



Trade Facts

From the Office of the United States Trade Representative
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www.ustr.gov

United States Proposes A Tariff-Free World

The U.S. Proposal

Zero tariffs on all consumer and industrial products in all WTO members by 2015.

Together with an earlier U.S. proposal to eliminate tariffs on agriculture, the United States is proposing that nearly \$6 trillion in world goods trade become duty-free.

Phase One, 2005-2010 – Cut and Harmonize

- 1. Eliminate all tariffs of 5% or less by 2010.**
 - *More than three-quarters of imports to the United States, Europe, and Japan would be duty-free, helping exporters in both developed and developing nations.*
- 2. Eliminate tariffs on highly-traded goods by 2010.**
 - *Continues WTO tradition of eliminating tariffs in key industry sectors.*
 - *Seek zero tariffs in key sectors as soon as possible, but no later than 2010.*
 - *Highly-traded goods account for 60% of U.S. goods exports.*
- 3. Use “the tariff equalizer” – a formula that cuts all remaining duties to less than 8% by 2010.**
 - *Tariffs not eliminated by steps 1 or 2 would be subject to the “equalizer” formula.*
 - *The highest tariffs would be cut at the fastest rate.*
 - *Example: a 40% tariff is cut to 6.7% by 2010. A 7% tariff is cut to 3.7%.*
 - *Improves access to markets in both developed and developing countries.*

Phase Two, 2010-2015 – All Together To Zero

- 1. Cut remaining tariffs to zero between 2010-2015.**
 - *With tariffs equalized at rates of less than 8%, make equal annual cuts to zero.*

A parallel process will identify and eliminate non-tariff trade barriers.

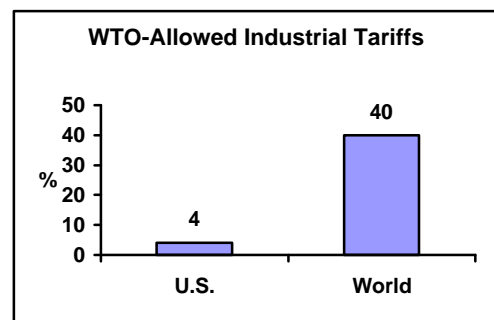
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Benefits for American Consumers and Families

- **Every corner store in America would become a duty-free shop for working families.**
 - *Americans would save \$18 billion annually in import taxes collected on everyday household items.*
- **A tax cut that helps low-income, single-parent families the most.**
 - *According to the Progressive Policy Institute, low-income, single-parent families pay a higher percentage of their income on import taxes than all other families.*
- **Average family of 4 would gain \$1,600 per year.**
 - *Households would see higher income from both an overall increase in national income as well as the elimination of import taxes.*

Benefits for American Economy, Workers and Businesses

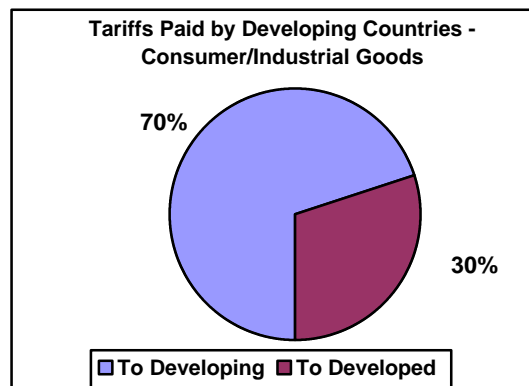
- **U.S. economy could expand by \$95 billion.**
 - *According to a University of Michigan study, U.S. national income would increase \$95 billion (0.74% of GDP) from the elimination of tariffs on consumer and industrial products.*
- **Significant growth in U.S. exports.**
 - *U.S. exports of consumer & industrial goods are more than \$670 billion per year.*
 - *A University of Michigan study indicates that eliminating tariffs could increase such exports by \$83 billion annually.*
 - *U.S. exports support more than 12 million jobs, and jobs supported by goods exports pay wages 13-18% higher than the U.S. average wage.*
- **Levels the playing field for American workers and companies.**
 - *America's tariffs are already among the lowest in the world, averaging only 4% under WTO rules compared to a WTO-allowed average of 40% in foreign countries. U.S. proposal would rapidly reduce high foreign tariffs.*
- **In key U.S. export sectors, seeks quick movement to zero tariffs.**
 - *Highly-traded sectors represent 60% of all U.S. goods exports.*



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Benefits for the World's Poor

- **The elimination of trade barriers on all goods and services could lift more than 300 million people out of poverty, according to the World Bank.**
 - *The U.S. proposal is a significant step toward this goal.*
- **Developing countries win big in a tariff-free world.**
 - *The greatest benefits to developing countries would come from liberalization of trade with each other.*
 - *According to the World Bank, developing countries could see income gains of more than \$500 billion from duty-free trade.*
 - *Three-quarters of this gain would come from liberalized “South-South” trade.*



Source: The World Bank

- **U.S. proposal responds to developing country needs.**
 - *Industrial goods make up 89% of developing country exports.*
 - *Proposal is comprehensive, clear and simple – nothing is excluded.*
 - *Elimination of low tariffs offers early and significant benefits. 76% of all developing countries' exports to the U.S. would be MFN zero by 2010.*
 - *Proposal eliminates tariff “peaks” and tariff escalation.*

Benefits for the World Economy

- **Nearly \$6 trillion in world trade becomes duty-free.**
 - *In July 2002, the U.S. proposed eventual zero tariffs on all agricultural goods.*
 - *Now the U.S. completes the picture by seeking zero tariffs on all other goods.*
 - *The U.S. proposal would cap more than 50 years of tariff-cutting work in the WTO and the General Agreement on Tariffs and Trade.*
- **The World Bank estimates that removing all barriers to goods trade would expand the global economy by \$830 billion by 2015.**
 - *This is \$136 for every person in the world, or a 2.5% increase in world per capita income.*
- **WTO must set the world standard for duty-free trade.**
 - *About half of global goods trade is already duty-free under more than 200 regional or bilateral free-trade arrangements.*
 - *The WTO should seek to establish non-preferential, global duty-free trade.*