

**Negotiating Group on Market Access**

**MINUTES OF THE MEETING**

Held in the Centre William Rappard on 4-8 July 2005

*Chairman: Ambassador Jóhannesson (Iceland)*

1.1 The Negotiating Group adopted the agenda for the meeting as contained in WTO/AIR/2610 and Add.1. The meeting took place in informal mode. At the request of some delegations, their statements have been reproduced below.

1.2 The representative of the Republic of Moldova speaking on behalf of four small low-income economies in transition which had recently acceded to the WTO, namely Armenia, Georgia, Kyrgyz Republic and Republic of Moldova, stated that these countries had submitted to the Negotiating Group on Market Access a formal proposal (document TN/MA/W/56, dated 29 June 2005). The Republic of Moldova wished to present the document which contained the concerns and proposals of these countries.

1.3 At the outset, she wished to mention that these low-income economies in transition faced huge difficulties in their efforts to implement economic and trade policy reforms. Armenia, Georgia, Kyrgyz Republic and Republic of Moldova, were countries which had acceded to the WTO in recent years, from 1998 to 2003. These countries had undertaken extremely high levels of liberalization commitments and obligations in their terms of accession. Two of these countries (Georgia and Republic of Moldova) were included in paragraph 9 of the Doha Declaration, which recognized extensive market access commitments made by those countries which had acceded to WTO just before the Doha Ministerial Conference. Based on the legal framework, created by this paragraph, the group of Recently Acceded Members (RAMs) was formed within the framework of WTO. Ever since Doha, Georgia and Republic of Moldova had been actively and constructively participating in the negotiating process within the framework of the group of RAM's.

1.4 Furthermore, in recognition of their problems, paragraph 11 of Annex B of the General Council's Decision of the 1st of August 2004 called for "special provisions for tariff reductions" in order to take into account the extensive market access commitments undertaken as part of accession of the newly acceded Members.

1.5 Their tariff bindings on non-agricultural products were already 100 per cent and were expressed only in *ad valorem* duties. Furthermore, these tariffs were bound at very low levels (simple average was 6,67 per cent), as compared to the Uruguay Round final bound tariffs of developing country and LDCs Members (simple average: 29.4 per cent in developing countries and 45.2 per cent in LDCs).

1.6 Armenia, Georgia, Kyrgyz Republic and Republic of Moldova had also joined a number of the "zero-to-zero" and "harmonization" sectoral initiatives of the Uruguay Round and ITA. The rapid liberalization process resulting from their accession to the WTO had also created additional structural and social difficulties for their industries.

1.7 At the same time, she wished to underscore that the level of development in their countries were comparable to that of low-income developing countries and LDCs. Various economic indicators could prove this.

- First, according to the development statistics provided by the World Bank, the annual per capita Gross National Income of Armenia (US\$ 875) and Georgia (US\$ 877) were at the bottom range of the income level for the lower-middle income countries (US\$ 766-3,035 in 2003). Both the Kyrgyz Republic (US\$ 382) and Republic of Moldova (US\$ 542) were classified among 61 low-income economies with a per capita Gross National Income of less than US\$ 765 in 2003. Recent substantial reductions of import tariffs after their accession to the WTO had led to the serious reduction of production in many industries and rise of unemployment in several key industrial sectors.
- Second, the OECD DAC included low-income countries in transition in the list of developing countries and territories, together with a number of African and Asian countries.
- Third, many developed countries such as the United States, Canada, the European Union, Japan and Switzerland extended their Generalized System of Preferences (GSP) to low-income countries in transition as to LDCs and eligible developing countries.
- Forth, the exports of the low-income economies in transition were destined to a limited number of markets and concentrated on a very limited number of products. According to trade statistics, the share in world total exports was between 0.004 – 0.01% (in 2002-2003). Since their economies were mostly agriculture-oriented, the share of non-agricultural exports was even much lower.

1.8 These facts underlined that the economic growth and stability of their societies as a whole were as, if not more, susceptible to changes in trading conditions as that of WTO Members which were considered developing countries and least-developed countries.

1.9 Furthermore, she reiterated that simulation of the currently discussed formulas showed that the small low-income countries in transition would have to make substantial additional tariff cuts with much lower final bound rates than the vast majority of developing country Members and would cause even more serious adjustment costs to their vulnerable economies, since, in most cases, their applied tariffs were equal to the bound rates. Thus, in the medium-term, their economies clearly needed some reasonable and temporary flexibilities to improve the quality of integration into the multilateral trading system and to enhance the diversification of their production and export bases.

1.10 That is why, these countries wished to request the Negotiating Group on Market Access to agree that they be granted the same flexibilities with regard to the non-agricultural market access as had already been agreed for LDCs and other vulnerable developing countries in order to facilitate their ongoing economic reform programmes. This approach of their countries corresponded to the provisions of the Article XXVIII bis of the GATT 1994, paragraph 3 (a) which stipulated “the negotiations shall be concluded on a basis which affords adequate opportunity to take into account the needs of individual contracting parties and individual industries...”. Therefore, they wished to call once more their trading partners to show understanding of their demonstrated needs and concerns. Success for Ministers at the Hong Kong Ministerial would also be measured by the fact, whether Members were able to reach a fair and balanced result which had some meaningful benefits for development.

1.11 Finally, they wished to underscore that their countries expected that their concerns and interests would be fully taken into account and would be translated into meaningful provisions in the first approximation of the modalities. In this context, they were prepared to participate constructively in the elaboration of meaningful flexibilities for their countries in the draft modalities. To put it differently what would they like? They wished to establish fair and mutual beneficial relations between all WTO Members on the basis of correct and balanced rules and commitments. At the same time, they hoped that other WTO Members would follow their and other RAMs' example as regarded the level of commitments in the WTO, which would contribute to the improvement of access of goods to their markets. In other words, they requested that in the immediate future, the WTO had to find the working modalities for the small low-income countries in transition.

1.12 The representative of Barbados speaking on behalf of Antigua and Barbuda, Barbados, Bolivia, Cuba, Dominica, Dominican Republic, El Salvador, Fiji, Grenada, Guatemala, Honduras, Jamaica, Mauritius, Mongolia, Nicaragua, Papua New Guinea, Paraguay, Solomon Islands, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines and Trinidad and Tobago stated that Members would be familiar with the mandate on small, vulnerable economies contained in Paragraph 35 of the Doha Ministerial Declaration. The objective of the work programme on small economies was to frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system. Members would also be aware that the 2004 July Package reaffirmed the entire membership's commitment to fulfil the paragraph 35 mandate and to address the small economies' trade-related issues. In this context, it was also relevant to recall that the July Package also called for special attention to be given, in the course of the NAMA negotiations, to the specific trade and development related needs and concerns of developing countries.

1.13 It had been agreed in the Dedicated Session of the Committee on Trade and Development that the small economies would articulate their concerns in the relevant negotiating groups. This process of elaboration of issues of interest to small economies in fora other than the Committee on Trade and Development was also in accordance with the Framework and Procedures of the Work Programme on Small Economies (WT/L/447).

1.14 In fulfilling the request of their trading partners to take relevant issues to the negotiating groups, small economy delegations wished to bring to the attention of the NAMA Negotiating Group some of the issues and concerns that they had raised in other bodies in the WTO, which were relevant to the NAMA negotiations, and which would influence their perspective of the Negotiating Group's work towards formulating detailed modalities for presentation to Ministers in Hong Kong.

1.15 Small economies had issues of substantial interest in the NAMA negotiations, including special flexibilities and economic development broadly. These issues had to be addressed satisfactorily so that small, vulnerable economies could participate meaningfully in the multilateral trading system in accordance with their level of development, market share, vulnerabilities and economic size and structure.

1.16 Small economies remained committed to the liberalisation process. However, liberalisation had to be at a pace and with levels of reductions which their economies could sustain.

1.17 For small developing economies, tariffs were a primary means of ensuring the viability of vulnerable domestic industries, achieving sustainable levels of development and maintaining revenues. Therefore, it was the view of small economy delegations that the tariff reduction approach used in these development-oriented negotiations had to be suited to developing countries' trade profiles and their ability to offer and sustain concessions.

1.18 Furthermore, less than full reciprocity and special and differential treatment had to be the foundations on which the NAMA negotiating modalities were established. In accordance with the paragraph 16 DMD mandate, it was necessary for both less-than-full-reciprocity and S&D to be both integral and cross-cutting elements of the negotiations. The high importance of flexibility for countries which had an insignificant share of world trade, a small production and export base and little or no comparative or competitive advantage in these negotiations could not be overstated.

1.19 Small economies regarded paragraph 8 as the foundation on which additional measures to provide flexibilities would be built. In their view, the S&D flexibilities in the final modalities had to be augmented from the current paragraph 8. To make S&D conditional was contrary to the spirit of both paragraph 16 and the DDA.

1.20 Developing countries, particularly the most vulnerable among them, would require an appropriate timeframe for the implementation of agreed tariff reductions. Such implementation periods were to be commensurate with their levels of development, size of economy, fiscal and other strategic development needs.

1.21 She recalled that paragraph 15 of Annex B recognized that "appropriate studies and capacity building measures shall be an integral part of the NAMA modalities". These issues had not been adequately discussed in the NG. In order to ensure the effective participation of small, vulnerable economies in the negotiations, it would be necessary to conduct studies on the impact of further liberalisation on their economies and provide appropriate trade-related technical assistance. Useful studies could include the conduct of periodic assessments of the impact of tariff reductions on the economies of developing countries.

1.22 The results that small economies would wish to see as an outcome of the NAMA negotiations to address their situation included:

1. A minimum level of tariff reduction by small economies, which in no way impacted on their current applied rates.
2. No tariff reduction commitments by small economies on products which had strategic value for their economic development.
3. Longer implementation periods for small economies.
4. Tangible recognition for those small economies which had a substantial percentage of tariff binding coverage.
5. The elimination of NTBs on products of export interest to small economies.
6. Targeted technical assistance, including in the area of supply side constraints, in order to facilitate the use by small economies of market access concessions.

1.23 Small economies which were in the process of accession should not be required to agree to more onerous NAMA obligations than those already accepted by small economy members of WTO. In addition, treatment similar to that now being sought by small economies in the NAMA negotiations had to be accorded to acceding small economies.

1.24 The co-sponsors of this document urged the Negotiating Group to specifically address the trade-related problems of small, vulnerable economies in an expeditious and timely manner.

1.25 This statement (circulated subsequently as document JOB(05)/165)) was without prejudice to the rights of the small economies to make future submissions to the Negotiating Group on any of the issues contained in this document and/or on any other issues not included here.

1.26 The representative of Ecuador stated that many of the characteristics mentioned by these small economies were shared by many other developing countries. In this regard, her delegation wished to manifest its concern that while Ecuador understood the difficulties confronted by developing countries, this should not mean a weakening of the negotiations being carried out pursuant to Annex B. As was stated by Ecuador at a previous meeting, paragraphs 6, 8 and 9 contained important flexibilities. She underlined Ecuador's support for progress in these negotiations and considered that all had to contribute to this round on the basis of standards and principles and not on the basis of exceptions.

1.27 The representative of Colombia supported the statements made by Ecuador. Colombia had just seen this proposal but many of the points made in the indicative list had been examined in the context of the CTD reserved to this end. As Ecuador had said, Colombia could understand the situation, but could not accept that what was being built in this Round was being done on the basis of exceptions. What was required were contributions and Colombia believed that Members should be working on this basis.

1.28 The representative of Mauritius stated that Mauritius was a co-sponsor of the paper and supported the statement made by Barbados. Small economies by virtue of their size normally should adopt export oriented development strategies and of course hence the importance of international trade. He wished to emphasize that without favourable market access conditions, most if not all of these countries would not be able to compete with more competitive suppliers of similar products exported by them. It was therefore imperative that adequate modalities be agreed upon to ensure that the favourable market access conditions which could be in the form of trade preferences be maintained on products exported by these countries in order to preserve their market share.

1.29 The representative of Honduras stated that her delegation supported the statement made by Barbados. Honduras was a small and vulnerable economy and her delegation believed that these points should be taken into account in the Chairman's first approximation.

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