

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

How to create a Critical Mass Sectoral Initiative

Communication from Canada and the United States¹

1. A sectoral negotiation based on the concept of achieving critical mass is a simple approach to reducing trade barriers. Critical mass provides negotiators with a great deal of flexibility while setting the goal of requiring participation based on trade patterns. Specifically, critical mass represents a negotiated level of participation based on the share of world trade that interested Members determine should be covered in order for those Members to be willing to reduce rates in a given sector. If the sectoral succeeds, all participants implement reductions on an MFN basis so all WTO members' benefit.

The process involves the following steps:

- Develop a general definition of the sector and its HS coverage.
- Review trade patterns by sector: share of world trade by Member as an initial tool to get started. Also consider whether there are other relevant data (e.g., global production figures) that could help in assessing key players.
- Consider which participants you would like to begin discussions with to determine where there may be interest ultimately in participation (based on trade interests and/or public expressions of interest.) Potential participants don't necessarily have to be important traders in the sector today; they could include countries with potential for trade in the future.
- With interested parties, consider who would be the key countries that would need to participate in order for potential participants to be willing to go to the sectoral harmonization rate (zero or other) without concerns about major free riders receiving the MFN benefits.
- Determine, given the sectoral trade patterns what would be a reasonable level of critical mass (80 percent, 90 percent, etc.). Review the data and show how the cumulative share information can help determine this figure.
- Consider what the target tariff rate should be: e.g., zero, harmonization?
- Consider what the product coverage should be (e.g., all of the sector? Sub-parts of the sector?).
- Discuss possible approaches to deal with sensitivities and/or less than full reciprocity as means to attract more participation (staging and product/sub-chapter x-outs).

¹ This document was circulated earlier as a JOB(05)/37.

- Encourage Member participation so that in the event that some key traders don't participate critical mass can still be achieved.
 - If critical mass level is not achieved or a key trader does not participate, consider whether and under what conditions core participants may wish to proceed with the initiative (e.g., set target and keep working to gain participants as was the case with the ITA or let the sectoral fail?).
 - If the sectoral succeeds, all participants implement on an MFN basis so all WTO members benefit.
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