WORLD TRADE ORGANIZATION

TN/MA/W/10/Add.1
8 January 2003

(03-0038)

Negotiating Group on Market Access

Original: English

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Second Submission by India

Addendum

The following document, dated 30 December 2002, has been received from the Permanent Mission of India.

Introduction

1. India expects that the market access negotiations will significantly improve the market access of developing countries through the reduction in tariffs and non-tariff barriers in particular in products of export interest to developing countries. This would be in keeping with the development theme of the Doha Declaration which has sought to place the needs and interests of developing countries at the heart of the Doha Work Programme. In turn India will be willing to make its full contribution to the tariff liberalization process, in conformity with the Doha Mandate.

2. In its first submission, circulated in Document TN/MA/W/10 dated 22 October, 2002, India had offered its preliminary thoughts in carrying forward the Doha mandate for the negotiations. The paper had *inter alia* drawn attention to the various elements of the mandate, as seen from a developing country perspective, and emphasized that the negotiations this time should bring forth substantial gains to developing countries. Following further consideration, as also after extensive domestic consultations with the various concerned stakeholders, India makes this second submission, proposing certain specific modalities for the negotiations.

Approach

3. In proposing these modalities, India's approach has been guided by the essential elements of the Doha Mandate which require that in the negotiations it is important to ensure that :

(a) Tariff peaks, tariff escalation, high tariffs and non-tariff measures, in particular in products of export interest to developing countries, are effectively dealt with. Tariff peaks imposed by developed countries are often concentrated in products that are of export interest to developing countries such as in textiles and clothing; leather, rubber, footwear and travel goods; transport equipment; fish and fish products; etc. That most developed countries' tariffs for such items increase with the level of processing of such products and that such products are often excluded from preferential tariff schemes such as GSP, is well documented;

(b) The approach should fully integrate the "less than full reciprocity" concept in reduction commitments. Formulae effectively seeking to drastically reduce the tariffs generally prevailing in a developing country schedule while being comparatively less demanding on developed country counterparts will not be in keeping with the mandate even if they are sought to be projected as harmonising tariff levels, which in any case is not a specific objective in the Doha Declaration;

(c) It must be recognized that for many developing countries customs tariffs contribute significantly to government revenue and are necessary for meeting critical developmental expenditure. Accordingly any customs tariff reduction commitments by such countries will necessarily have to have flexibilities in conformity with its programs for restructuring of governmental revenue sources;

(d) The fiscal, developmental, strategic and other needs of developing countries should be fully taken into account as required *inter alia* by paragraph 3 (c) of Article XXVIII *bis* of GATT 1994. The approach decided upon must allow a developing country to calibrate its market access commitments in accordance with its economic, social and political imperatives; and

(e) Special needs of economic development of developing countries including where there are labour intensive small scale enterprises should be kept in view.

<u>Specific Proposals on Modalities</u>

4. India proposes the following modalities for the tariff negotiations:

(a) For tariff lines already bound, reductions should be undertaken only from bound levels and not from applied rates.

(b) The method of reduction in existing tariff bindings for bound items should consist of:

(i) A simple percentage cut on bound tariffs of each Member, with a higher percentage to be set for developed countries than the percentage set for developing countries. Such a reduction method will be in conformity with the mandate requiring “less than full reciprocity in reduction commitments” by developing countries. Even, under this approach, developing countries which generally have higher tariffs will be making significant reductions in absolute terms.

(ii) Members shall not impose tariff on any product in excess of three times its average tariff. The average for this purpose shall be calculated after effecting the tariff reduction as per (i) above. This will effectively address the issue of peak tariffs and tariff escalation, in particular on products of export interest to developing countries.

(iii) In determining the reduction to be effected by developing countries their dependence on customs tariff for revenue i.e. percentage contribution of customs tariff in the overall revenue collected by a government may also be a factor that has to be kept in view.

(iv) Flexibility to be available to developing countries to decide on the actual bindings on some tariff lines as a special and differential measure while still maintaining the percentage reduction on an average basis as per (i) above.

(c) Unbound tariff lines being generally more sensitive, greater flexibilities are to be provided for these items including as follows:

(i) For unbound tariff lines, developing countries should have the flexibility to bind them at levels generally above the higher of the bound rates prevailing for bound items in a country’s tariff schedule; and

(ii) While product coverage shall be comprehensive and without *a priori* exclusions i.e., no sector as such may be excluded from the negotiations, developing countries should have the flexibility not to bind certain unbound tariff lines still considered domestically highly sensitive or strategically important.

(d) Supplemental 'zero for zero' or 'tariff harmonisation' proposals to be kept to a minimum since they impose onerous obligations on developing countries. Even in the limited sectors where such approaches may be agreed upon, including if such an approach is agreed to for environmental goods, flexibilities such as:

(i) higher harmonised tariff level for developing countries;
(ii) greater credit for tariff reductions by developing countries; and
(iii) longer implementation periods,

…would need to be incorporated to suitably take account of developing country interests;

5. As for implementation period or staging, the precedent set in the Uruguay Round may be followed and developing countries should be permitted to implement the tariff commitments undertaken over a longer period, than that by developed countries. The actual duration will also depend on the extent of commitments undertaken. For developing countries it should extend up to a 10 year period.

6. Several developing countries have reduced and bound their tariffs since the Uruguay Round, including through participation in the ITA. Credit for such autonomous liberalisation of tariffs should be given.

7. The use of specific duties is an important issue. Consensus needs to be built on how to deal with this matter.

8. On non-tariff barriers, India is not making any further suggestions at this stage to what is already contained in TN/MA/W/10. It will be appropriate to revert to this issue after the process of identification of NTMs is completed, for which the Chairman has already indicated 31 January, 2003 is the date by when members have to submit the list of NTMs faced by them.

9. On environmental goods, India would make further submissions once a consensus on how NGMA should proceed further on this matter is reached.