

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Communication from Singapore

The following communication, dated 9 September 2002, has been received from the Permanent Mission of Singapore.

1. Tariffs on non-agricultural products remain a major barrier to international trade. Despite significant progress from successive trade rounds in reducing tariff levels, average tariff rates for non-agricultural products in many countries remain prohibitively high. Several studies have shown that tariff peaks, tariff escalation and high tariff dispersion continue to persist in certain non-agricultural sectors of developed countries, while in the case of developing countries, tariffs remain bound at relatively high levels or bound only for a limited number of tariff lines. The WTO Secretariat has estimated that only about 6 percent of total number of non-agricultural items are bound duty-free. These results indicate strongly that there remains substantial work to be done on improving market access for non-agricultural products.

2. Paragraph 16 of the Doha Declaration has stipulated an ambitious mandate for negotiations on market access for non-agricultural products; it states that product coverage is to be comprehensive and without *a priori* exclusions. In addition, negotiations must also aim to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries.

3. In this context, this paper seeks to consider the various aspects and issues concerning market access negotiations for non-agricultural products. We see the objective as aiming to achieve a comprehensive but fair and balanced package comprising products of interest to all Members, in particular, products of export interest to developing countries.

I. OBJECTIVE AND SCOPE OF NEGOTIATIONS

Tariff Bindings

4. Negotiations on market access for non-agricultural products should aim at achieving greater predictability and improved market access through increased binding coverage. At the same time, in expanding the scope of bindings, WTO Members should ensure that the binding rates are meaningful and actuate greater market access. We note that the majority of bound tariff rates remain considerably higher than current applied rates. In this regard, we urge members to narrow the variance between the ceiling bindings and the applied rates as far as possible.

Tariff peaks and nuisance tariffs

5. Trade-distorting tariff peaks have been identified in a wide variety of industrial sectors in both developed and developing member countries, particularly the textiles, apparel, footwear, transport equipment and fish product sectors. The prevalence of nuisance tariffs also entails administrative costs for businesses through the myriad of customs procedures associated with duty collection. Non-agricultural market access negotiations should aim at rectifying trade distortions caused by such tariffs. To this end, we propose that nuisance tariffs be eliminated, and tariff peaks be substantially reduced, if not eliminated. The negotiations would also need to define what constitute nuisance tariffs and tariff peaks.

Tariff escalation

6. Studies have shown that reductions in tariffs during the Uruguay Round did not result in a concomitant significant reduction in the levels of tariff escalation. Like tariff peaks, the practice of tariff escalation also distorts worldwide distribution of value-added products in certain sectors and effectively limits the scope for trade-related industrialisation in developing countries. To reduce tax on industrialisation by developing countries, the issue of tariff escalation must be seriously examined; WTO Members should discuss extensively the methodology and definitions related to tariff escalation in order to address the issue adequately in these negotiations.

Transparency

7. It has been noted that some WTO Members continue to employ a large share of non *ad-valorem* tariffs in their tariff schedules. The adoption of a high proportion of non *ad-valorem* tariffs not only creates more difficulties in determining the incidence of tariff protection; it also greatly reduces the degree of transparency of a country's tariff profile. WTO members should try to enhance transparency and comparability of tariff profiles at the outset of the negotiations so as to ensure a comprehensive and balanced tariff package for all countries. Members could also consider converting to *ad valorem* tariffs and cease using complex or mixed tariffs.

8. WTO Members should also seek to increase transparency by simplifying their tariff structures. One method of simplifying one's tariff structure would be to try to harmonise tariffs on similar products within similar HS headings/classifications. This would lessen substantially the complications arising from levying taxes on similar products with varying tariff rates.

II. MODALITIES

9. To achieve the above-proposed market access improvements for non-agricultural products, WTO Members should examine the modalities used/proposed in respect of earlier negotiation rounds, namely the "request and offer" approach, sectoral approach, "formula" cut and tariff band/harmonisation proposal.

10. We note that the Uruguay Round tariff negotiations were conducted based on a combination of several modalities. The synthesis of different modalities – sometimes referred to as a "cocktail" approach – was particularly effective in terms of achieving broad-based tariff reductions, greater harmonisation of tariff rates and significant tariff cuts/elimination in areas where there was common interest.

11. Given the complexities arising from the large WTO membership and short timeframe to complete negotiations, Members are strongly encouraged to give priority consideration to approaches of general application e.g. formula cut and sectoral approaches. In this regard, we support proposals to advance discussions based on notable sectoral initiatives accomplished in the Uruguay Round, such

as the pharmaceutical zero-for-zero, ITA, and chemical harmonisation. Discussions could cover issues such as expanding the list of products covered by the initiatives, increasing the number of participating Members, reducing the rates of harmonised tariffs, and introducing new sectors to be covered by zero-for-zero initiatives. Members could also consider applying the “Swiss formula” to harmonise and substantially reduce tariffs for non-agricultural products. Members could examine the effect of using various coefficients in the “Swiss formula” in achieving tariff reductions. We would favour using a coefficient that would result in deeper cuts to give meaningful and significant market access for non-agricultural products.

Base year and base rates

12. To achieve meaningful market access, we would like to propose that applied rates be used as the base rates for negotiations. In the same vein, the year of reference for the base rates should be one that is closer to the start of the negotiations. We note that the EC has proposed using 2001 as the base year, while the US has proposed using 2000 data.

Staging periods

13. It is of practical importance that there should be various staging periods for non-agricultural tariff reductions. By allowing for different phasing periods to be implemented, WTO Members, especially the developing and least developed countries, would be given more flexibility and leeway to make substantive tariff commitments. Members could also take into consideration product sensitivity when examining the staging periods. Based on previous rounds of non-agricultural market access negotiations, we note that the norm for staging periods has been maximum five equal annual instalments beginning on the date of entry into force of the agreement.

III. NON-TARIFF BARRIERS (NTBs)

14. To move the discussions on NTBs forward, we would like to propose that countries first identify the potential NTBs which they are concerned with. The Chair, aided by the Secretariat, could also extract and compile information on NTBs from existing inventories developed by regional fora such as OECD and APEC. Countries could then consult and categorise these NTBs into those that are more issue-specific (e.g. rules, TBT, SPS, customs procedures etc.) or more sector-specific (e.g. ITA, chemicals, pharmaceuticals). NTBs that are more issue-specific could be taken up at other Committee/Negotiating Groups while sector-specific NTBs could be discussed in this Negotiating Group.

IV. ENVIRONMENTAL GOODS

15. We fully support the reduction of barriers to trade in the environmental goods called for under paragraph 31(iii) of the Doha Declaration. Facilitating market access to environmental goods will help improve the level of worldwide environmental protection by lowering the costs and increasing the availability of appropriate technologies required to do so. This would constitute a positive step towards assuaging concerns that trade liberalisation will lead to increased rates of environmental degradation.

16. The difficulty lies in defining 'environmental goods'. However, to effectively identify trade barriers on environmental goods, it is imperative that we develop a common understanding of the concept of 'environmental goods'. WTO members should consult to develop a list of environmental products based on work done by APEC and the OECD, specifically OECD's definition of environmental goods, and APEC's proposed categories and coverage of environmental goods.

17. We are however cautious, and do not really see the need to pay “particular attention to goods whose sustainable materials or production characteristics mean that increased trade in such products

would also be environmentally supportive”. We share the view that “production based criteria has the potential of creating a new set of standards and/or customs classifications, and Members’ ability to comply may differ substantially”.

CONCLUSION

18. In conclusion, Singapore reiterates the importance it attaches to an ambitious and comprehensive outcome in these market access negotiations. It is an area of negotiations where we can reap real dividends for both developed and developing countries.
