

**MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS**

Negotiating Proposal on Non Tariff Barriers  
in the Automotive sector

*Communication from the European Communities*

Addendum

The following communication, dated 20 April 2006, is being circulated at the request of the delegation of the European Communities.

**I. GENERAL REMARKS**

In line with paragraph 16 of the Work Programme adopted at the WTO Ministerial Conference in Doha in November 2001, and paragraph 22 of the decision at the WTO Ministerial Conference in Hong Kong in December 2005, the European Communities (hereafter “the EC”) hereby submit its specific negotiating proposal on NTBs in the electronics sector.

With progressive and sometimes substantial reductions of tariffs applied on electronics products, partly as a consequence of the Information Technology Agreement (ITA), non-tariff barriers now constitute the main obstacles to international trade in the sector. This was also one of the key conclusions in a recent UNCTAD report (TD/B/COM.1/EM.28/2). The importance of NTBs is further underscored by the global nature of the electronics business. As described in the UNCTAD report:

The global production networks, dominated by major transnational corporations (TNCs) with developed countries as their home base, have been a determining factor in transforming the electronics industry into perhaps the most globalized industry over the last three decades or so... by farming out production of standardized goods like electronics products to geographically dispersed locations through international subcontracting to small and medium-sized companies. (UNCTAD, p.4-5)

This evolution in industry structure toward globally integrated production processes has clearly implied a win-win situation for WTO Members at different levels of development. Many developing countries have been the main beneficiaries of these global production networks. In a number of the most rapidly growing product segments in electronics, developing countries now account for one half or more of world exports.

But NTBs continue to impede international trade in electronics. NTBs that raise the cost for, or even prevent, global sourcing have proved particularly costly to the industry. And in light of the prevalence of globalized industry in electronics, these NTBs are equally damaging to the interests of both developed and developing countries.

Given the significant trade distortions caused by these measures, and the importance of this sector for developed and developing countries alike, the EC proposes to establish disciplines that would lead to the elimination of many of the burdensome non-tariff barriers in electronics. In this respect, the UNCTAD report and statements by industry associations from Korea, Japan, EU, US, Philippines and India<sup>1</sup> have all highlighted the importance of addressing divergent, duplicative and burdensome national standards, technical regulation and conformity assessments procedures. The proposed EU disciplines outlined here thus build on, but also further develop, add precision to and facilitate, the implementation of the WTO Agreement on Technical Barriers to Trade (TBT Agreement) for the electronics sector.

## **II. MAIN BARRIERS FOR THE NTB NEGOTIATIONS IN NAMA**

Based on both a market access analysis carried out for the EC electronics sector, as one of the main drivers for global sourcing, and the NTB notifications<sup>2</sup> in this sector by other WTO members to the Negotiating Group on Market Access (NGMA), a number of key non-tariff barriers have been identified for the NTB negotiations in NAMA.

### **1. Non-recognition of international standards**

Recognition of relevant international standard-setting bodies and greater reliance on international standards would increase the similarity of regulatory environments and thus facilitate the access and presence of firms into, and within, international markets. Firms would find it easier to export products to foreign markets if they can make their products and test them according to one standard and be accepted in different markets without product modification and/or local re-testing. In addition to benefits for enterprises, WTO Members would also gain from the widespread use of international standards as their application would assure the efficient achievement of high safety, health and environmental standards.

It should also be noted that creating and adopting an international standard means lower costs for domestic regulators who therefore do not need to create and adopt a national standard. While complying with international standards may involve some costs to the domestic industry in the short run, compliance with international standards implies that domestic companies are able to achieve better market access to third countries and are more likely to draw the benefits of globally integrated production processes.

### **2. Lack of transparency and openness in domestic standardization processes**

Greater transparency and openness in domestic standardization work in those areas where international standards do not exist would reduce the opportunities for specialised interests to “capture” the regulatory process and to restrict market access through standards that fit the strength and the particularity of one particular domestic industry to the detriment of outward and export-oriented domestic industries. Non-transparent procedures in domestic standardization also hinder development in that they make it more difficult for domestic companies to develop in line with international markets. This may also create obstacles for inward investment.

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<sup>1</sup> Various statements by these industry associations were distributed at the informal electronics NTB meeting, hosted by Korea, on 7 June 2005.

<sup>2</sup> See “NTB Notifications: Secretariat Compilation of the various Barriers Notified in TN/MA/W/46”, document JOB(05)/85/Rev.1.

### **3. Unnecessarily burdensome and duplicative conformity assessment procedures**

Greater reliance of business friendly conformity assessment (CA) procedures, especially for low risk products, would reduce costs placed on exporters by unnecessarily burdensome and duplicated testing requirements and multiple certifications. The cost saving could be substantial and, only in US-EU bilateral trade, has been estimated to amount to 1.3 billion euros annually for companies and consumers. Such business friendly conformity procedures should not be conducive to reduced quality controls of the products put on the markets.

## **III. PROPOSED DISCIPLINES FOR DISMANTLING NTBS IN ELECTRONICS**

The EC proposes to reduce or as appropriate eliminate non-tariff barriers for the electronics sectors following the vertical approach recognized in paragraph 22 of the Hong Kong Ministerial Decision.

### **1. Standards**

WTO Members shall recognize the International Organization for Standardization (ISO)/ International Electrotechnical Commission (IEC) and the International Telecommunication Union (ITU) as the international standard setting bodies in electronics. When relevant international standards developed by the international bodies exist, WTO Members shall use these international standards as a basis where technical regulations are required (in accordance with Article 2.4 and Annex 3 of the WTO TBT Agreement). WTO Members shall play a full part, within the limits of their resources, in standardisation processes of international standardisation bodies.

### **2. Transparency**

In those cases where it is necessary to develop a national standard, or a standard that is not in accordance with international standards, following the lines of Article 2.9 TBT, WTO Members shall have a transparent and open decision making process for “stakeholder” consultation including public consultations and, where appropriate, regulatory impact assessments.

### **3. Product conformity assessment procedures**

WTO Members shall use the suppliers’ declaration of conformity (SDoC) for low risk ICT and consumer electronics products. SDoC is a procedure by which a supplier gives written assurance that a product, process or service conforms to specified requirements. SDoC can facilitate market access without prejudice to the fulfilment of legitimate policy objectives, when it is combined with effective product liability laws, well developed market surveillance systems and penalties for false or misleading declarations.

While SDoC shall be the preferred conformity assessment procedure, where SDoC cannot be applied for legitimate reasons, WTO Members shall accept testing results of conformity assessment bodies of third parties.

### **4. Technical regulations**

In accordance with Article 2.2 of the TBT Agreement, WTO Members shall limit their regulations to basic safety and other public interest requirements (e.g. EMC, avoidance of harmful radio interference, environmental requirements). Interoperability or obligations to use certain

technologies should, in general, not be regulated unless based on international standards. Technical regulations should be limited to these public interest requirements. Other measures to protect consumers, such as product liability, are best achieved by horizontal regulation.

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