

**MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS**

Communication from the European Communities

The following communication, dated 20 June 2002, has been received from the Permanent Delegation of the European Communities

The European Communities welcome the establishment of the negotiating group on non-agricultural market access and, in this first submission to the group, wish to set out some initial views on the scope of the negotiations and the possible approach to them. The submission is divided into two parts, dealing respectively with the objectives and the modalities of the negotiations.

**I. OBJECTIVES**

1. Like other Members, the EC welcomes the comprehensive nature of the mandate agreed at Doha for non-agricultural market access negotiations. We note that non-agricultural tariffs and non-tariff barriers continue to have a major effect on international trade flows. Negotiations to reduce or eliminate these barriers will bring major economic benefits to all Members of the WTO and to their consumers, particularly if accompanied by stronger WTO rules providing a predictable and transparent international trading environment.

2. With regard to the objectives of the negotiations, the European Communities wish to draw attention to some of the key features of the mandate.

3. The Ministerial Declaration stresses that the product coverage for the negotiations should be comprehensive and without *a priori* exclusions. This mandate is more ambitious than the negotiating mandates for previous rounds, and requires a correspondingly ambitious approach to the negotiations. It is also more specific in that Members have agreed to reduce or as appropriate eliminate tariff peaks, high tariffs and tariff escalation, as well as non-tariff barriers. A comprehensive approach aimed at the removal of all these barriers is the only way of ensuring that the interests of all WTO Members are addressed.

4. The mandate explicitly states that the reduction or elimination of tariff and non-tariff barriers shall be aimed in particular at products of export interest to developing countries. Moreover in this respect, not only improved access to developed countries' markets, but also access to other developing countries' markets is becoming increasingly important to developing-country exporters. Therefore one of the objectives of the negotiations must be the achievement of effective market access between developing countries.

5. Not only the interests, but also the needs of developing and least developed countries must be taken into account in negotiations through less than full reciprocity in reduction commitments, in accordance with Article XXVIII *bis* of GATT 1994 and the provisions of paragraph 50 of the

Declaration, which include *inter alia* the Decision of 28 November 1979 on Differential and More Favourable Treatment reciprocity and Fuller Participation of Developing Countries.

6. The European Communities consider negotiations on reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods as an important part of market access negotiations. With a view to the Members' discussion on the product coverage and scope of this section of the mandate, the Communities are currently studying appropriate approaches to capture on the basis of objective and recognisable criteria environmental goods whose improved market access will be positive not only for trade, but also for environmental objectives world-wide. Furthermore, the Communities are open to suggestions for paying particular attention to goods whose sustainable materials or production characteristics mean that increased trade in such products would also be environmentally supportive. We believe that such complex issue must be discussed sufficiently early in the process.

7. Negotiations to remove non-tariff barriers to trade in non-agricultural goods are a key element of the market access negotiation with a bearing on the overall balance. Many non-tariff barriers have already been reduced or regulated under current WTO rules in areas such as customs valuation, pre-shipment inspection, import quotas and prohibitions, import licensing procedures, or state trading enterprises. Disciplines on non-tariff barriers are also laid down in several GATT provisions such as GATT Articles II, III, V, VIII, X or XII.

8. There remain, however, several other non-tariff barriers which considerably hamper trade and have a serious impact on the activity of trade operators. Only by creating disciplines that will remove such barriers can the full benefits of market access be obtained, rather than frustrated. Various WTO bodies are currently tackling non-tariff barriers in specific fields. Without prejudice to the contributions that the Communities and other Members can make in these fora, within the market access negotiations we intend to submit proposals concerning the definition and coverage of non-tariff barriers and suggesting approaches to their elimination. Negotiations should also address exports restrictions, including export duties.

9. In view of the ambitious mandate, the European Communities are ready to commit to an ambitious programme of tariff and non-tariff reduction and elimination, if this is matched by truly meaningful commitments by others. The approach finally agreed should ensure that no sector or product is excluded. In addition, where possible, negotiations could aim at complete tariff elimination for groups of products or sectors taking account of the different levels of development and including the particular needs of the least developed countries. Against a background where, bilaterally or regionally, many Members have already committed themselves to very ambitious liberalisation plans, ambitious action at the multilateral level acquires greater significance at the same time as it becomes more feasible.

## **II. MODALITIES**

10. The modalities adopted must correspond to the objectives set in the mandate, as well as the complexities brought about by the variations in the tariff structures and in the non-tariff measures of 144 WTO Members. In past rounds of negotiations, modalities proposed – or used – have included: request-offer approaches, under which individual participants negotiate concessions on an item-by-item basis; formulae whereby Members agree to reduce tariffs across the board either in a linear or in a non-linear fashion; formulae taking into account gross national product, level of exports and other criteria, in order for Members to undertake commitments in keeping with the degree of development in specific sectors; and approaches whereby either all or a number Members apply deeper cuts to specific products.

11. The choice of modality for the negotiations should take into account the high level of ambition of the mandate, lessons learned from previous market access negotiations, the need to take special account of the interests and needs of developing countries, and the current size of the WTO Membership. Taking account of all these elements, the modality to be chosen has to bring about the greatest possible reductions across the board for all Members. In other words it has to remove tariff peaks, reduce and compress high tariffs in an economically meaningful way, seriously tackle problems brought about by tariff escalation, and avoid approaches that can result in the continued sheltering from liberalisation of particular sectors of interest to many participants. A formula approach may, therefore, be the best way of achieving these aims. In parallel and depending on the level of ambition of such comprehensive approach, there could be scope for deeper than average cuts for some groups of products, e.g. environmental goods.

12. Taking account of the principle of less than full reciprocity, and the particular needs and problems faced by least developed countries, the chosen modality could be calibrated to different Members' levels of economic development taking into account actual tariff structures.

13. In establishing the modalities, a significant increase in the number of bindings, the reduction of the gap between bound and applied duties and the reduction or elimination of tariff dispersion would, *inter alia*, be of high interest to many WTO Members and in keeping with the objectives set by the mandate. As regards the number of tariff items bound, Part 1 of the Schedules of accession of the Members who have recently joined WTO, should guide negotiators who must strive for all tariff items to be bound.

14. The European Communities are open to suggestions concerning the identification of the year of reference. We consider, however, that for results to be significant Members should choose a year which is closest to the start of the negotiations, i.e. 2001.

15. On a more practical level, the wealth of data contained in the Consolidated Tariff Schedule (CTS) must be made accessible. Likewise, in order to enable Members to judge whether reductions offered are meaningful, it is crucial that the Integrated Data Base (IDB) contains updated data on applied tariffs and on Members' trade. Negotiators should have at their disposal statistics on the value and volume of their trade in the three years from 1999 to 2001 in addition to data on all types of bound and applied rates.

16. As regards non-tariff measures, the modalities should permit the identification and listing of non-tariff measures, and assessment – whenever possible – of their trade-restrictive impact, in order for Members to agree either on a reduction of scope or a definitive phase-out, taking into account Members' rights to legitimate measures taken in accordance with provisions contained in WTO Agreements. Modalities could include data collected through notifications of non-tariff barriers experienced by Members. Commitments on export taxes and restrictions by the Members who have recently joined WTO also provide useful guidance for negotiations on this specific issue.

17. Each Member's overall contribution in the negotiations shall be evaluated on the basis of the effective market access granted through tariff reductions and the elimination of non-tariff barriers.

18. The mandate, furthermore, requires that the modalities include appropriate studies and capacity building measures to assist developing and least developed countries to participate in the negotiations. The Communities agree that support of this nature will be important to help some smaller Members of the WTO identify better their interests in the negotiations. To this end the European Communities have supported the increase in the WTO's technical assistance budget devoted to such studies and to other measures. The EC will also launch programmes aimed at assisting developing countries in using the tools available for tariff analysis in order for these countries to be able to establish their interests and priorities in this area of the negotiations. In addition,

Members might need to evaluate the future role of the ITC in the light of the instruments it could put at the disposal of Members for the analysis of tariffs and trade-flows.

19. In terms of timing, even though the mandate does not specify a deadline, and despite the complexity of the task lying ahead, modalities should be decided by the forthcoming 5<sup>th</sup> Ministerial Conference at the latest.

### **III. CONCLUSIONS AND WAY FORWARD**

20. To conclude, the European Communities wish to reiterate the importance they attach to an ambitious, comprehensive market access negotiation delivering benefits to all Members and promoting sustainable development. Negotiations on market access for non-agricultural products must be placed within the wider framework of negotiations foreseen by the Ministerial Declaration and which are aimed at achieving a more transparent and predictable multilateral system of rules.

21. With regard to the way forward, The European Communities intend to submit proposals concerning all aspects of the negotiation according to the timetable that the Chairman of the negotiating group will, we hope, establish at the first meeting. Some definitional issues will have to be decided at an early stage of the negotiations, including the question of base rates, the scope of non-tariff barriers and the identification of environmental goods. In addition the work programme should include information on planned technical assistance actions and seminars, which are indispensable for a full participation of all Members. In this respect the Communities are fully committed to supporting the WTO Secretariat's efforts in assisting Members, and especially the least developed countries, throughout the negotiations.

---