

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Negotiating Proposal on
Tariff Liberalisation in the Forest Products Sector¹

*Communication from Canada; Hong Kong, China; New Zealand;
Singapore; Thailand and the United States*

Addendum

The following communication, dated 26 March 2008 is being circulated at the request of the Delegations of Canada; Hong Kong, China; New Zealand; Thailand and the United States.

Sectoral tariff elimination will play an important and essential role in achieving improvements in market access in the NAMA negotiations, including the reduction or elimination of tariff peaks, high tariffs and tariff escalation. In response to the NAMA Chairman's request in Paragraph 12(a) of his Draft Modalities for Non-Agricultural Market Access (TN/MA/W/103) that Members participating in each sectoral initiative develop specific modalities by the time the overall modalities are established, the co-sponsors of the **Forest Products Sectoral Initiative** have drafted the attached modality (see Annex 1) to elaborate how Members participating in this sectoral initiative would be expected to reflect that participation in their national tariff schedules at the relevant stages of the negotiations.

The elements of the draft modality are based on the results of analyses of Members' tariff schedules, including final bound rates resulting from a range of different Swiss coefficients and their relationship to current applied rates for forest products, as well as conversations with Members on their interests and sensitivities in the forest sector.

The draft modality has been separated into three parts.

1. Procedures/Process

Proponents envision the sectoral will progress in line with the overall NAMA timetable set forth in Draft Modalities. Proponents wish to achieve a participation rate of Members accounting for 90 percent of world trade in forest products (Annex 2 shows the import and export figures for WTO Members and their share of world forest product trade; current total participation is almost 42 per cent). Members wishing to participate in the sectoral should reflect, on a conditional basis, the forest sectoral modality in their draft schedules (to be drawn up after the general modalities in NAMA are agreed upon). Members that have indicated their participation in their draft schedules should meet

¹ This document was circulated earlier as a JOB(06)/128.

to review how they wish to proceed if the 90 percent trade coverage level has not been achieved focusing on whether there is sufficient participation to continue, whether additional outreach is required to raise the participation rate, or whether the participation rate is too low for a successful outcome.

2. Principal Sectoral Modality

Developed Members will reduce their tariffs to duty free on all forest products as of 1 January in the year immediately following the conclusion of the round, while developing Members will reduce their tariffs to duty free in four equal steps (three years).

3. Special and Differential Treatment

Proponents have suggested developing Members with sensitive tariff lines within the product coverage may choose a limited number of tariff lines (covering a limited proportion of their forest product imports) where, instead of eliminating the tariffs, they reduce them to a rate of [4%] over the same time period as in the principal sectoral modality. Developing Members may also choose a limited number of lines on which to eliminate tariffs over seven equal steps (six years). In both cases, co-sponsors believe [4%] of a Member's national tariff lines would be appropriate for S&D treatment.

This means that a developing Member could choose up to [8%] of its forest product tariff lines for a different treatment than the principal sectoral modality. Proponents have also suggested that a Member may choose to combine these two different options such that a tariff line could be reduced to [4%] over seven equal steps, but that doing so would count twice towards the total eligible lines.

Lastly, the proponents of the Forest Products Sectoral initiative have been encouraging developing Members to inform us if there are other types of special and differential treatment that they would be interested in so that they could become a participant in the sectoral. Some have come forward with suggestions that forest products proponents are currently considering. We will continue to welcome further suggestions or comments on how the draft modality may be improved to meet the needs of all Members who will become participants in this sectoral initiative.

Recent Support from Forest Product Industries in Various WTO Members

In the last few months, forest products industry associations in various WTO Members have expressed their support for the Forest Products Sectoral Initiative as part of the overall NAMA results. At its founding meeting in Shanghai, China in September 2007, the first resolution of the World Furniture Confederation (WFC) expressed support for the elimination of all import tariffs on furniture and the materials used in the construction of furniture. The Members of the WFC include furniture industry associations in China, Turkey, Brazil, Japan, Malaysia, Tunisia, Korea, Croatia, Norway, Indonesia, the Philippines, Singapore, Thailand, Australia, the United States and seventeen Member States of the European Communities. In addition, the Confederation of European Paper Industries provided its support for the forest products sectoral initiative in a position paper in January 2008. Finally, Canada, as the lead proponent of this sectoral initiative, has recently had the opportunity to meet and describe the forest products sectoral initiative to a number of forest and paper industry associations from developing and developed Members, many of whom have communicated their support or interest.

ANNEX 1

DRAFT Modalities for the Liberalisation of Tariffs in the Forest Products Sector

In accordance with paragraph [12(a)] of the NAMA modalities, this document sets out modalities for the reduction or elimination of tariffs on forest products identified in Section (4) as part of a non-mandatory forest products sectoral initiative.

1. Procedures/Process

Participants in the forest products sectoral initiative are expected to fulfil the commitments described in these modalities if ‘critical mass’ is reached, that is if WTO Members representing at least [90] per cent of world trade in forest products have indicated their intent to participate.

Members are encouraged to notify proponents and the WTO Secretariat of their participation no later than two months after the establishment of NAMA modalities. When submitting their initial draft tariff schedule each participant shall record its commitments on a conditional basis relating to forest products in conformity with the modalities herein.²

Participants should meet no later than one month after the submission of draft schedules to review the state of participation and decide how to proceed.

2. Principal Sectoral Modality

- (i) Developed country participants will eliminate tariffs on the products identified in Section (4) on 1 January of the year following the entry into force of the DDA result.
- (ii) Developing country participants will eliminate tariffs on the products identified in Section (4) in four equal rate reductions. The first reduction will be implemented on 1 January of the year following entry into force of the DDA results and each successive reduction shall be made effective on 1 January of each of the following years.

3. Special and Differential Treatment

Developing country participants may apply the following flexibilities with respect to Section (2) (ii):

- (i) choose up to [4] percent of their national forest product tariff lines to bind at not more than [4] percent provided they do not exceed [4] percent of the total value of a Member’s forest product imports; and
- (ii) choose up to [4] percent of their national forest product tariff lines to implement their tariff reductions in seven equal rate reductions. The first reduction will be implemented on 1 January of the year following entry into force of the DDA results and each successive reduction shall be made effective on 1 January of each of the following years.
- (iii) [Other S&D proposals may be considered.]

² Those Members having their schedule prepared by the Secretariat will notify their participation to the Secretariat.

In any year in which an affected tariff would be reduced further by commitments resulting from the agreed NAMA modalities than by these sectoral modalities, the lower of the resulting tariffs will be applied to the affected tariff line.

4. Product Coverage

HS Code	Description
HS 44	Wood and articles of wood; wood charcoal
HS 47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard
HS 48	Paper and paperboard; articles of paper pulp, of paper or of paperboard
HS 49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans
HS 9401.61	Upholstered seats with wooden frames
HS 9401.69	Other seats with wooden frames
HS 9403.30	Wooden furniture of a kind used in offices
HS 9403.40	Wooden furniture of a kind used in the kitchen
HS 9403.50	Wooden furniture of a kind used in the bedroom
HS 9403.60	Other wooden furniture
HS 9403.80	Furniture of other materials including cane, osier, bamboo or similar materials
HS 9406	Prefabricated buildings

ANNEX 2

World Trade in Forest Products

Reporter	Forestry + Furniture Imports	Forestry + Furniture Exports	Total Trade	Share of Total Trade	Cumulative Shares
WTO Members Total	\$233,897,800,890	\$208,806,362,545	\$442,704,163,435	100.00%	100.00%
USA	\$69,276,923,381	\$30,385,312,474	\$99,662,235,855	22.51%	22.51%
Canada	\$12,817,061,904	\$39,276,217,504	\$52,093,279,408	11.77%	34.28%
Switzerland	\$6,793,572,450	\$3,637,039,635	\$10,430,612,085	2.36%	36.64%
Hong Kong, China	\$4,588,070,314	\$4,612,295,798	\$9,200,366,112	2.08%	38.71%
Thailand	\$2,196,368,524	\$2,999,690,922	\$5,196,059,446	1.17%	39.89%
Singapore	\$2,015,791,751	\$1,952,708,573	\$3,968,500,324	0.90%	40.78%
New Zealand	\$1,221,653,323	\$2,078,284,169	\$3,299,937,492	0.75%	41.53%
EU-27	\$36,463,710,849	\$47,840,200,727	\$84,303,911,576	19.04%	60.57%
China	\$16,832,256,568	\$19,049,965,973	\$35,882,222,541	8.11%	68.68%
Japan	\$17,752,687,768	\$3,736,336,301	\$21,489,024,069	4.85%	73.53%
Mexico	\$7,336,990,386	\$2,912,719,252	\$10,249,709,638	2.32%	75.85%
Indonesia	\$1,523,989,561	\$7,705,424,725	\$9,229,414,286	2.08%	77.93%
Malaysia	\$2,131,381,608	\$6,402,080,243	\$8,533,461,851	1.93%	79.86%
Brazil	\$1,148,210,212	\$7,344,360,772	\$8,492,570,984	1.92%	81.78%
Rep. of Korea	\$5,218,751,108	\$2,607,642,426	\$7,826,393,534	1.77%	83.55%
Australia	\$4,497,269,612	\$1,882,295,748	\$6,379,565,360	1.44%	84.99%
Norway	\$3,722,693,301	\$1,945,683,425	\$5,668,376,726	1.28%	86.27%
Chinese Taipei	\$3,628,023,000	\$1,845,556,600	\$5,473,579,600	1.24%	87.50%
Turkey	\$3,122,054,008	\$1,233,602,359	\$4,355,656,367	0.98%	88.49%
Chile	\$827,661,354	\$3,469,969,177	\$4,297,630,531	0.97%	89.46%
India	\$3,040,287,629	\$860,884,121	\$3,901,171,750	0.88%	90.34%
South Africa	\$1,342,177,257	\$1,784,312,723	\$3,126,489,980	0.71%	91.05%
Vietnam	\$1,388,996,989	\$1,553,201,587	\$2,942,198,576	0.66%	91.71%
Saudi Arabia	\$1,962,244,172	\$600,378,348	\$2,562,622,520	0.58%	92.29%
Ukraine	\$1,275,150,235	\$1,050,402,160	\$2,325,552,395	0.53%	92.81%
United Arab Emirates	\$1,616,684,243	\$656,189,337	\$2,272,873,580	0.51%	93.33%
Argentina	\$914,763,301	\$803,808,962	\$1,718,572,263	0.39%	93.72%
Croatia	\$997,897,990	\$691,867,400	\$1,689,765,390	0.38%	94.10%
Israel	\$1,252,464,000	\$232,193,000	\$1,484,657,000	0.34%	94.43%
Philippines	\$882,937,189	\$537,602,696	\$1,420,539,885	0.32%	94.75%
Ghana	\$612,600,401	\$734,557,300	\$1,347,157,701	0.30%	95.06%
Colombia	\$672,006,237	\$620,406,948	\$1,292,413,185	0.29%	95.35%
Egypt	\$1,102,262,989	\$94,596,357	\$1,196,859,346	0.27%	95.62%
Venezuela	\$1,007,933,246	\$82,411,105	\$1,090,344,351	0.25%	95.87%
Morocco	\$816,043,680	\$137,038,134	\$953,081,814	0.22%	96.08%
Peru	\$494,906,437	\$260,608,509	\$755,514,946	0.17%	96.25%
Guatemala	\$527,169,176	\$158,745,259	\$685,914,435	0.15%	96.41%
Cambodia	\$48,640,028	\$622,559,522	\$671,199,550	0.15%	96.56%
Costa Rica	\$443,387,248	\$193,318,263	\$636,705,511	0.14%	96.70%
Tunisia	\$442,369,249	\$159,593,908	\$601,963,157	0.14%	96.84%
Nigeria	\$534,945,708	\$1,542,069	\$536,487,777	0.12%	96.96%
Cameroon	\$95,225,943	\$437,559,649	\$532,785,592	0.12%	97.08%
Gabon	\$49,819,171	\$481,784,387	\$531,603,558	0.12%	97.20%

Reporter	Forestry + Furniture Imports	Forestry + Furniture Exports	Total Trade	Share of Total Trade	Cumulative Shares
Jordan	\$401,648,217	\$113,897,920	\$515,546,137	0.12%	97.32%
Pakistan	\$466,190,701	\$42,349,253	\$508,539,954	0.11%	97.43%
Côte d'Ivoire	\$106,799,067	\$388,122,484	\$494,921,551	0.11%	97.54%
Ecuador	\$330,868,361	\$140,630,131	\$471,498,492	0.11%	97.65%
El Salvador	\$285,615,204	\$150,807,261	\$436,422,465	0.10%	97.75%
Kuwait	\$373,214,790	\$39,677,689	\$412,892,479	0.09%	97.84%
Honduras	\$264,914,113	\$132,745,254	\$397,659,367	0.09%	97.93%
Namibia	\$151,468,287	\$243,232,079	\$394,700,366	0.09%	98.02%
Sri Lanka	\$302,885,637	\$75,543,028	\$378,428,665	0.09%	98.11%
Zambia	\$317,525,120	\$35,949,264	\$353,474,384	0.08%	98.19%
Dominican Rep.	\$337,054,008	\$14,415,000	\$351,469,008	0.08%	98.27%
Iceland	\$344,221,407	\$5,761,208	\$349,982,615	0.08%	98.34%
Uruguay	\$138,059,236	\$206,816,652	\$344,875,888	0.08%	98.42%
Kenya	\$275,476,491	\$61,065,621	\$336,542,112	0.08%	98.50%
Qatar	\$316,092,074	\$9,407,106	\$325,499,180	0.07%	98.57%
Jamaica	\$315,721,393	\$3,188,207	\$318,909,600	0.07%	98.64%
Trinidad & Tobago	\$225,354,313	\$90,389,534	\$315,743,847	0.07%	98.72%
Bangladesh	\$301,321,081	\$13,605,976	\$314,927,057	0.07%	98.79%
Oman	\$257,481,908	\$38,917,280	\$296,399,188	0.07%	98.85%
Cuba	\$167,530,129	\$88,324,306	\$255,854,435	0.06%	98.91%
Swaziland	\$101,601,926	\$138,575,948	\$240,177,874	0.05%	98.97%
Panama	\$208,930,421	\$28,196,866	\$237,127,287	0.05%	99.02%
Papua New Guinea	\$48,626,788	\$183,169,701	\$231,796,489	0.05%	99.07%
Paraguay	\$131,526,681	\$84,300,584	\$215,827,265	0.05%	99.12%
Zimbabwe	\$70,543,278	\$125,856,636	\$196,399,914	0.04%	99.16%
Madagascar	\$130,978,236	\$58,709,614	\$189,687,850	0.04%	99.21%
Bahrain	\$132,307,970	\$54,859,887	\$187,167,857	0.04%	99.25%
Bolivia	\$100,741,380	\$80,911,750	\$181,653,130	0.04%	99.29%
Botswana	\$167,875,230	\$10,261,754	\$178,136,984	0.04%	99.33%
FYR of Macedonia	\$147,960,320	\$23,351,644	\$171,311,964	0.04%	99.37%
Suriname	\$162,883,147	\$0	\$162,883,147	0.04%	99.41%
Rep. of Moldova	\$135,069,885	\$22,938,752	\$158,008,637	0.04%	99.44%
Mozambique	\$106,592,390	\$50,080,375	\$156,672,765	0.04%	99.48%
Senegal	\$139,393,656	\$16,388,973	\$155,782,629	0.04%	99.51%
Albania	\$112,244,042	\$24,784,262	\$137,028,304	0.03%	99.54%
Barbados	\$119,624,948	\$13,322,587	\$132,947,535	0.03%	99.57%
Mauritius	\$107,227,424	\$25,285,479	\$132,512,903	0.03%	99.60%
Nicaragua	\$104,872,059	\$21,475,333	\$126,347,392	0.03%	99.63%
Tanzania, United Rep. of	\$106,886,632	\$16,154,871	\$123,041,503	0.03%	99.66%
Macao, China	\$100,622,184	\$9,028,430	\$109,650,614	0.02%	99.68%
Georgia	\$89,545,259	\$17,449,718	\$106,994,977	0.02%	99.71%
Uganda	\$99,993,725	\$5,584,991	\$105,578,716	0.02%	99.73%
Fiji	\$63,510,812	\$38,632,052	\$102,142,864	0.02%	99.76%
Central African Rep.	\$50,837,440	\$47,662,826	\$98,500,266	0.02%	99.78%
Guyana	\$31,816,018	\$56,152,817	\$87,968,835	0.02%	99.80%
Malawi	\$71,394,276	\$8,564,178	\$79,958,454	0.02%	99.82%
Maldives	\$68,231,953	\$6,309,222	\$74,541,175	0.02%	99.83%
Brunei Darussalam	\$62,084,353	\$1,203,394	\$63,287,747	0.01%	99.85%
Nepal	\$43,549,657	\$16,923,168	\$60,472,825	0.01%	99.86%

Reporter	Forestry + Furniture Imports	Forestry + Furniture Exports	Total Trade	Share of Total Trade	Cumulative Shares
Kyrgyz Republic	\$52,370,040	\$3,660,406	\$56,030,446	0.01%	99.87%
Grenada	\$52,461,773	\$2,577,617	\$55,039,390	0.01%	99.89%
Armenia	\$49,926,724	\$4,844,349	\$54,771,073	0.01%	99.90%
Mongolia	\$42,297,590	\$5,751,247	\$48,048,837	0.01%	99.91%
Saint Lucia	\$41,706,374	\$4,041,435	\$45,747,809	0.01%	99.92%
Lesotho	\$42,278,525	\$2,223,490	\$44,502,015	0.01%	99.93%
Burkina Faso	\$36,299,558	\$2,617,789	\$38,917,347	0.01%	99.94%
Antigua and Barbuda	\$33,941,563	\$2,432,733	\$36,374,296	0.01%	99.95%
Benin	\$24,922,806	\$5,709,155	\$30,631,961	0.01%	99.95%
Mali	\$26,536,248	\$701,038	\$27,237,286	0.01%	99.96%
Belize	\$23,226,015	\$3,653,494	\$26,879,509	0.01%	99.97%
Saint Vincent & the Grenadines	\$24,537,538	\$1,129,754	\$25,667,292	0.01%	99.97%
Guinea	\$10,386,425	\$8,821,343	\$19,207,768	0.00%	99.98%
Saint Kitts & Nevis	\$16,636,357	\$868,735	\$17,505,092	0.00%	99.98%
Burundi	\$16,037,013	\$53,871	\$16,090,884	0.00%	99.98%
Togo	\$13,225,188	\$2,791,436	\$16,016,624	0.00%	99.99%
Niger	\$15,753,965	\$140,430	\$15,894,395	0.00%	99.99%
Rwanda	\$14,518,879	\$42,135	\$14,561,014	0.00%	99.99%
Dominica	\$13,672,317	\$59,838	\$13,732,155	0.00%	100.00%
Sierra Leone	\$7,061,482	\$235,395	\$7,296,877	0.00%	100.00%
Gambia	\$7,057,383	\$77,243	\$7,134,626	0.00%	100.00%

Sources: UN Commodity Trade Statistics Database; trade data for EU-27 (2005) from World Trade Atlas; trade data for Chinese Taipei (2005) provided by Chinese Taipei.

Forest products defined as HS 44, 47, 48, 49, and 9406; Furniture products defined as HS 9401.61, 9401.69, 9403.30, 9403.40, 9403.50, 9403.60, 9403.80

2005 data for all WTO Members with the following exceptions:

2006: Brunei Darussalam, Macao.

2004: Bangladesh, Burkina Faso, Cambodia, Cuba, Kenya, Mali, Papua New Guinea.

2003: Nepal, Nigeria, Rwanda.

2002: Guinea, Lesotho, Sierra Leone.

2001: Dominican Republic, Kuwait.

Pre-2001 data was excluded.

EU-27 includes external trade only.

All figures in US dollars.

Contact information: selch.kevin@ic.gc.ca