WORLD TRADE ORGANIZATION

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Negotiating Group on Market Access

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MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Communication from Benin on behalf of the ACP Group of States

The following communication, dated 8 March 2005, is being circulated at the request of the Delegation of Benin, on behalf of the ACP Group of States.

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1. The General Council Decision adopted on 1 August 2004 calls for "... special attention to be given to the specific trade and development related needs and concerns of developing countries ..." which include preferences, both in the agriculture and NAMA negotiations.[1] Furthermore, Annex B of the same Decision is more explicit in terms of what is concretely expected from the negotiations regarding preferences. While paragraph 16 thereof instructs the Negotiating Group to take into consideration, in the course of its work, "the particular needs that may arise for the Members concerned due to the challenges that may be faced by non-reciprocal preference beneficiary Members", paragraph 1 stipulates that additional negotiations shall be required to reach agreement on the specifics of preferences, amongst others.

2. It follows, therefore, that a balanced outcome can be reached only if the issue of preferences is addressed as part of the NAMA negotiations, as well as in the overall Doha package. There is general agreement that preference erosion is not inconsequential and it is a matter of serious concern that has to be addressed as an essential part of the Doha Development Agenda, the more so as it is a problem facing the weakest and the most vulnerable Members of the WTO.

3. We have taken note of the points raised by some Members that addressing preference erosion would impede the process of tariff disarming, and, in a broader sense, halt the trade liberalization process. One should bear in mind that trade liberalization affects countries differently. The small and weak developing countries that have managed to secure a market share due to preferential access are particularly at risk and vulnerable to MFN tariff liberalization. However, bearing in mind the idea of not jeopardizing the liberalization of world trade, an approach can be adopted to "smooth" this process for some products from certain countries. In fact, to reassure Members, Mauritius indicated in its submission that preferences are linked to a narrow range of products since "exports are concentrated in a limited number of products on very few export markets".[2] Another submission also points out the possibility to "identify specific tariff lines of products exported under preferences ...".[3] With a view to identifying these products in an objective and scientific manner, the following methodology is being proposed:

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[1] Paragraph 1(d) of WT/L/579, 2 August 2004.
[2] Paragraph 4 of TN/MA/W/21/Add.1, 15 July 2003.
[3] Paragraph 11 of TN/MA/W/47, 30 March 2004.

For a country to be vulnerable to preference erosion, it must have some characteristics. Firstly, it must already enjoy significant preferences (for the "erosion of preferences" to take place). Secondly, a country is considered as vulnerable when it depends on few export products and export markets, and it is a small exporter, relative to the world.

In concrete terms, this can be calculated using three relationships:

The share of the particular product of the importing country on the total exports of the exporting country (1);
The share of the particular product of the exporting country in the importing country (2);
The world market share of the exporting country, for the particular product (3).

The three above-mentioned factors can be condensed in an "index of vulnerability" (see Annex I).

In other words, the product and market concentration is fundamental: the country will be more vulnerable the less diversified its export markets and export products are, and the smaller its world share is.

4. Application of the proposed methodology to the exports of ACP countries on the EU market under the Cotonou preferential trade regime and the US under the Africa Growth and Opportunity Act resulted in a common list of products for these countries. The concerns of Members exporting similar products under other preferential arrangements are also, as a matter of fact, taken on board by the methodology.

5. This submission is aimed at identifying the products that are concerned with the erosion of preferences. Given the fact that the issue of preference erosion is linked to some of the other elements of the Framework, such as the formula and the sectoral, concrete proposals on the specifics of addressing preference erosion will be made in the light of the discussions on these elements. This submission is without prejudice to the possibility of other ACP Member States submitting further proposals on this as well as other issues pertaining to the NAMA negotiations in future discussions.

Annex I

Index of vulnerability :

X_{ijk} = Exports of country *i (an ACP country)* to market *j (EU or USA)* in product category *k (NAMA product)*

(1) share of market *j* for product *k* in total exports of country *i* $\longrightarrow$ $\boxed{X_{ijk} / X_{i..}}$

(2) market share of country i in market *j* for product *k* $\longrightarrow$ $\boxed{X_{ijk} / X_{.jk}}$

(3) world market share of country *i* for product *k* $\longrightarrow$ $\boxed{X_{i.k} / X_{..k}}$

Coefficient of correction (Index of vulnerability) =
(Example)

share of the EU for tuna in total exports of Seychelles
(dependence of Seychelles on single product and market)(1)

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market share of Seychelles in the EU for tuna
(market share of Seychelles in target market)(2)

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world market share of Seychelles for tuna
(Seychelles relative size) (3)

Combining these elements we get the following Index of Vulnerability:

$$IV_{jk} = \left(\left(\sum_i \frac{\dfrac{\mathrm{X_{ijk}}}{\mathrm{X_{i..}}} \cdot \dfrac{\mathrm{X_{ijk}}}{\mathrm{X_{.jk}}}}{\dfrac{\mathrm{X_{i.k}}}{\mathrm{X_{..k}}}} \right) \right)$$

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