

Sources: FO Licht Interactive Data for Sugar; U.S. International Trade Commission; Dataweb, available at www.usitc.gov; GTIS; Eur-lex.

[20] Progressive Policy Institute, *supra* note 16.

[21] Mozambique and, especially, Malawi would also benefit from elimination of the tariff on tobacco, which is more than 300 percent for imports over the quota level.

The top half of Table Three shows the commodities on which AGOA-eligible countries continue to pay duties.[22] Within each category, some of the imports remain dutiable because specific products are excluded under AGOA; in other cases exporters have not claimed the preference because the tariff may be too low to make the paperwork worthwhile, because the product does not meet the rule of origin, or for other reasons. The bottom half of the table shows the countries with the highest shares of dutiable exports, with the average tariff that they pay.

Table Three: Imports Tariffs Collected from AGOA-Eligible Countries

SITC	Product	Value of Imports (US $)	Percent Dutiable	Effective Tariff Rate*
65	Textiles	$42,016,783	82.5%	6.9%
85	Footwear	$4,056,043	38.6%	8.8%
12	Tobacco & products	$58,469,655	25.8%	12.9%
83	Luggage, handbags	$3,746,544	23.4%	8.6%
57	Plastics	$3,109,816	19.1%	5.4%
	Country	**Value of Imports**	**Percent Dutiable**	**Effective Tariff Rate***
	Malawi	$79,010,058	19.3%	12.7%
	Cape Verde	$964,765	18.7%	3.2%
	Mali	$7,851,184	15.4%	1.0%
	Senegal	$21,449,645	14.8%	0.6%
	Namibia	$115,649,609	14.0%	0.3%
	Seychelles	$10,120,516	13.9%	1.6%

Sources: Data from U.S. International Trade Commission Dataweb, available at www.usitc.gov.
* Calculated duties divided by the dutiable value of imports.

Some sub-Saharan African countries, including Burkina Faso, Ethiopia, and Tanzania, would have the potential to increase currently small export volumes of footwear or textiles if the relatively high tariffs on those products were eliminated under a comprehensive (100 percent) duty-free quota-free scenario. Finally, only a few AGOA beneficiaries might suffer small reductions in apparel exports if the United States implemented a comprehensive duty-free quota-free initiative.[23] Moreover, according to a

[22] The share of textiles that are dutiable under AGOA should drop in this and future years because of an amendment included in the omnibus trade bill last year that expands access for textiles wholly formed in lesser-developed countries in sub-Saharan Africa from local or regional components.
[23] Antoine Bouët and Valdete Berisha-Krasniqi. "Breaking the Doha Deadlock: A Research-Oriented Perspective." Briefing Note for Realizing the Doha Development Agenda as if the Future Mattered. Salzburg Seminar. German Marshall Fund. Hewlett Foundation. February 16-21. 2007.

forthcoming analysis by the International Food Policy Research Institute, 100 percent duty-free quota-free access to the U.S. market for all LDCs would increase apparel exports from between 65 percent to 80 percent for Madagascar, Malawi, Mozambique, and a regional grouping comprised of Lesotho, Namibia, and Swaziland. Of those that are AGOA-eligible, the rest of sub-Saharan Africa, South Africa and Uganda would suffer export losses of less than 3 percent.[24] These negligible losses might be offset by including all of sub-Saharan Africa in a comprehensive (100 percent) duty-free quota-free initiative.

Finally, while the gains from U.S. implementation of a 100 percent duty-free quota-free initiative would be significant, agreement by all high-income countries to provide the same level of market access for LDCs would increase the global benefits from a feasible Doha Round scenario significantly -- by 26 percent -- with half of these additional gains going to the LDCs. Put another way, if all of the high-income countries increased duty-free quota-free access from 97 percent to 100 percent, this would also increase the real income gains from the Doha Round for the poorest countries seven-fold.[25] Realizing these gains, however, depends on U.S. leadership at the WTO and a clear commitment to provide 100 percent duty-free quota-free market access for the poorest countries in the world.

B. Complete (100 Percent) Duty-Free Quota-Free Market Access for LDCs Would Not Adversely Impact U.S. Industry

Not only would increasing benefits for the poorest countries in the world through a 100 percent duty-free quota-free initiative help these countries substantially and put more on the table in the Doha Round, such an initiative would not come at the expense of U.S. firms. U.S. imports from LDCs in 2006 were only 1.2 percent of total imports and just 7.8 percent of apparel imports. According to empirical research, a 100 percent duty-free quota-free initiative might reduce U.S. production of textiles and apparel by roughly one half of one percent, while increasing U.S. exports of cotton by 0.2 percent.[26] Providing duty-free quota-free access to the U.S. market for LDCs would thus have negligible effects on the U.S. economy.

Increased duty-free quota-free market access also stands to enhance the savings many small and large U.S. importers and retailers have experienced as a result of the current system of preference programs. For example, GSP, which is estimated to have saved U.S. businesses $923 million in 2005,[27] has been the key to the success of a number of smaller companies that import fertilizers and herbicides for farmers and households; it is also key to the sourcing strategies for a number of nationwide U.S. retailers of household wares. Current preference programs have supported U.S. jobs in a

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[24] Communication from Antoine Bouët, March 15, 2007.

[25] Bouët, *supra* note 23.

[26] Bouët, *supra* note 23.

[27] The Trade Partnership, LLC, "The U.S. Generalized System of Preferences: An Update," March 2006, available at http://www.tradepartnership.com/pdf_files/2006_GSP_update.pdf.

wide variety of manufacturing industries, and enhanced market access for products not produced in the United States would only increase these gains.

Finally, as noted in Section I, eligibility criteria in the preference programs, such as protection of workers' rights, investors' rights, and affording equitable access to U.S. goods and services, have also served important leverage to bring about legal reform in GSP beneficiary countries, to the benefit of U.S. businesses and workers.

IV. Changes to Broaden the Benefits of a Duty-Free Quota-Free Proposal

We reiterate our strong support of the objective of promoting international economic development through trade by expanding LDC access to the U.S. market with implementation of a duty-free quota-free initiative. In order to best achieve this objective, we propose that USTR, working with Congress, implement a duty-free quota-free initiative that includes the following elements:

- **Immediately implement 100 percent duty-free quota-free market access for LDCs, all of sub-Saharan Africa and impoverished vulnerable countries.**

- **Make the program permanent to increase certainty.**

- **Increase transparency by subjecting all countries to one set of objective, clearly defined eligibility criteria.**

- **Include administrative streamlining for customs requirements and documentation to ensure that producers in poor countries and U.S. businesses can use the preferences available.**

- **Eliminate the competitive need limit, which creates a glass ceiling for competitive GSP beneficiaries and often acts to discourage investment.**

- **Create one simple rule of origin for LDCs and vulnerable countries based on the current GSP rule of origin but allowing for global cumulation among all beneficiary countries. Cumulation is critical to the utility of any preference program in today's world, where links in the production chains are dispersed.**

- **Create a simple, more permissible rule of origin for African countries and continue to apply the third country fabric rule to sub-Saharan African apparel producers.**

- **Provide targeted trade capacity building, including through programs designed to address infrastructure gaps, financing shortfalls, beneficiary government policies that impede development, and corruption.**

- Address special needs of sub-Saharan African countries through increased, targeted aid for trade, with a special emphasis on trade-related infrastructure deficiencies. Establish coordination among U.S. trade and development agencies to ensure that their activities have a positive effect on industry, growth and employment in sub-Saharan African beneficiary countries. In all programs, African regional communities and local organizations should be part of the process.

Sent: Monday, March 26, 2007 2:43 PM
To: FN-USTR-FR0704
Subject: Duty Free, Quota Free Re WTO, DFQF, LDC (Fed Reg 3-20-07)

The United States should act affirmatively to ensure that any World Trade Organization standards, rules, actions, or policies will not interfere with the efforts of any country (LDCs and other countries alike) to prevent or reduce tobacco use and its many harms and costs. Accordingly, any elimination or reduction of duties, tariffs, or quotas mandated or encouraged by the WTO should simply not apply to manufactured tobacco products or should be otherwise structured so that will not impede any country's ability to maintain or enact trade-related duties, tariffs, quotas or other laws that are either intended to prevent or reduce tobacco use or its harms or are likely to do so.

Such treatment for manufactured tobacco products (and related duties, tariffs, quota and the like) is clearly justified given the fact that tobacco products are the only consumer products that inevitably cause significant harms, including premature death, even when used exactly as intended and expected. Unlike all other consumer products meant for human consumption, there is no safe, much less beneficial, level or style of consuming tobacco products. As a result, there are no social or economic benefits from liberalizing or expanding international commerce in manufactured tobacco products or from any related reductions in such inevitably harmful products' prices or from any related increases in their sales and use. Accordingly, all countries should be free to implement and enforce any trade-related measures they choose relating to such unique inherently destructive and costly consumer products.

The need for special rules relating to tobacco products and international trade has already been formally recognized in Executive Order EO 13193, issued January 18, 2001, and in the annual so-called Doggett Amendments to the State Department appropriations bills. In addition, various U.S. trade agreements already exclude manufactured tobacco products from the tariff schedules (e.g., those with Jordan and Vietnam). Making sure that WTO rules, policies and practices similarly allow for more restrictive trade policies relating to tobacco products than other products would build on these U.S. efforts to ensure that U.S. trade policies and agreements neither open the door to expanded tobacco product marketing and lower tobacco product prices nor interfere with any efforts to prevent and reduce tobacco use and its many harms and costs.

Thank you for your consideration,

-- Eric Lindblom

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Sent: Monday, March 26, 2007 10:26 AM
To: FN-USTR-FR0704
Subject: Duty-Free, Quota-Free

This statement is submitted in behalf of the Rubber and Plastic Footwear Manufacturers Association (RPFMA) in response to the Trade Policy Staff Committee's request for comments regarding the proposed duty-free, quota-free treatment of imports from the 50 least developed countries. The RPFMA is the spokesman for the domestic manufacturers of rubber soled, fabric upper footwear and protective rubber footwear. Its membership is set forth in Appendix I.

The notice of this investigation states that the TPSC will take into account comments earlier submitted to the International Trade Commission in connection with its investigation of probable economic effects on the reduction or elimination of United States tariffs. On April 11, 2002, the RPFMA submitted its views in that investigation and nothing has happened since which would dilute those views. The industry remains intensely sensitive to imports, which now take more than 90% of rubber soled, fabric upper footwear, and at least 80% of protective rubber footwear (we cannot provide precise figures on the impact of imports because, due to the small size of the domestic industry, the Government has ceased publication of domestic production figures).

With specific reference to the least developed countries, it is important to reemphasize that rubber footwear is a labor-intensive industry. The severe import threat to the survival of the domestic industry has shifted over time from countries with low wage rates to those with even lower wage rates. Thus, during the Kennedy Round the principal source of imports was Japan. As Japan's wage rates improved there was a marked shift to Taiwan and Korea. This was followed by shifts to countries such as Malaysia, Indonesia and Thailand, and then to the People's Republic of China, and now to Vietnam. At the same time, as duties were phased out in bilateral free trade agreements, a relatively low wage country such as Mexico produced its own threat to the domestic industry. The NAFTA agreement, which provided a rare 15 year phase-out for rubber footwear products has, now that the phase-out has run its course, resulted in Mexico's becoming the second largest exporter of rubber footwear to the United States. At least one of the major domestic producers of protective footwear has laid off virtually all its employees in this country and shifted its production to Mexico.

Admittedly, we know very little about footwear production in the least developed countries. The Department of Commerce has, however, provided us with information from the Food and Agriculture Organization to the effect that, as of 2001, the last year for which it has data, 22 of the 50 least developed countries produced some footwear, not much but enough to warrant the conclusion that if they were given the advantage of duty elimination they could soon develop the capacity and skills to threaten what is left of the domestic industry.

Finally, it should be noted that the Hong Kong Declaration of December 2005, the basis for this investigation, provides that member countries of the WTO which would face particular difficulties in providing duty free access for certain products should provide such access for at least 97% of imports from least developed countries. Rubber footwear imports would take a small fraction of the 3% which could be excluded. The core products of this industry which would benefit from this exclusion are covered by the Harmonized System Categories set forth in Appendix II. Such an exclusion together with responsible treatment of this industry in the market access aspect of the Doha Round, would permit the industry's continued survival.

Mitchell J. Cooper
Counsel Rubber and Plastic Footwear Manufacturers Association
1001 Connecticut Ave., NW

Washington, DC 20036
February 7, 2007

Appendix I

RPFMA Companies

America's Choice Products LLC	New Balance Athletic Shoe, Inc.
Newport, AR	Boston, MA
Apex Mills Corporation	Newgrange Group, LLC
Inwood, NY	North Smithfield, RI
ATP Manufacturing LLC	Norcross Safety Products
North Smithfield, RI	Rock Island, IL
Bixby International Corporation	Onguard Industries, LLC
Newburyport, MA	Havre de Grace, MD
Dela Incorporated	Packaging Corporation of America
Ward Hill, MA	Cutchogue, NY
Draper Knitting Company, Inc.	S. Goldberg & Co., Inc.
Canton, MA	Hackensack, NJ
Emtex Inc.	Shawmut Corporation
Danvers, MA	W. Bridgewater, MA
Genfoot American, Inc.	Sheehan Sales Associates, Inc.
Lachine, QC	Salem, MA
Jones & Vining	Tingley Rubber Corporation
Brockton, MA	South Plainfield, NJ
Majilite Corporation	Worthen Industries, Inc.
Dracut, MA	Nashua, NH

Appendix II

Harmonized System Categories

6401.10.00
6401.92.90
6401.99.10
6401.99.30
6401.99.60
6401.99.90
6402.91.10
6402.91.20
6402.91.26
6402.91.50
6402.91.80
6402.91.90
6402.99.08
6402.99.16
6402.99.19
6402.99.33
6402.99.80
6402.99.90
6404.11.90
6404.19.20

Sent: Monday, March 26, 2007 10:13 AM
To: FN-USTR-FR0704
Subject: FW: DFQF
Resubmitted comments per FR page 13142 March 20.

From: Gary Blumenthal [mailto:gblumenthal@agrilink.com]
Sent: Friday, March 09, 2007 11:50 AM
To: 'FR0704@ustr.eop.gov'
Subject: DFQF

The following comments relate to the provision of duty-free, quota-free (DFQF) market access to least-developed countries:

The general problem with DFQF is that it over-simplifies the economic development process. Trade can be an important stimulant for economic development but countries like Haiti prove that near-unfettered access to a rich market like the U.S. does not guarantee economic development. Indeed, the whole concept of DFQF and Special and Differential Treatment (S&DT) undercuts the traditional philosophical foundation of the WTO and U.S. in which the economic benefits of "trade liberalization" are maximized by removing barriers to both imports and exports.

Many developing countries rationalize the continuation of their own import protection on the basis of either protecting subsistence farming, or as an incubation process for infant industries. Neither concept is borne out by the data. The higher the percentage of farmers as a share of the total population, the lower the economic well-being of the country. And for every infant industry that is protected in its fragile state, others are denied the imported products, services and capital necessary to blossom.

U.S. policymakers likely lack the political courage to deny DFQF/S&DT to LDC's but it at least should be advising the recipients that nonreciprocal market access is self-deception and concurrently provide them with the correct intellectual recipe for economic development.

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Sent: Saturday, March 24, 2007 4:00 PM
To: FN-USTR-FR0704
Subject: Duty-Free, Quota-Free

Attachments: Bouet-Mevel-Orden IFPRI Doha Brief July 2006.pdf
Attached is an analysis I would like to submit as comment on Duty-Free, Quota-Free access to the US and other developed country markets by Least Developed Countries (LDCs). The analysis shows that LDCs gain much more from 100% free access than from free access for only 97% of tariff lines. Yet, these countries are a small part of the world economy, so there is not a large negative affect on trade sectors of the importing countries.

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July 2006

Two Opportunities to Deliver on the Doha Development Pledge

Antoine Bouët

Simon Mevel

David Orden

As of June 2006, a final agreement has eluded the parties to the Doha Development Round trade negotiations. There was little finality to the December 2005 Hong Kong Ministerial conference negotiations, even though members agreed to eliminate agricultural export subsidies by 2013 and grant least developed countries (LDCs) free access to Organization for Economic Co-operation and Development (OECD) markets for at least 97 percent of agricultural and manufacturing tariff lines by 2008. Though observers hoped an agreement on negotiation modalities would be reached by the end of April 2006, a new tentative target date has been set for the end of July.

In this brief, we evaluate the effects of a possible Doha agreement based on proposals currently on the table from the United States, the European Union, and the Group of Twenty (G20). We first begin with a basic scenario that represents a compromise between the more and less ambitious aspects of these proposals.[1] As assessed in the MIRAGE general equilibrium model of the world economy, this basic scenario yields a global income gain of $54.7 billion, or about one-fourth of the global income gains that are estimated from full trade liberalization.[2] Gains are distributed among countries in a slightly progressive manner but are largely proportional to initial income shares, so the LDCs gain only a paltry $1.0 billion.

We next consider two specific development-oriented modifications to the basic scenario. These modified scenarios demonstrate that more can be done to benefit poor countries. In the first alternative scenario, free access of LDCs to wealthy-country OECD markets is increased from 97 percent to 100 percent, as proposed by the European Union. This raises world income by an additional $14.3 billion. Nearly half of these additional gains go to the LDCs, and the increase of their income rises dramatically, to $7.0 billion.

In the second scenario, the number of sensitive and special products exempted from the agricultural tariff formula in the basic scenario is reduced from 5 percent of tariff lines to 1 percent, as proposed by the United States. This raises world income an additional $7.3 billion compared to the basic scenario. The additional gains are distributed widely among countries, and are beneficial among heterogeneous developing countries especially to those where agriculture is an important source of employment and export earnings. Though this scenario has the advantage of providing a multilateral, nonpreferential improvement to the basic scenario, gains are limited because the tariff cuts applied to nonsensitive agricultural products in the basic scenario are not very ambitious.

A Realistic Doha Scenario

To examine the potential consequences of a Doha agreement on developing countries, and the possible opportunities for strengthening its development accomplishments, we first design a basic scenario using numbers on the negotiating table (see Box 1). This trade reform was based on discussions with negotiators and other experts, and on our previous analysis of alternative levels of ambition of the Doha outcome.

For agricultural tariff reform, the basic scenario includes a compromise incorporating relatively ambitious threshold levels for tiered cuts (larger cuts for higher initial tariffs), as proposed by the G20, but with relatively unambitious reductions within each tier, as

[1] In the first brief in this Doha assessment series, we compared the net effects (in aggregate and among diverse developing countries) of an ambitious cooperative reform outcome versus one drawn from the least ambitious elements of proposals on the table. See *More or Less Ambition? Modeling the Development Impact of U.S.-EU Agricultural Proposals in the Doha Round*, December 2005. The ambitious outcome yielded average tariff reductions, increased world trade and global welfare gains more than double those from the unambitious outcome.

[2] The MIRAGE model was developed at the Centre d'Etudes Prospectives et d'Informations Internationales (CEPII) in Paris. A full description of the model is available at the CEPII web site (www.cepii.fr). A synopsis is provided in IFPRI's December 2005 assessment brief.

proposed by the EU. Tariff reductions are one-third less for middle-income countries (MICs), and caps are imposed on agricultural tariffs. The tariff reform is implemented at the level of disaggregation of the MacMap database (HS6 for products, with 148 reporting countries and 238 trade partners taken into account).[3] For specific tariffs, the formula negotiated in Geneva in 2005 for selecting reduction coefficients has been applied.[4]

Sensitive products (for developed countries) and special products (for MICs) are exempt from the agricultural tariff-reduction formula. These exemptions apply to 5 percent of agricultural tariff lines (33 lines) in the basic scenario. Only half of the tariff reduction under the tariff formula is applied to sensitive and special products, and they are not subject to tariff caps. However, to ensure minimal trade opening, the tariff-rate quotas (TRQs) for these products are expanded based on a formula proposed by the EU. Selection of sensitive and special products is based on a calculation using both tariff levels and quantities of imports in order to reflect the political economy of protective trade policy.[5] For example, sugar and rice are selected as sensitive products for the United States, the European Union, and Japan. The United States includes cheese and processed fruits and vegetables among its other products; Japan includes meats, dairy products and beans; and the European Union includes meats and cheeses, as well as bananas.

For manufactured goods, a Swiss formula is applied. The coefficient is 10 percent for developed countries. In recent discussions and forums, a 25 percent coefficient appeared plausible for MICs. Such a level does not significantly change protection in countries like Brazil and Argentina, but a 25 percent coefficient would decrease industrial protection in numerous countries such as India, Nigeria, and Morocco.

To determine products exempted by OECD countries from free access for LDCs under the Hong Kong 97 percent decision, we have used the same political economy approach as for sensitive and special products, but have applied it only to imports from LDCs. For the United States, 84 of 95 exempted products are in the wearing apparel categories, and sugar is also exempted. For Japan, rice is exempted, as are numerous fishery products, processed food, and wearing and footwear products. The European Union does not exempt products because of its Everything But Arms (EBA) initiative.

The Doha agreement will also include bindings on levels of domestic support and export subsidies. In our basic scenario, export subsidies are eliminated in 2013 as decided in Hong Kong in December 2005. However, applied levels of trade-distorting domestic support are not assumed to be reduced by the agreement on subsidy limits. LDCs do not reduce their agricultural or manufacturing tariffs, and liberalization of services trade is not modeled.

Box 1 Overview of the Basic Scenario

Tariffs

- Tariff formula for agriculture: G20 thresholds with EU reduction coefficients
- Reduction coefficients: one-third less for MICs
- *Ad valorem* equivalent of specific tariffs: calculated on the basis of the 2005 World Trade Organization (WTO) formula
- Tariff caps in agriculture: developed countries, 150 percent; MICs, 300 percent
- Five percent of agricultural tariff lines exempted as sensitive and special products
- Sensitive and special products: 50 percent less tariff reduction and no caps, but tariff-rate quotas (TRQs) increased according to the European formula
- Swiss formula cuts for manufacturing tariffs: developed-country coefficient, 10 percent; MIC coefficient, 25 percent
- LDCs do not cut their own agricultural or manufacturing tariffs
- Liberalization in services not included
- Free access for LDCs to OECD markets in 2008, with 3 percent of tariff lines exempted
- Tariff reform implemented in 5 years for developed countries, 10 years for MICs

Domestic Support

- Applied domestic support levels are not cut

Export Subsidies

- Eliminated in 2013

Impact of the Basic Scenario on Protection and Market Access

Our model includes 39 countries or aggregated regions, of which 6 are developed countries/regions, 24 are MICs, and 9 are low-income (consisting of LDCs and two regions, Developing Asia and Rest of Sub-Saharan Africa, that include a mix of LDCs and MICs). Eighteen sectors are modeled, of which 10 are agricultural.[6]

[3] A full description of MacMap is available at the CEPII web site.

[4] This formula was negotiated to resolve differences in views regarding what prices would be utilized to assess the *ad valorem* (percentage) equivalent of the specific tariffs.

[5] The formula was proposed by S. Jean, D. Laborde, and W. Martin in *Trade Reform and the Doha Agenda* (K. Anderson and W. Martin, editors), World Bank, 2005.

[6] The modeling utilizes the Global Trade Analysis Project (GTAP) 6.1 database, which provides benchmark information for 2001. Before running the basic scenario, liberalization occurring from 2001 to 2006 was taken into account: end of the Uruguay Round, Chinese accession to the WTO, enlargement of the EU, implementation of the African Growth Opportunities Act (AGOA) and the EBA initiative. Full description of the GTAP is available at the GTAP (www.gtap.agecon.purdue.edu) web site. The specification of the MIRAGE model utilized in this analysis is similar to but differs in a few specifics from the one described generally in the earlier brief; additional details are available on request.

The impacts of the basic scenario on protection and market access are shown in Table 1. The two first columns indicate the average tariff applied by each country or region in 2005 and 2015, followed by the reduction of the tariff levels and the rates of reduction. The next four columns provide this information about the average tariff faced by each country/region's exports.

The basic trade reform does not modify the degree of protection for a number of developing countries for several reasons: for example, for Chile, due to the binding overhang phenomenon (tariffs bound well above the applied levels), or for countries receiving special and differentiated treatment (LDCs do not lower their tariffs), or because the country does not have any commitment (Vietnam is not a WTO member). The numerical reduction of tariffs is higher for MICs than for developed countries, but the reductions are proportionally higher for developed countries, except for India, Malaysia, Thailand, Turkey, and Nigeria. The Developing Asia and the Rest of Sub-Saharan Africa regions show reduced tariffs on imports because of the MICs within these regions.

Gains in market access, measured by the rate of reduction on average tariffs faced by exports, are particularly high for Malawi, are significant for Zimbabwe, Rest of Developing Asia, Bangladesh, Pakistan, Uruguay, Brazil, Turkey, Vietnam, Thailand, and Rest of Latin America, and are close to zero in the case of Nigeria, Mexico, Venezuela, and Rest of Middle East and North Africa. The gains are larger, but remain comparatively small for Malaysia, Peru, the Philippines, and the Rest of Sub-Saharan Africa. Overall, the reform as measured by rates of tariff reduction benefits MICs and low-income countries in terms of market access. MICs lower their own tariffs an average of 19.1 percent, but tariffs on their exports fall by 25.3 percent. The tariffs of low-income countries/regions fall by an average of 10.3 percent, while tariffs on their exports fall by 32.5 percent.

Table 2 illustrates tariff reductions from a sectoral perspective. World protection across the agricultural and manufacturing sectors declines from an average of 5.6 percent to 4.3 percent. The decrease is one-fourth of the decline (to zero protection) that would occur with full liberalization. But agricultural protection is cut by only 18.7 percent while industrial tariffs decline by 26.3 percent. The lesser rate of reduction of agricultural tariffs is due to the relatively unambitious agricultural tariff formula in the basic scenario and to exemptions allowed to the formula. The rates of tariff reduction for all agricultural products except live animals are less than the average rate of reduction for industry. Sugar and rice are initially the most protected products, but avoid a very large cut in protection.

Impact of the Basic Scenario on Real Income

The basic scenario produces a world income gain of $54.7 billion by 2020. This represents a 0.13 percent augmentation of real world income, which is about one-quarter of the gains estimated from full trade liberalization.[7] The distribution of gains is somewhat progressive but is largely proportional to initial shares of world income, as shown in the top rows of Table 3. Developed countries initially account for 80.0 percent of world income and obtain 58.5 percent of the gains. The most progressive result is for MICs: they account for 18.7 percent of initial income but obtain 39.6 percent of the gain. Low-income countries obtain a paltry gain of just $1.03 billion.

Among LDCs, the trade reform proves very positive only for Malawi, but is slightly negative for the Rest of Sub-Saharan Africa, Mozambique, Madagascar, and Zambia (separate country results are not shown in the tables). Limited LDC gains are not surprising because LDCs do not reform their own trade policies, the basic scenario modeled is not very ambitious, and free access to the OECD markets is restricted. For MICs, the basic trade reform is systematically positive except for Venezuela, Mexico, and the Rest of the World (due to a deterioration of their terms of trade). Argentina and Brazil gain 0.17 percent and 0.13 percent of their real incomes, or $0.7 billion and $0.9 billion, respectively. Larger gains are attained by China (0.25 percent of income, $6.0 billion) and India (0.3 percent of income, $2.8 billion). Gains are also substantial for Indonesia, Malaysia, Thailand, and Turkey.

Free LDC Access: From 97 Percent to 100 Percent

To consider a more development-oriented outcome, we evaluate an extension of the free access of LDCs to OECD markets, while retaining all other assumptions of the basic scenario. With full free access, LDCs are granted a substantial preference in OECD markets relative to the limited ambition of the multilateral tariff reductions, especially for agriculture. Conversely, without full free access, LDCs face some erosion of their existing preferences and greater competition as exporters due to the limited multilateral tariff cuts.

The effect on LDCs of extending their free access to OECD markets from 97 percent to 100 percent is quite dramatic, as shown in the middle rows of Table 3. World welfare gains increase by 26 percent compared to the basic scenario, from $54.7 billion to $69.0 billion in 2020. Of the additional income gains, nearly 50 percent goes to LDCs. Their total gain jumps to $7.0 billion, and all of the low-income countries/regions benefit, compared to only five in the basic scenario. The LDC gains come from improved terms of trade and expanded export volumes. The increased volume of exports is shown in Table 4. Three examples illustrate the benefits:

- For Bangladesh, real income increases by $1.2 billion more than in the basic scenario, a 1.6 percent increase instead of a low 0.2 percent. Textiles and apparel represent about 70 percent of initial Bangladesh exports. Textiles exports to the United States increase by 55.8 percent instead of 34.8 percent, while apparel exports increase by 31.6 percent instead of 15.4 percent.
- For Developing Asia, real income increases by $3.1 billion more than in the basic scenario, a 1.4 percent increase instead of 0.3 percent. Exports of rice to Developed Asia expand by a multiple of 674 (from a low initial base) with full free access instead of fourfold in the basic scenario.

[7] This is a level similar to the unambitious scenario modeled in our earlier analysis.

Table 1 Impact of the Basic Scenario on Applied Protection and Market Access

Country/Region	Tariffs Applied on Imports				Tariffs Faced by Exports			
	2005	2015	Reduction	Rate of Reduction	2005	2015	Reduction	Rate of Reduction
	(percent)		(percent)		(percent)		(percent)	
High-income countries								
Australia/New Zealand	4.7	2.8	–1.9	–40.2	10.2	7.8	–2.4	–23.7
Canada	3.4	2.3	–1.1	–31.6	4.1	2.8	–1.3	–31.6
Developed Asia	4.3	3.6	–0.7	–16.6	5.9	4.5	–1.5	–24.6
European Union	3.3	2.0	–1.2	–37.4	6.2	4.8	–1.4	–22.5
Rest of OECD	4.8	3.5	–1.3	–27.0	2.6	2.0	–0.6	–23.0
United States	2.3	1.4	–0.9	–40.4	5.7	4.5	–1.2	–21.8
	3.3	2.3	–1.0	–31.0	5.8	4.4	–1.4	–23.5
Middle-income countries								
Argentina	12.6	10.8	–1.8	–14.0	13.5	11.6	–1.9	–13.8
Brazil	11.8	9.9	–1.9	–15.9	11.1	8.7	–2.4	–21.5
Chile	6.9	6.9	0.0	0.0	5.3	4.3	–1.0	–19.1
China	14.1	13.9	–0.2	–1.2	5.7	3.6	–2.2	–37.8
India	33.5	18.3	–15.2	–45.3	7.4	5.5	–1.9	–25.3
Indonesia	5.7	4.8	–0.9	–15.5	5.8	4.4	–1.4	–24.3
Latin America	8.2	7.5	–0.7	–8.5	9.8	7.7	–2.1	–21.6
Malaysia	11.9	5.7	–6.2	–52.2	3.9	3.2	–0.7	–18.0
Mexico	11.0	8.8	–2.3	–20.7	2.4	1.9	–0.4	–18.3
Morocco	20.8	12.2	–8.6	–41.3	5.2	3.4	–1.8	–34.5
Nigeria	25.8	17.8	–8.0	–30.9	2.5	2.4	–0.1	–5.4
Pakistan	18.3	13.4	–4.9	–27.0	8.1	5.7	–2.4	–29.3
Peru	12.7	12.4	–0.4	–3.1	4.2	3.3	–0.9	–22.0
Philippines	4.8	4.4	–0.4	–7.7	2.9	2.1	–0.7	–24.9
Rest of Middle/East and North Africa	9.2	7.5	–1.7	–18.3	2.4	2.0	–0.4	–16.8
Rest of the world	9.7	9.3	–0.4	–4.4	4.8	3.8	–1.0	–20.1
South African Customs Union	8.3	6.0	–2.4	–28.3	6.5	4.9	–1.6	–24.9
Thailand	12.6	8.2	–4.4	–34.9	8.2	6.2	–2.0	–23.9
Tunisia	20.1	13.3	–6.9	–34.1	5.6	3.7	–1.9	–33.7
Turkey	6.0	5.2	–0.8	–14.0	7.1	4.9	–2.3	–31.9
Uruguay	10.7	9.0	–1.7	–15.5	16.0	13.6	–2.4	–15.2
Venezuela	11.2	9.9	–1.3	–11.4	2.6	2.3	–0.3	–10.0
Vietnam	14.4	14.4	0.0	0.0	7.1	4.8	–2.3	–32.5
Zimbabwe	15.8	11.7	–4.1	–26.1	14.2	11.1	–3.1	–21.9
	12.0	9.7	–2.3	–19.1	5.2	3.9	–1.3	–25.3
Low-income countries								
Bangladesh	16.9	16.9	0.0	0.0	5.0	2.4	–2.6	–52.8
Developing Asia	9.1	8.3	–0.9	–9.4	7.8	4.7	–3.0	–38.9
Madagascar	4.4	4.4	0.0	0.0	3.1	1.7	–1.4	–45.0
Malawi	11.4	11.4	0.0	0.0	19.8	11.4	–8.5	–42.7
Mozambique	9.9	9.9	0.0	0.0	5.4	3.5	–1.9	–35.0
Rest of Sub-Saharan Africa	14.5	12.3	–2.2	–15.3	4.3	3.4	–0.9	–21.1
Tanzania	14.2	14.2	0.0	0.0	8.3	6.3	–2.0	–24.5
Uganda	8.1	8.1	0.0	0.0	7.1	5.4	–1.7	–24.2
Zambia	11.8	11.8	0.0	0.0	4.9	3.0	–1.9	–38.5
	12.9	11.6	–1.3	–10.3	5.6	3.8	–1.8	–32.5

Source: MacMap-HS6 and authors' calculations.

Table 2 Impact of the Basic Scenario on Average World Tariffs by Sector

	2005 Tariff Rate	2015 Tariff Rate	Reduction 2005–2015	Rate of Reduction
	(percent)	(percent)	(percent)	(percent)
World	5.6	4.3	–1.4	–24.1
Agri-food	18.2	14.8	–3.4	–18.7
Animal products and wool	6.3	4.7	–1.6	–25.9
Cattle, sheep, goats, horses	17.3	10.1	–7.2	–41.8
Plant-based fibers	2.3	2.2	–0.1	–2.5
Sugar	52.4	42.6	–9.8	–18.7
Vegetables and fruits	14.8	12.3	–2.5	–17.0
Wheat	16.1	15.3	–0.8	–5.2
Other agricultural products	17.0	14.4	–2.7	–15.6
Raw milk and dairy products	35.7	28.9	–6.8	–19.2
Paddy and processed rice	68.5	56.3	–12.2	–17.8
Other food products	16.1	12.9	–3.2	–19.9
Primary products (including forestry and fishing)	1.4	1.2	–0.2	–16.3
Industry	4.9	3.6	–1.3	–26.3
Wearing apparel and leather products	10.6	5.5	–5.1	–47.9
Textiles	10.6	7.0	–3.6	–34.3
Chemical, mineral, and metal products	4.8	3.7	–1.1	–22.8
Vehicle equipment	4.2	3.3	–0.9	–21.6
Other manufactured products	3.3	2.5	–0.9	–26.3

Source: MacMap-HS6 and authors' calculations.

- For Malawi, real income increases by $0.1 billion more than in the basic scenario, a 6.7 percent increase instead of 2.7 percent. This is caused primarily by expanded exports of Other Agricultural Products toward OECD markets.

For Developed Asia, the impact of full free LDC access on domestic rice production in Japan, South Korea, and Taiwan is substantial. Production falls by 32.3 percent compared to a decline of just 3.9 percent if exemptions are allowed. For two other sensitive sectors, textiles and apparel in the United States, the impact is much smaller. U.S. production of apparel declines by 8.74 percent with full free access compared to 8.72 percent with exemptions. Similarly, for the textile industry, the decrease is 6.07 percent instead of 6.06 percent.

Fewer Sensitive and Special Products: From 5 Percent Exemption to 1 Percent

As an alternative to providing 100 percent OECD free market access to LDCs, we model a reduction of the number of sensitive and special products from 5 percent of agricultural tariff lines to 1 percent, while retaining the other assumptions of the basic scenario (including 97 percent free LDC access). This multilateral strengthening of the trade reform leads to a world income gain of $62.0 billion, an increase of $7.3 billion compared to the basic scenario. As shown in the bottom rows of Table 3, the additional income gains are broadly distributed, with the largest gains going to the developed countries because they have made additional reforms to their own policies. Australia/New Zealand benefits from terms-of-trade gains due to better access to foreign agricultural markets. Developed Asia and Rest of OECD experience increased allocation efficiency gains. Global gains are constrained by the retention of 1 percent of highly protected products as sensitive or special.[8]

Seven MICs also benefit from additional income gains: Thailand, Vietnam, Uruguay, Morocco, Tunisia, the South African Customs Union (SACU), and Zimbabwe. Restricting the number of special and sensitive products has a positive impact on the exports of these seven countries: rice in the case of Thailand, Vietnam, and Uruguay; vegetable and fruit for Morocco and

[8] Eliminating all exemptions for special and sensitive products results in a global income gain of $95.1 billion (a gain of $40.4 billion compared to the basic scenario), with $2.7 billion going to low-income countries. This reform goes beyond proposals currently under consideration in the Doha Round. The model results are available on request.

Tunisia; other food products for all of these countries except Morocco; milk for Uruguay; and wheat for the SACU.

Conclusion

The model results presented in this brief demonstrate that there are modest market access and global income gains from a plausible but not very ambitious Doha basic scenario. MICs benefit from a relatively greater rate of reduction of tariffs faced by their exports compared to tariff cuts on their imports. The MICs achieve income gains that are more than proportional to their initial share of world income. LDCs also benefit from reductions to the tariffs on their exports, but receive only $1.03 billion of income gain in the basic scenario.

Two development-oriented alternatives demonstrate that more can be accomplished in the Doha Round if there is the political will. First, granting LDCs 100 percent free access to OECD markets specifically targets the poorest countries, addresses both agricultural and manufacturing trade, and brings tariffs to zero for these countries and products. This reform dramatically increases LDC income gains as their terms of trade improve and exports expand. This reform has been proposed by the EU.

Second, limiting the number of sensitive and special products to 1 percent of agricultural tariff lines provides broad-based gains compared to the basic scenario. This reform has the advantage of being a multilateral step toward lower trade barriers. The gains from this reform are widespread but are limited because only agricultural products are affected, tariffs fall just to the relatively unambitious levels of the basic scenario, and a number of products remain highly protected under the remaining 1 percent exemptions. This reform has been proposed by the United States.

Developed countries could provide strategic leadership in bringing the Doha Round to closure by offering these two development-oriented and pro-trade measures.

Table 3 Distribution of Income Gains from Basic Scenario and Development-oriented Reforms

	Developed Countries	Middle-Income Countries	Low-Income Countries
Initial share in real world income (%)	80.0	18.7	1.2
Basic scenario			
Real income gain (billion US$)	31.98	21.66	1.03
Share of real income gain (%)	58.5	39.6	1.9
Free LDC access to OECD			
Real income gain (billion US$)	38.92	23.08	7.01
Share of real income gain (%)	56.4	33.4	10.2
Fewer sensitive/special products			
Real income gain (billion US$)	38.28	22.57	1.11
Share of real income gain (%)	61.8	36.4	1.8

Source: Authors' calculations.

Table 4 LDC Export Volume Increase (percent)

	Export Volume	
Country/Region	Basic Scenario	Free LDC Access to OECD
	(percent)	
Bangladesh	2.4	13.5
Developing Asia	5.6	16.0
Madagascar	–4.9	0.7
Malawi	3.2	15.0
Mozambique	–0.7	1.3
Rest of Sub-Saharan Africa	2.7	6.0
Tanzania	0.5	3.2
Uganda	0.4	1.0
Zambia	–0.3	1.8

Source: MacMap-HS6 and authors' calculations.

This brief was presented at a seminar of the German Marshall Fund of the United States, June 8, 2006, Washington, D.C. Antoine Bouët (a.bouet@cgiar.org) and David Orden (d.orden@cgiar.org) are senior research fellows, and Simon Mevel (s.mevel@cgiar.org) is a senior research assistant, at the International Food Policy Research Institute, Washington, D.C.

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Sent: Friday, March 23, 2007 5:31 PM
To: FN-USTR-FR0704
Subject: Requested response
To: Gloria Blue
From: James F. Marquart, ITAC 4

In response to the e-mail concerning LDC's, the U. S. jewelry industry supports global harmonized trade tariffs and the elimination of all global non-tariff trade barriers. The United States global trade deficit threatens our economy and is a significant factor in our inability to balance the U.S. budget. Harmonized trade tariffs will allow least developed countries the opportunity for their citizens to be exposed to products from all over the world. Many economists believe this can be a significant stimulus to enhance development and will have little negative economic impact on a LDC's economy. Free Trade Agreements should also be Fair Trade Agreements and harmonized trade tariffs levels the global trade playing field. Our industry believes this policy should be the basis for all bi-lateral and multi-lateral trade agreements.

Jim Marquart