

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Communication from the United States

The following communication, dated 3 December 2002, has been received from the Permanent Mission of the United States.

1. Introduction

1. The United States is pleased to contribute to the debate on the modalities for non-agricultural market access as envisioned by ministers at Doha. Market access is at the core of these negotiations. The U.S. proposal aims to ensure that market access opportunities are created for all Members and that all Members participate in the liberalisation process. Our approach aims to reduce and eliminate barriers to trade in industrial goods and complements the U.S. proposals already tabled in agriculture and services. We look forward to working with other WTO Members to reach agreement on modalities by the deadlines agreed.

2. In brief, the U.S. approach envisions Members agreeing on a long-term course for non-agricultural goods that will lead to the elimination of duties by 2015. The parameters of the U.S. proposal are:

- A comprehensive approach, with no exclusions
- An initial phase of tariff elimination, reduction and harmonization
- A second phase eliminating all remaining tariffs
- Participation by all WTO Members
- Addressing non-tariff barriers on a parallel track

2. Discussion: The Situation in Global Non-Agricultural Trade

3. The growth of international commerce, the increase in regional trade arrangements and the expansion of the WTO's membership since the end of the Uruguay Round have created new challenges and considerations for WTO Members. The Doha Development Agenda provides Members the opportunity to keep the WTO in the forefront of international trade by multilateralizing the liberalisation that is already taking place regionally and concluding the work on non-agricultural tariffs that began in the GATT over fifty years ago.

4. *We have more work to do:* Non-agricultural (industrial) tariffs have been considered the principal barrier to market access since the creation of the GATT in 1947, when they were the sole subject of early trade rounds. Nevertheless, after seven rounds Members continue to face tariffs, some of which are outright prohibitive and most of which create economic inefficiencies.

5. *Regional Trade Agreements are significantly liberalising global trade:* During this same period of time, more and more WTO Members have negotiated regional free trade agreements (RTAs). There are 200 RTAs in existence today. Most of them have been negotiated in just the past ten years. The WTO Secretariat estimates that 55 percent of global trade is conducted on a duty free basis but only six percent of trade is bound duty free within the WTO. Members have the opportunity to build upon these RTAs by consolidating and expanding the liberalisation already undertaken.

6. *Liberalisation has led to growth:* Global trade has increased by 41 percent since implementation of the Uruguay Round. In the United States, the value of trade (exports and imports) has grown by 56 percent since 1994, and U.S. imports from developing countries have grown at a faster rate than imports from developed country partners. Research done by the World Bank¹ demonstrates income per capita in developing countries that globalized grew more than three times faster than in other developing countries in the 1990s. Further trade liberalisation by all Members, therefore, is the most effective path to expanding development.

7. *The United States is ready to negotiate:* In July 2002, the United States Congress granted the Administration Trade Promotion Authority (TPA), which directs the administration “to obtain more open, equitable, and reciprocal market access” through the reduction or elimination of tariff and non-tariff barriers. TPA also establishes as objectives for U.S. negotiators: broader participation in the sectoral initiatives negotiated during the Uruguay Round; the elimination of tariffs and non-tariff barriers on environmental technologies and goods; and, “with respect to textile and apparel articles to obtain competitive opportunities for United States exports of textiles and apparel in foreign markets substantially equivalent to the competitive opportunities afforded foreign exports in the United States...” It is also important to note that TPA excludes no product from tariff negotiations. This authority gives the United States the ability to fully address all aspects of the Doha mandate for non-agricultural market access negotiations.

3. Details of the U.S. Modalities Proposal

8. Based on these factors, the United States is convinced that now is the time for all WTO Members to take charge and agree to eliminate all tariffs on all non-agricultural products by 2015. As a first step, the United States proposes a five year period (2005 to 2010) in which Members eliminate, or reduce and harmonize tariff levels. The second step would lead to the elimination of all remaining tariffs by 2015 over another five year period. The specific methodology would be carried out as follows:

Phase One (2005 to 2010):

- Elimination by 2010 of tariffs on all products with tariffs at or below five percent *ad valorem*.
- For all other tariffs above 5 percent, application of a harmonizing Swiss Formula with a coefficient of eight².

¹David Dollar and Aart Kraay, “Trade, Growth and Poverty,” Development Research Group, World Bank, March 2001.

² $T1=(T0*a)/(T0+a)$, where T1 = new tariff, T0 = current tariff, and a = 8

- As soon as possible but no later than 2010, elimination of tariffs in the Uruguay Round zero-for-zero sectors³, in addition to tariffs covered by the Information Technology Agreement (ITA) and the Agreement on Trade in Civil Aircraft (ATCA).
- As soon as possible but no later than 2010, elimination of tariffs in the following additional sectors and others, as agreed by Members: wood products, non-ferrous metals, bicycle parts, certain chemicals and allied products including soda ash and photographic film, electronics, fish and fishery products, scientific equipment, and environmental goods.

Phase Two (2010 to 2015):

- Complete elimination of remaining tariffs by 2015 through linear cuts.

9. The United States considers this a comprehensive approach that is based on the participation of all WTO Members. Reductions should be based on applied rates as of January 1, 2000 or Uruguay Round final bound levels, whichever are lower. Finally, Members should bind all tariff lines and should maximize the use of *ad valorem* rates.

Non-Tariff Barriers

10. Simultaneously, as part of these negotiations, Members must work to eliminate non-tariff barriers, in parallel with tariff commitments. The benefits of tariff elimination should not be undermined by existing non-tariff barriers (NTBs) or the creation of new NTBs, including market distorting government measures that undermine tariff concessions. The United States intends to offer more specific details on methods to manage and address NTBs. We welcome the comments and suggestions of all WTO Members on how to address NTBs within the scope of the non-agricultural market access negotiation.

11. The GATT/WTO has a long history of recognising the importance of barriers behind the border in market access negotiations. Creation of the various non-tariff agreements in the Tokyo Round was an important first step, and the results of the Uruguay Round reflected the broad interest to all Members in the benefits of these Agreements. Accordingly, as delegations consider our proposal, we want to underscore that the United States envisions concurrent action on individual specific non-tariff barriers that could undermine the value of the tariff reductions resulting from modalities. We are consulting carefully with our stakeholders to ensure that we can identify the specific issues and NTBs of concern and expect that others will take similar steps.

4. Benefits to Developing Country Members

12. The world-wide elimination of tariffs will significantly benefit developing country Members, particularly for non-agricultural products, which account for 89 percent of exports from developing countries. Quantitative estimates by the World Bank indicate the large majority of the global annual income gain (\$500 billion) from the total elimination of industrial tariffs would go to middle- and low-income countries. In addition, the World Bank estimates that more than 300 million people could be lifted out of poverty through the elimination of barriers on goods and services. Since approximately 70 percent of remaining tariff barriers are among developing countries, roughly three-quarters of these gains will result from elimination of tariff barriers by low- and middle-income countries themselves.

³ including: agricultural equipment, construction equipment, furniture, medical equipment, paper, pharmaceuticals, steel, and toys. The following agriculture sectors also were negotiated: beer and distilled spirits.

13. The U.S. proposal offers developing countries a clear and simple approach to tariff elimination, with no exclusions. It also significantly liberalises access to developed Member markets up front, during the first phase, by reducing all tariff peaks to levels no higher than eight percent by 2010. This includes many products of interest to developing countries. The effect of this formula will cut U.S. tariffs by as much as 85 percent in five years.

14. However, the United States recognises that many developing countries' trade interests go well beyond traditional, labour intensive products, and that these Members are working to diversify their industrial exports. Around 70 percent of tariffs in developed country markets fall at or below five percent *ad valorem*. In the United States, tariffs at or below five percent account for 68 percent of the U.S. non-agricultural tariff schedule and 84 percent of total non-agricultural imports; 76 percent of developing country exports to the United States face a duty of five percent or less. Therefore, the United States also proposes to eliminate low duties in the first phase of its tariff elimination scheme.

5. Special and Differential Treatment

15. Effective participation of developing country Members in the negotiations and their results will be essential to the overall success of the Doha agenda. It is with this expectation in mind that the United States proposes agreement to modalities that will have a lasting impact on the trading system. The United States also recognises the provisions in the Doha mandate regarding special and differential treatment. As a first step in the negotiations, Members should secure agreement on the modalities and a common vision for the result of our negotiation. Once achieved, WTO Members should turn to more precise and customised approaches to ensure participation by individual developing countries, particularly the least-developed country Members, consistent with their individual development needs.

6. Conclusion

16. Total tariff elimination will stimulate trade, create jobs and reduce costs to consumers in all countries. The U.S. proposal is a comprehensive and systematic approach to eliminating tariffs that will consider individual development needs and differentiates between highly traded products and sectors that are ripe for tariff elimination and those that will need more time. With this proposal WTO Members have the opportunity to conclude the industrial tariff negotiations that began in 1947 and to make a significant contribution to the overall success of the Doha Development Agenda.
