

# WORLD TRADE ORGANIZATION

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Negotiating Group on Market Access

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## MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

### Contribution from Norway

The following communication, dated 3 September 2002, has been received from the Permanent Mission of Norway.

#### **Introduction**

1. On market access for non-agricultural products, Ministers at Doha agreed (Paragraph 16) on an ambitious mandate to negotiate tariffs and non-tariff barriers to the benefit of all members. Norway attaches high importance to this part of the Doha Development Agenda. The Negotiating Group on Market Access needs without delay to flesh out the mandate given by ministers and develop modalities for the negotiations, as an integral part of the single undertaking of the Doha Development Agenda.

2. In this note, Norway discusses some of the issues that the mandate on market access for non-agricultural products raises, and some elements that need to be addressed for members to reach a common understanding of the main objectives for the market access negotiations. On that basis, some general points are made on how the modalities for addressing tariff barriers should be structured in order to achieve these objectives. How to address non-tariff barriers is not covered by this paper, but will be dealt with separately.

#### **1. Comprehensive and substantial tariff reductions**

3. Tariff levels of all Members, in particular developed ones, have been substantially reduced through eight previous rounds of multilateral trade negotiations in the GATT/WTO. Tariffs do, however, still remain important impediments to trade on a broad range of non-agricultural exports in all parts of the world.

4. The Doha Mandate for market access is more ambitious than the mandates of previous rounds, and should lead to an overall bound level of reductions well in excess of the reductions achieved in the Uruguay Round through reduction and elimination of tariff and non-tariff barriers.

To ensure comprehensive product coverage without *a priori* exclusions, the modalities need to include tariff reductions across-the-board for all non-agricultural products, without excluding any sector or group of products from the initial offers. This would best be ensured through a formula approach, which works across all tariff lines.

To fulfil our ambitious mandate, such a formula must include a high minimum rate of reduction, so as to ensure that all tariffs are substantially reduced through the implementation of the formula.

## **2. Peak tariffs and tariff escalations.**

5. Previous negotiations have, in many countries, left out, or only modestly reduced, tariffs in particularly sensitive sectors. The result is an unbalanced tariff – structure in many countries, of generally modest average tariffs, but with higher tariffs on finished products and peaks, i.e. over 15%, in historically sensitive and now often inefficient sectors. This structure has made it difficult, sometimes impossible, for producers of raw materials and intermediate products to develop value – added production on the basis of their comparative advantages of ample raw materials.

6. The Doha Mandate recognises this situation, and therefore, specifically gives priority to reducing or eliminating peak tariffs, high tariffs, and tariff escalation.

To achieve these goals, the modalities should set a maximum tariff rate and generally reduce high tariffs more than lower ones. This means that the formula needs to include an element of tariff harmonisation, and be supplemented by a “ceiling” for all tariffs.

## **3. Tariff elimination**

7. The mandate from Doha calls for elimination of tariffs where appropriate. These negotiations should therefore explore ways of achieving a significant increase in the number of duty-free non-agricultural products. In parallel with the lowering of tariffs on a MFN- basis through consecutive rounds of GATT/WTO negotiations, a growing number of WTO members have entered into regional arrangements of differing nature. Nearly all such arrangements have a common central feature of tariff elimination on major parts of their intra-regional trade. In particular in OECD-countries, as a result, most industries are exposed to duty –free competition from competitors situated in other developed countries in their own region, as well as from a number of developing countries, in particular LDCs. National industries would therefore already have had to make the adjustments necessary to cope with this situation. A logical next step would be to extend the opportunity for duty-free competition to competitors world-wide through duty elimination on a MFN-basis.

8. In previous rounds, in particular in the Uruguay Round, tariff elimination has generally been achieved through sector agreements based on a zero-for-zero approach at a multilateral or plurilateral level. This might be a supplementary method also in this round for sectors where a critical mass (normally representing a minimum of 80 % of world trade) can be established. However, such an approach should not lead to an unbalanced result favouring major trading partners.

9. Tariff eliminations as a basic element in a formula approach applied across-the-board in order to ensure a balanced result has not been utilised in previous negotiations. At this stage, we have no definite proposal on how to include such an element in a formula approach, but would be interested in exploring alternatives. One possibility would be to introduce a minimum tariff rate under which rates are set at zero. Another might be to supplement the formula with a proportion of trade (or tariff lines) governed by WTO rules that should meet zero tariffs. The goal should be the elimination of tariffs on most non-agricultural products at least in OECD-countries.

The modalities for the negotiations should include an element that secures tariff elimination on an across-the-board basis as a supplement to a formula. In addition, supplementary sector agreements based on a zero-for-zero approach might be envisaged where a critical mass can be established.

10. Previous rounds of tariff negotiations have, through substantial reductions often by the application of a formula type approach to the negotiations on tariffs, led to a large number of very low tariff rates, particularly in industrial countries. Through this process, a number of industries no longer receive significant tariff protection, whereas exporters still face burdensome tariffs. Such tariffs can cost more in terms of resources for collection and other administrative procedures than they bring in revenue for the government concerned. An effort should this time be made to eliminate such “nuisance” tariffs.

To eliminate “nuisance” tariffs, the formula should be supplemented with a “floor”; where the calculations using the formula results in all rates below the “floor” be set at zero.

#### **4. Autonomous tariff reductions**

11. Many WTO members have since the Uruguay Round taken significant steps to open up their economies to outside competition, including through autonomously lowering tariffs on a wide range of products. Mainly, this has been to improve the efficiency of their own economies as part of programs of broader structural changes. However, it has had the important side – effect of improving market access for outside traders. The unbound nature of the resulting tariff rates on the other hand limits the value of these liberalisation efforts.

The modalities need to include ways to acknowledge autonomous tariff reductions representing significant steps towards liberalising international trade, to the extent that members having made such autonomous tariff reductions as a minimum are prepared to bind tariff rates as part of their commitments in the Doha Round.

#### **5. Tariff bindings**

12. There are still a significant number of unbound tariff lines in many countries, thereby leaving them outside the rules of the multilateral trading system. It could be useful in this regard, to look to the experience of and commitments taken by members who have recently acceded to the WTO. They have largely taken the opportunity to bind major parts – if not the whole - of their tariff schedules, and thereby increasing the predictability of their trading regimes to the benefit of economic actors at home as well as abroad.

The modalities should include a commitment to bind all tariff lines for non-agricultural products, at the rate resulting from the negotiations, and where in exceptional cases no tariff reduction takes place, as a minimum at the present applied rate.

#### **6. Basis for the tariff negotiations**

13. There are a number of technical points that need to be clarified as part of the modalities for the tariff negotiations. They include such questions as starting points, data basis, tariff nomenclature, ways and means of calculating specific tariff concessions, etc. Drawing on the large body of experience from previous rounds and with the improved resources available for this round, including the Integrated Database (IDB), a pragmatic approach to these questions should be applied. In general the starting point should be the bound tariff rates after the implementation of the Uruguay Round, and where such bound rates do not exist, the generally applied rate at the start of the Doha Round.

#### **7. Implementation periods and staging**

14. Agreement on implementation and staging are important elements in the overall package of commitments deriving from the negotiations on market access for non-agricultural products. In particular developing countries may need extended periods of time to absorb the tariff reductions

taken on as commitments. Industries receiving protection through tariffs, will generally seek long periods of implementation to maintain their competitive edge through protection as long as possible. Except in a very few cases, however, even with an ambitious agenda of tariff reductions and eliminations, a prolonged staging with small yearly reductions is likely to entail more in terms of administrative and other costs to both traders and governments, than the limited short term benefit that domestic industries may derive from such staging. Trying to soften the consequences of tariff reductions through prolonged or uneven staging, would therefore generally not be a productive way to go. So as to reap the benefits from the negotiations, a short implementation period and a simple linear staging within such a period would be preferable.

## **8. Negotiations on environmental goods**

15. The Doha Declaration has in paragraph 31 singled out environmental goods and services for specific negotiations with the aim of reduction or, as appropriate, elimination of tariff and non-tariff barriers. The broadest possible elimination of barriers to trade in environmental goods would constitute a win-win-win situation benefiting trade, the environment and development. There is agreement that the Negotiating Group on Market Access is the appropriate forum for these negotiations.

16. In order to facilitate the fulfilment of this mandate, there is a need to agree on product coverage. A methodology for classification would have to include agreed, objective and recognisable criteria for the identification of goods for which improved market access will contribute positively to the objective of sustainable development. The development of appropriate criteria for this purpose would most efficiently be done by the CTE.

The modalities for the negotiations on environmental goods need to include an agreed classification as to what constitute environmental goods, based on a set of objective and recognisable criteria. Modalities on tariff negotiations should be based on the zero-for-zero approach.

## **9. Special and differential treatment**

17. Focus in previous rounds of market access negotiations has on the whole been on improving access to markets in developed member countries. Also in this round, this will be a major feature, in particular on products of export interest to developing countries. Developing country participation in these negotiations is well reflected in the mandate. The Negotiating Group on Market Access needs to discuss how to operationalise the relevant parts of the mandate.

18. Clearly, Paragraph 16 implies that developing countries should take on commitments in line with their level of development. Improved market access between developing countries would undoubtedly contribute positively to economic growth in, and integration in the global economy of those developing countries that pursue such policies.

19. However, substantial reduction commitments from the least-developed countries would not be expected. Furthermore the wording of the mandate, where it states: "the modalities to be agreed will include appropriate studies and capacity-building measures to assist least-developed countries to participate effectively in the negotiations" is of great importance in order to facilitate a closer integration of least-developed members in the multilateral trading system. This process needs to be truly demand-driven in order to ensure that the technical assistance provided meets the needs of these members. Clear indications from least-developed country participants as to particular studies and capacity-building measures needed in order to facilitate their effective participation in the negotiations would be crucial.

The modalities should include specific provisions to ensure the achievement of the ambitious goals on S&D incorporated in the Doha mandate. Such provisions could include:

- (i) Particularly substantial reductions and where possible elimination of tariffs on products of interest to developing countries, as a minimum elimination of tariffs for products of importance for least-developed countries,
- (ii) No reciprocal tariff concessions from least-developed countries,
- (iii) Tariff reductions in line with their level of development for other developing countries, particularly through the use of differentiated coefficients in the different elements of the formula and the supplementary provisions, such as minimum reductions, “ceiling” and “floor” for tariff rates and rate of harmonisation.
- (iv) Counting of binding of present applied rates as concessions from poorer developing countries.

### **Conclusions**

20. Many methodologies and modalities available for tariff negotiations have been tried over the history of GATT/WTO. They all have their pros and cons. None are necessarily ideal for a multilateral negotiation aiming at a balanced result for all members, while taking fully into account the special needs and interests of developing and least-developed country participants.

21. Based on the considerations above, Norway basically favours that negotiations should be carried out on the basis of a composite set of modalities, with a traditional formula approach cutting across the whole range of non-agricultural products as its basic element. This formula should include a high minimum level of tariff reduction, an element of harmonisation so as to reduce high tariffs more than low ones, and be supplemented by a “ceiling” for all tariff rates as well as a “floor” in order to eliminate “nuisance” tariffs. In addition, elimination of tariffs on environmental goods as well as supplementary sector agreements where a critical mass can be established, based on a zero-for-zero approach, should be envisaged. The modalities should also include a commitment to bind all tariff-lines as well as a specific commitment to facilitate S&D.

22. Proposals on concrete elements of a formula based on the above objectives, including proposed “ceiling” and “floor” levels, will be addressed in subsequent submissions.

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