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Negotiating Group on Market Access

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MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Treatment of Small, Vulnerable Economies in the NAMA Negotiations

Communication from Antigua and Barbuda, Barbados, Bolivia, Dominica, Dominican Republic, El Salvador, Fiji, Grenada, Guatemala, Honduras, Mongolia, Nicaragua, Papua New Guinea, Paraguay, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines and Trinidad and Tobago

The following communication, dated 10 November 2005 is being circulated at the request of the Delegations of Antigua and Barbuda, Barbados, Bolivia, Dominica, Dominican Republic, El Salvador, Fiji, Grenada, Guatemala, Honduras, Mongolia, Nicaragua, Papua New Guinea, Paraguay, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines and Trinidad and Tobago.

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1. The Chairman of the Negotiating Group on Market Access has requested Members of this group to engage in as concrete as possible discussions and to seek convergence for the adoption of negotiating modalities for non-agricultural market access. To achieve this objective, the Chairman has also requested Members to concentrate on an integrated approach consisting of negotiations around the three core elements of NAMA modalities, namely the formula for tariff cuts, flexibilities for developing countries and treatment of unbound duties. Small economies remain fully committed to these objectives and wish to engage constructively in this process.
 2. In JOB(05)/165, small economies recalled that the objective of the Work Programme on Small Economies as mandated by Paragraph 35 of the Doha Ministerial Declaration and the July 2004 Package is to frame concrete responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system. These responses are to be formulated both in the Committee on Trade and Development in Dedicated Session and in the relevant negotiating and other bodies of the WTO.
 3. As stated in JOB(05)/165, small, vulnerable economies remain fully committed to the liberalisation process. However, the pace and level of tariff reduction must be such that small economies are able to sustain such reduction in a way that is compatible with their specific needs and concerns.
 4. Tariffs serve multiple purposes in small, vulnerable economies, the most important of which are to ensure the viability of vulnerable domestic industries, to foster the development of industrial capacity in new sectors and to generate fiscal resources for government revenue.
 5. Moreover, small economies represent an insignificant share of world trade, including non-agricultural exports, and can therefore only expect limited benefits from the outcome of the NAMA negotiations. The Annex at the end of this communication presents the share of small economies in world merchandise exports. It reveals that this share has been consistently and

persistently low over the past decade. Indeed, the vulnerability of small economies stems from the aggregate effects of a combination of characteristics and problems, which, in addition to an insignificant participation to the multilateral system, includes minimal or no export diversification, low competitiveness, dependency on a very small number of markets, economic openness and high adjustment costs.

6. Given the relative importance of tariffs as a policy instrument and the lack of resilience that prevails in their economies, small economies believe that a simple Swiss formula, as being currently discussed in the Negotiating Group, will place an unreasonable burden on developing countries in their situation. Therefore an alternative approach to tariff reduction as well as access to adequate flexibilities are both critical to ensure a NAMA outcome which is compatible with small economies' development objectives.

7. The flexibilities as currently crafted in paragraph 8 are of very limited scope for small economies since the bulk of these economies have already bound one hundred per cent or close to one hundred per cent of their tariff lines. In addition, the thresholds and conditionalities contained in paragraph 8 further limit the usefulness of that paragraph for most small economies. As a matter of fact, one single sector, which may be deemed sensitive for industrial or fiscal reasons, may already fill the thresholds of paragraph 8 and hence impair the benefits of that paragraph for small economies.

8. Finally, small economies also have an interest in the modalities for the treatment of unbound duties. Despite the very high level of tariff bindings of small economies, unbound tariff lines most often represent sectors and products of strategic importance, either because of the sensitive nature of such industries or because of their contribution to government revenue. Small economies that have already made large efforts to bind all or most of their tariff lines should receive recognition for such efforts, and not be penalised through modalities that affect them detrimentally.

9. As their contribution to the NAMA negotiating process, small economies propose that developing countries, not covered in paragraph 6 and paragraph 9 of Annex B, and whose average share in total world merchandise exports does not exceed 0.10% over the period 1995-2004, will be expected to:

- (a) Make tariff reductions not exceeding 15%, but with minimum cuts of 10% on individual lines and with no more than half the cuts at the lowest level of this range. This contribution will ensure a significant reduction of small economies' tariff averages as well as a reduction in individual tariff lines.
- (b) On the treatment of unbound tariffs, small economies whose binding coverage is more than 90% commit themselves to the objective of full tariff binding as an outcome of the NAMA negotiations. However, newly bound tariff lines will not be subject to reductions through the formula during these negotiations. Small economies are open to discuss a possible target rate at which these tariffs should be bound or a maximum rate at which to bind these lines.

10. Small, vulnerable economies firmly believe that only tariff reductions compatible with their capacity to sustain trade reforms, as spelt out in this paper, are likely to efficiently discharge the Doha mandate. In this context, small economies will continue to have access to flexibilities such as those outlined in paragraph 8 of Annex B.

ANNEX

TABLE 1: Share of World Merchandise Exports (1995-2004) and Average

Small Economies participation in Total Merchandise Exports (1995 – 2004)												
Small Economy	Year (Percentage)											
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Average	
World	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Antigua and Barbuda	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
Barbados	0.0050	0.0050	0.0050	0.0050	0.0050	0.0040	0.0040	0.0030	0.0030	0.0020		0.0041
Bolivia	0.0220	0.0220	0.0220	0.0210	0.0190	0.0200	0.0210	0.0210	0.0210	0.0240		0.0213
Dominica	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0000		0.0009
Dominican Republic	0.0750	0.0770	0.0850	0.0930	0.0920	0.0910	0.0880	0.0820	0.0750	0.0650		0.0823
El Salvador	0.0330	0.0340	0.0450	0.0460	0.0450	0.0470	0.0480	0.0480	0.0430	0.0370		0.0426
Fiji	0.0120	0.0140	0.0110	0.0100	0.0110	0.0090	0.0090	0.0090	0.0090	0.0080		0.0102
Grenada	0.0004	0.0004	0.0004	0.0008	0.0006	0.0012	0.0010	0.0010	0.0006	-		0.0007
Guatemala	0.0430	0.0390	0.0430	0.0480	0.0430	0.0430	0.0410	0.0350	0.0340	0.0330		0.0402
Honduras	0.0240	0.0250	0.0270	0.0290	0.0210	0.0220	0.0220	0.0210	0.0180	0.0170		0.0226
Mongolia	0.0090	0.0080	0.0080	0.0090	0.0080	0.0090	0.0090	0.0080	0.0080	0.0100		0.0086
Nicaragua	0.0090	0.0090	0.0110	0.0110	0.0100	0.0100	0.0100	0.0090	0.0080	0.0080		0.0095
Papua New Guinea	0.0530	0.0480	0.0400	0.0330	0.0340	0.0330	0.0300	0.0260	0.0300	0.0280		0.0355
Paraguay	0.0180	0.0200	0.0200	0.0190	0.0130	0.0140	0.0160	0.0150	0.0170	0.0180		0.0170
Saint Kitts and Nevis	0.0000	0.0000	0.0010	0.0010	0.0010	0.0010	0.0010	0.0000	0.0010	0.0010		0.0007
Saint Lucia	0.0020	0.0020	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010		0.0012
Saint Vincent and the Grenadines	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0000		0.0009
Trinidad and Tobago	0.0490	0.0480	0.0470	0.0420	0.0500	0.0680	0.0710	0.0620	0.0710	0.0710		0.0579