**WORLD TRADE ORGANIZATION**

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**Negotiating Group on Market Access**

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**MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS**

Submission by India

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*Introduction*

1. Paragraph 16 of the Doha Ministerial Declaration on Market Access for Non-agricultural Products provides a clear mandate for negotiations on this important subject. It require members to aim "…to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries." These negotiations, further are to take fully into account the special needs and interests of developing and least developed countries, including through less than full reciprocity in reduction commitments, in accordance *inter alia* with the provisions of Article XXVIII *bis* of GATT 1994. India would like to offer some preliminary thoughts on carrying forward this mandate. This is without prejudice to India submitting more detailed papers later on, on the issue of modalities and other aspects.

*Background*

2. Unlike in earlier rounds, developing countries, for the first time, participated fully in the tariff reduction commitments under the Uruguay Round. It has been well recognised that the tariff cuts taken by developing countries during the Uruguay Round were very substantial and when measured by how they will affect importers' expenditure were deeper than those of the developed countries[1]. In return, however, tariff reductions on items of particular interest to them got less attention in the developed markets. The tariff cuts in the developed countries on industrial products except petroleum imported from the developing and least developed countries were lower as compared to the cut on imports from all sources[2].

3. It would be important to ensure this time around that substantial gains accrue to the developing countries.

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[1] The Unbalanced Uruguay Round Outcome: The New Areas in Future WTO Negotiations – Julio J. Nogués, and J. Michael Finger: World Bank Working Paper No. 2732 December 2001 & The Uruguay Round: Statistics on Tariff Concessions Given and Received - J. Michael Finger, Merlinda Ingco and Ulrich Reincke: World Bank September 1996

[2] The Results of the Uruguay Round of Multilateral Trade Negotiations: GATT Secretariat, November 1994.

*Approach*

4. Any approach decided upon for carrying forward the Doha mandate will have to address its essential elements. From a developing country perspective, it will be important to ensure that:

a) the approach fully integrates the 'less than full reciprocity' concept in all aspects, not merely in a longer implementation period;
b) tariff peaks, tariff escalation and non-tariff measures are effectively dealt with in products of particular export interest to developing countries;
c) the fiscal, developmental, strategic and other needs of developing countries are fully taken into account as required *inter alia* by paragraph 3 (c) of Article XXVIII (bis) of GATT (1994); and
d) special needs of economic development of developing countries including where there are labour intensive small scale enterprises are kept in view.

*Preliminary thoughts on modalities for tariff reduction commitments*

5. For bound tariff lines, reduction commitments should commence from the last negotiated level of bound commitments.

6. For unbound items, which are generally more sensitive than their bound counterparts, the approach should include the following:

a) An increase in the binding coverage with no *a priori* exclusion of product groups. Provision should however exist for developing countries to continue to maintain certain domestically sensitive products as unbound; and
b) For unbound tariff lines, which are to be bound, there should be the flexibility to bind them above the current level of applied tariff and the modality should include taking into consideration the autonomous liberalisation since the time when the Uruguay Round negotiations effectively came to a close. There should also be the flexibility for such tariff lines to be bound at rates which are generally above the higher of the bound rates prevailing for bound items in a country's tariff schedule.

7. As for modalities for tariff reductions, several approaches have been suggested including request and offer, formula approaches, or a sectoral approach involving 'harmonisation' or 'zero for zero' methods etc. Some suggestions have also been made for having a combination of these approaches. While India's views on the subject are still evolving, the following aspects may need greater understanding and clarity:

a) In any request and offer approach between a developing country and a developed country, there is a potential for the former to be faced with excessive demands for any request it may submit while in fact the mandate calls for less than full reciprocity. Can some guidelines be set out? Will 'request and offer' approaches be limited to items where countries hold substantial or principal supplier status or can it cover other products as well? It will be important to have clarity on these issues.
b) There have also been suggestions for following a sectoral approach in the negotiations. In this context, it needs to be kept in view that developing countries in general have higher levels of tariff both on account of their revenue needs as well as to afford some measure of protection to their industry which does not enjoy a level playing field owing to lack of resources, older technology, high interest rates and infrastructural and other constraints. In the above context, if a 'Zero for Zero' approach is attempted even in a few limited sectors, this can cause serious distortions in a developing economy as indicated below:

(i) The average tariff of developed countries in most of the sectors being proposed for ‘zero for zero’ approaches is around 3-5%. Bringing them down to zero will not involve any significant reduction. This is not the case with developing countries and if implemented many may face sharp drops in their revenue collection. It would also be unfair to their domestic industries which have to put up with many constraints. Some level of tariff protection is also required to attract investments.

(ii) Product coverage of ‘zero for zero’ initiatives would include raw materials, intermediates and final or finished products. Raw materials and components usually are common inputs for several manufacturing sectors, some of which may not be so covered by sectoral initiatives. The net effect in such cases can be seriously unsettling by creating differential effective rates of protection and which will in turn affect the balance between efficiency and fair competition that may currently be in play amongst producers of the different raw materials or components. While this may not be the case for countries at more advanced stages of development or where the tariff rates are uniformly low, this would seriously harm developing countries where the zero tariff following a sectoral initiative sharply contrasts with the relatively higher level of tariff protection on related or similar products.

(iii) Any significant use of ‘zero for zero’ approach could also lead to an unbalanced overall result favouring major trade partners, whose main tariff reduction contributions may then get diverted to areas which are not of particular export interest to developing countries. Elimination of tariff peaks in areas of export interest to developing countries, a key element of the Doha mandate, may not then receive the required attention.

c) As for formula approaches it has to be clarified as to how circumstances obtaining in developing and least developed countries will be taken into account. An analysis needs to be undertaken in particular on how the developmental, fiscal, strategic and other needs of developing and least developed countries would be factored in. The special needs of the labour intensive small scale enterprises in developing countries would also have to be kept in view.

*Non -tariff measures*

8. India attaches great significance to the removal of specific non-tariff barriers on tariff lines of particular export interest to developing countries. By their nature, NTMs do not lend themselves to securing commitments that can be easily defined or monitored. To the extent there can be some creative ideas in this regard it would be useful. Compilation of comprehensive data with regard to NTBs is an essential requirement for furthering discussion in this area. India would, however, caution against the inclusion of legitimate instruments that developing countries may use under the various WTO agreements for development of their industries. For instance, export tariffs or levies are generally used to generate resources to develop an industry by diversification in the product profile and development of value added products for exports. Therefore, the suggestion that ‘export duties’ be negotiated would be outside the Doha mandate.

*Environmental Goods*

9. The product coverage on environmental goods would need to be discussed in the light of the products of export interest to developing countries including LDCs and may also include environment friendly products. India is, however, opposed to including products in this category on grounds of production and process method considerations.