

# WORLD TRADE ORGANIZATION

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Negotiating Group on Market Access

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## MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

### Contribution Paper from Japan

The following communication, dated 2 August 2002, has been received from the Permanent Mission of Japan.

#### **Background**

Through the past several rounds of negotiations, tariffs on non-agricultural products have been substantially reduced, market access has been improved, and accordingly, the predictability and credibility of trade has been enhanced. However, as there is still room for further improvement, Japan is prepared to engage actively in this negotiations with other WTO Members in accordance with the Doha Ministerial Declaration.

International trade can play a major role in the promotion of economic growth and the alleviation of poverty, as stated in the Declaration; and in this context, the improvement of market access can play an important role.

While improving market access through negotiations on non-agricultural market access is beneficial to all Members, several studies in the past have clearly shown that developing countries, especially the LDCs, are also able to enjoy benefits according to the development needs, in the course of world economic growth enhanced by the expansion of world trade. The Members should make efforts to further stabilize the multilateral trading system and promote negotiations to enable all Members to benefit.

In this regard, as we are at the initial stage of negotiations, this paper is intended to present necessary materials towards reaching agreement on modality through suggesting issues of interest shared by many WTO Members, including Japan. Subsequently, Japan reserves the right to submit additional proposals, along with any involvement in the negotiations and is prepared to make actively further contributions to the negotiations. Japan also urges other Members to swiftly submit their proposals.

#### **Proposal (Points for discussion on negotiating modality)**

Elements or ideas mentioned below must be examined for reaching agreement on modality, and Japan believes that many WTO Members, including Japan, have a strong interest in discussing these elements and ideas. Understandably, some elements or ideas might be advantageous for some Members, whilst being disadvantageous for others. What matters most, however, is an overall balance in the outcome of the negotiations and the negotiations should aim at a comprehensive package without a priori exclusion of products, as agreed upon in the Doha Declaration. Needless to say negotiations should proceed, giving due consideration to the situation surrounding individual products.

The following points are based on current thinking and are therefore not exhaustive but are subject to be complemented later on.

1. Binding Ratio

Improving the binding ratio (ratio of bound tariff lines against all tariff lines) is an important issue in securing predictability and credibility in world trade. WTO Members should improve binding ratios by binding tariffs of as many tariff lines as possible and should also improve the quality of concessions.

2. Target Tariff Rate

It is well known that in order to reach an agreement in a short period as well as initiating tariff reductions efficiently in major areas of interest, one of the effective methods is to examine possible tariff reductions by way of a formula-cut approach by all WTO Members.

However, it was noted that there existed a wide disparity in tariff rates among Members after the conclusion of the Uruguay Round. In realizing a fair expansion of trade, it is vital to reduce the tariff rates to a certain targeted level corresponding to the level of development, giving due consideration to each Member's situation including its current trade weighted average tariff rate. As to the certain targeted level in the case of LDCs, full consideration is needed, and in the case of developing countries, the degree of development and competitiveness of each member should be carefully analysed.

Having stated the above, details including how to set a variable relating to a certain targeted level have to be further discussed and Japan intends to submit a proposal. Japan would like to deepen the discussions, taking into account proposals by other Members as well.

3. Tariff Peaks, High Tariffs and Tariff Escalation

In addition to the consultations on the modality of tariff reductions by way of a formula approach or Target Tariff Rate mentioned above, tariff peaks that would have serious trade distorting effects should be rectified efficiently. As suggested by studies conducted in the past, trade-promoting effects are expected if high tariffs, when applied among developing Members, are lowered. Tariff escalation would be subject to consultation, although its definition and the way to measure it are not so easy.

4. "Zero-for-Zero" and "Harmonization"

Since the "zero-for-zero" and "harmonization" approaches adopted during the Uruguay Round achieved certain good results, these approaches should be promoted and discussed together with a formula approach and Target Tariff Rate approach as stated in Point 2. Furthermore, regarding the "zero-for-zero" approach, we may consider the notion that a zero tariff rate ratio by trade weighted average could be increased corresponding to the level of development.

With respect to ideas mentioned below, increasing participation is an important agenda and should be encouraged.

- Increase the number of participants in the ITA with a view to expanding trade in information communication products.
- Increase the number of participants in the chemical harmonization for the sake of enhancing transparency by way of harmonized tariff rates for chemical products.

As to the products mentioned below, zero for zero or harmonization approaches should be pursued under the presumption that meaningful agreements could be reached by the positive participation of as many members as possible.

- “Zero-for-Zero” approach for the following products on which adequate discussions were not held during the Uruguay Round and further discussions are expected: consumer electric products, bicycles, rubber and articles thereof, glass and articles thereof, ceramic products, cameras, watches, toys,
- “Harmonization” approach for textiles and clothing sectors.

Further to the expansion of product coverage subject to the ITA (zero-for-zero approach), the digital home appliance should be examined for inclusion in the ITA. It is suggested that the Zero for Zero be implemented for globalized industries, such as automobiles, among Members that have attained certain maturity in those industries (in particular, among the industrialized Members).

These products or products groups referred to above are illustrative and not exhaustive, and the details of product coverage including HS numbers will be discussed at a later stage. Products of export interest to developing Members mentioned in the Doha Declaration are also included in the above products.

#### 5. Bases for Negotiations

Bases for negotiations should be in principle bound rates based on the HS 2002 version. It is important to rectify great differences between bound tariff rates and applied tariff rates and therefore due attention should be paid to the current situation of applied tariff rates of Members in order to make meaningful improvements in market access. As to voluntary liberalizations, since assessment methods for credits are difficult and are likely to be arbitrary, careful handling is required.

Compiling databases such as IDB or CTS will contribute greatly to developments in tariff negotiations in which 144 Members take part. Those that have not yet submitted relevant data are urged to do so or necessary capacity building should be provided for those Members to do so. The Secretariat is requested to prepare documents compiling Members’ tariffs and trade trend.

#### 6. Tariff Schedules

As complicated tariff schedules could be an impediment to trade, it is necessary, for example, to examine the simplification of subdivisions under HS subheadings for the sake of improved market access, e.g. to combine national subdivisions, as appropriate, as long as those national subdivisions carry the same bound rates.

#### 7. Implementation Periods and Staging

Implementation periods and staging are construed as a shock absorbing measure to enable further reductions of tariffs. These also make core parts of S& D for developing and least developed Members in relation to developed Members. Taking into account a precedent at the UR, staging may be in principle allowed for five year at the longest based upon the recognition that implementation periods commence in Jan. 2005.

Consideration should be accorded to developing and least developed Members in the context of the overall balancing of agreements.

8. NTMs

How to address NTMs is important in terms of meaningful improvement in market access. Taking into account studies and discussions in various fora, one of the ideas is that each Member submits its interested area of NTMs as a request. It is necessary to take up not only border measures on the importing side but also trade distorting measures on the exporting side such as export duties and export restrictions. NTM negotiations in connection with tariff negotiations should be assessed in the context of overall balance of non-agricultural market access negotiations.

9. S&D

Implementation periods and staging are a core part of S&D and it would be worthy to discuss the possibility of differentiating elements of a formula or target tariff rate. As to the GSP schemes based on the enabling clause, GSP providers should, as their own initiative, study the possibility of reviewing the scheme taking into account the competitiveness of the products and improving the market access for LDC's products.

10. Capacity Building

For the sake of the successful conclusion of negotiations, it is essential for LDCs to participate positively and effectively in the negotiations, and to that end, appropriate capacity buildings should be carried out. The capacity building seminar hosted by the Secretariat last May was useful and we do appreciate the efforts of the Secretariat.

It may be an idea for a seminar to be held again in autumn this year with a view to explaining the positive effect of improved market access in the developing Members toward their economies and thereby giving incentives for developing Members to positively participate in the negotiations.

11. Protection of Environment and Sustainable Development Including Market Access on Environmental Goods

It is necessary to pay due attention to the protection of environment and the promotion of sustainable development, as is provided in Paragraph 6 of the Doha Declaration. From this viewpoint, Japan, in collaboration with other Members, is prepared to work out a list of environmental goods for their improved market access, in accordance with Paragraph 31 of the Doha Declaration. Concessions to be made out of the list are to be evaluated as part of the overall results of the negotiations. From the same viewpoint as above, special consideration should be given, in the course of market access negotiation, to the goods which have to be appropriately addressed in terms of global environment issues and the sustainable use of exhaustible natural resources. In this regard, Japan intends to make a proposal specifically on this point.

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