

**MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS**

Communication from Argentina

The following communication, dated 25 November 2008, is being circulated at the request of the delegation of Argentina.

1. Argentina is fully committed to the Doha Round negotiations. It endorses the objective that the final agreement should be consistent with the development mandate and should remedy the imbalances in the multilateral trading system resulting from asymmetry in the treatment of agricultural products *vis-à-vis* non-agricultural products.
2. Specifically, and in order to prevent a further deepening of the disparity of treatment between Agriculture and NAMA, Argentina considers it essential that the outcome of the Round, whatever it may be, should be in keeping with the provisions of paragraph 24 of the Hong Kong Ministerial Declaration in ensuring a comparably high level of ambition in market access for Agriculture and NAMA.
3. In this connection, neither the draft NAMA modalities of July 2008 nor the Director-General's proposal included in his "package" of 25 July 2008 are consistent with the principle of less-than-full reciprocity in reduction commitments, nor do they comply with paragraph 24 of the Hong Kong Ministerial Declaration. This is compounded by undue demands to limit flexibilities, impose "anti-concentration" rules, and require mandatory participation by certain developing countries in sectoral agreements. All of this runs counter to the principle of special and differential treatment in favour of the developing countries.
4. In Argentina's view, current circumstances demand that the outcome of the negotiations, whatever it may be, should contribute to trade liberalization whilst allowing the developing countries to maintain moderate tariff levels and preserve the space they need to implement their policies aimed at expanding and diversifying the production base, increasing employment, and guaranteeing social stability and progress. This is the only way for developing country markets to continue making a dynamic contribution to the rise in global demand, in a context of financial crisis with its clear symptoms of international economic recession.
5. The manufacturing industry, which accounts for approximately 17 per cent of GDP, was one of the main engines of Argentina's economic recovery following the crisis suffered by the country in 2001 and 2002. From then on, the number of jobs in the industrial sector rose by 8 per cent per year, from 773,036 in 2002 to 1,130,858 in 2007. As a result of economic recovery, the value of industrial goods imports underwent a continuous increase from 7,683 million dollars in 2002 to 38,971 million in 2007, representing an annual growth rate of 38 per cent.

6. The deficit in the industrial goods trade balance went from 86 million dollars in 2002 to 21,648 million in 2007, a figure that cannot continue to rise at the same pace without jeopardizing the country's further growth and social stability.

7. As stated earlier, the key element which explains Argentina's positive contribution to global demand is economic growth, not an excessive reduction in tariffs. Argentina currently has moderate industrial tariffs, which fosters the major increase in trade flow mentioned above.

8. The relative importance of tariffs as an industrial policy instrument is linked to acceptance and implementation of multilateral disciplines restricting the use of other tools such as subsidies, quantitative restrictions, regulations governing foreign investment, and directed lending schemes. Many of these other tools are, however, used in agricultural production and trade in the developed countries, thus limiting Argentina's ability to benefit from the high competitiveness it enjoys in this area.

9. Indeed, the major economic powers will maintain a high level of protection for products of commercial significance to Argentina, even after implementing the undertakings negotiated in the Doha Round. This is because of the differences in cuts pertaining to sensitive products, a situation that is further aggravated by the persistence of strongly managed trade, given the diversity of protection instruments, including tariff quotas. The reduction provided in the negotiations in respect of these quotas does not, for the time being, narrow the gap between in-quota and out-of-quota tariffs.

10. As far as the industrial sector in the developed countries is concerned, the granting of high subsidies to the automotive and other industrial and services sectors is currently under review in order to address the global financial crisis. The implementation of such measures would considerably alter competitive conditions for countries, such as Argentina, which do not or cannot grant subsidies. It is therefore all the more important that tariff reduction in NAMA by the developing countries should be consistent with the proposals set out in this document, including the possibility of exempting from tariff reduction sectors benefiting from subsidies in the developed countries.

11. In view of the above, and assuming that sufficient progress is made in the Agriculture negotiations, Argentina confirms that it will be able to move ahead on a set of modalities involving a Swiss formula coefficient of 35 and flexibilities for 16 per cent of NAMA lines, with a 50 per cent cut and no trade value limitation. This is a significant contribution and Argentina's best effort in the present international circumstances and the current negotiating context.

12. Alternatively, in the case of a coefficient of less than 35 but greater than 25, the flexibilities required by Argentina would be the following:

- 16 per cent of lines subject to a 50 per cent cut; and
- 8 per cent of lines not subject to cuts.

**Annex I**

**P24: Balance between Agriculture and NAMA?**

**Tariff reductions for agricultural and non-agricultural products under  
the Lamy "package" of July 2008  
(as a percentage)**

A. With NAMA flexibilities

	<b>Developed countries<sup>1</sup></b>	<b>Developing countries<sup>2</sup></b>
Agriculture <sup>3</sup>	54%	36%
NAMA <sup>4</sup>	39.9%	56.8% to 57.3%

1. US, Japan and EU.
2. Argentina, Brazil and India.
3. Minimum cut for developed countries (including sensitive products, tropical products and tariff escalation) and maximum cut for developing countries.
4. Minimum and maximum cuts in accordance with the various combinations of coefficients and flexibilities proposed.

Source: Centre for International Economics (CEI) on the basis of WTO data.

B. Without NAMA flexibilities

	<b>Developed countries<sup>1</sup></b>	<b>Developing countries<sup>2</sup></b>
Agriculture <sup>3</sup>	54%	36%
NAMA <sup>4</sup>	39.9%	56.9% to 60.9%

1. US, Japan and EU.
2. Argentina, Brazil and India.
3. Minimum cut for developed countries (including sensitive products, tropical products and tariff escalation) and maximum cut for developing countries.
4. Minimum and maximum cuts in accordance with the various coefficients proposed.

Source: Centre for International Economics (CEI) on the basis of WTO data.

**Annex II**

**Argentina: Trade in industrial manufactures  
(US\$ million)**

<b>Year</b>	<b>Exports</b>	<b>Imports</b>	<b>Balance</b>
2002	7,597	7,683	-86
2003	8,047	12,121	-4,074
2004	9,591	19,991	-10,400
2005	11,985	25,412	-13,427
2006	14,843	30,419	-15,576
2007	17,323	38,971	-21,648

Source: Centre for International Economics (CEI) on the basis of Argentine Institute of Statistics and Censuses (INDEC) data.

**Annex III**

**EU: Tariffs for agricultural products subject to quotas**  
(selected products)

HS subheading	Description	Quota	Current tariff		Resulting tariff (Lamy "package" of July 2008)				
			In-quota	Out-of-quota <sup>1</sup>	In-quota <sup>2</sup>	Out-of-quota <sup>3</sup>		Difference between in-quota and out-of-quota (per cent)	
						Difference of 1/3 in relation to overall cut	Difference of 2/3 in relation to overall cut	Difference of 1/3	Difference of 2/3
02023090	Meat of bovine animals, frozen, boneless	EECQ004	20.00	141.78	10.0	75.62	108.70	86.8	90.8
02061095	Thin skirt	EECQ004	20.00	407.82	10.0	217.50	312.66	95.4	96.8
20031030	Mushrooms	EECQ040	19.33	217.41	9.7	115.95	166.68	91.7	94.2
20096951	Grape juice, concentrated	EECQ086	28.27	199.16	14.1	106.22	152.69	86.7	90.7

1. *Ad valorem* equivalents.

2. 50 per cent reduction, tariffs not higher than 15 per cent, and reduction to zero per cent of tariffs lower than 5 per cent.

3. With 4 per cent of sensitive lines.

Source: Centre for International Economics (CEI).