

**MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS**

Communication from the European Communities

The following communication, dated 31 October 2002, has been received from the European Communities.

1. In this second submission to the negotiating group, the European Communities wishes to set out further ideas on the approach to achieve the ambitious objectives established in the mandate agreed at Doha under the relevant sections of non-agricultural market access.

2. Previous rounds of negotiations have substantially reduced market access obstacles. They have, however, resulted in very heterogeneous and uneven tariff structures between individual WTO Members, which differ considerably with regard to tariff peaks, high tariffs, tariff escalation, percentage of bindings, spread between bound and applied rates, and number of headings and sub-headings. In other words, the high protection in particular of labour-intensive manufacturing sectors does not contribute to the promotion of economic development and the alleviation of poverty. The DDA negotiations must tackle these sectors, which are of particular interest to many WTO Members, if the objectives of a development round and mutually beneficial reductions are to be achieved.

3. Economic efficiency is enhanced by the reduction of widely different and dispersed tariff structures. Tariff structures with a lower level of dispersion ensure a better allocation of resources amongst producers, are more transparent, easier to administer and less likely to shelter domestic protectionist interests. Indeed, some countries in their most recent reform programmes have substantially streamlined their tariffs into three or four categories of tariff rates.

4. Now it is time for a bold initiative that advances meaningful liberalisation across all non-agricultural products, which represent over 70% of developing country exports, and puts particular emphasis on those sectors where high tariff and non-tariff barriers have been encountered, including in markets of particular interest to developing countries. The necessary costs of this initiative – political and in terms of economic adjustment – should be borne by partners in accordance with their capacity: by developed countries in the first place, together with meaningful contributions by the more advanced developing countries, as well as by others in keeping with their developmental problems and perspectives, since access to other developing countries' markets is increasingly important for developing country exporters.

**Compression Mechanism**

5. Specifically, the European Communities proposes that WTO Members agree to reduce all tariff duties considerably by compressing them into a flatter range, within which tariff peaks and high tariffs are eliminated. The application of such a compression mechanism must result in considerably reduced tariff rates with limited dispersion, thus streamlining tariffs. The negotiations should achieve

the objective of significantly reducing tariff escalation on products of particular interest to developing countries by reducing the level of relevant *ad-valorem* and specific tariff protection. To this end, the mechanism shall – if necessary – be complemented by additional steps aimed at compressing disparities between tariff headings corresponding to products at different stages of production (i.e. raw materials - semi-processed - finished).

6. As noted above, the mechanism must fully include labour-intensive manufactures and must eliminate peaks and high tariffs that might impede developing and least developed countries from reaping the benefits of liberalisation. Exceptions and further sheltering of sectors can only result in distortions whose costs developing – and *a fortiori* least developed – countries can ill afford. Therefore the mechanism shall apply without sheltering any sector.

7. The mechanism we are proposing is intended to achieve a situation in which, as a result of negotiations, all Members benefit from tariff cuts across non-agricultural products. Insofar as other WTO Members were to indicate that it fails to fulfil our ambitious mandate, we are fully open to improve it.

8. A large part of the increased participation of developing countries in world trade is accounted for by the increase in trade between them. The compression mechanism we propose must integrate developing and least developed countries as full and self-interested participants, if we do not want new distortions to set in. In a situation where protection in some developing countries is significantly higher than in other developing or developed countries at a comparable level of development and competitiveness, those countries need to justify the maintenance of such excessive barriers to the detriment of the more vulnerable developing and least developed countries whose exports and imports are in the main sheltered from liberalisation altogether. Tariff compression will, therefore, address the very different levels of current tariffs.

### **Products of interest to developing countries**

9. Ministers at Doha have placed development at the heart of the negotiations. This emphasis was long overdue and requires even bolder approaches that target products of interest to developing and least developed countries with reductions well above the ones that could be obtained through the compression mechanism.

10. In this respect, the European Communities proposes that all Members agree to deeper cuts for textiles, clothing, and footwear, with a view to bringing these tariffs within a narrow common range as close to zero as possible. This would also require that non-tariff barriers are substantially reduced and all export restrictions on raw materials are removed.

### **Unilateral or asymmetric elements**

11. This single, common tier of basic commitments will in itself respond to many of the development objectives of the Doha Mandate. As part of a global package, the European Communities, in order to take further into account in an appropriately focussed manner the interests, needs and different levels of development of developing and least developed countries, is ready to consider adding the following non-reciprocal or asymmetric elements:

#### *Unilateral tariff elimination for all products from least developed countries*

In conformity with the objectives agreed at the Third United Nations Conference on Least Developed Countries held last year in Brussels, all developed countries should now implement tariff and quota-free access for all products from least developed countries. This should be done no later than the date we have agreed for the establishment of the modalities

for non-agricultural market access, i.e. May 2003. We would also invite the most developed of our developing partners to join this initiative.

*Lowest duties*

We also propose that all duties beneath a specific floor – to be negotiated – be eliminated by all WTO Members. This would benefit developing and least developed countries comparably more, since tariffs at such a low level are generally applied by developed countries.

*Gradual phasing in of commitments*

Where appropriate and depending on the results of the negotiations, members may not necessarily be expected to implement tariff reductions according to the same timetable. Developed, developing and least developed countries might follow different timetables for the implementation of their tariff commitments.

12. Finally, we reiterate our desire to negotiate cuts that are deeper than average for those goods that will be identified by the negotiating group as environmental goods, and whose liberalisation will help to develop a mutually supportive relationship between economic growth and environmental protection, by improving eco-efficiency. In all aspects of these negotiations, and in accordance with the Doha Ministerial mandate, due account should be taken of the objective of sustainable development and of reducing resource depletion and pollution. In a similar spirit, we should not lose sight of the part of the Doha mandate concerning access to medicines.

13. A bold initiative on tariffs will only maximise market openness if non-tariffs barriers are tackled up-front through approaches that allow also for discussion of specific non-tariff measures on a case-by-case basis and – as necessary – of horizontal rules minimising their negative effects and fostering transparency, as we shall indicate in our forthcoming submission on this particular issue. A level playing field does, furthermore, require the removal of export restrictions, and in particular export duties, which are the flip-side to tariff escalation.

14. The European Communities proposes also a substantial increase in the scope of bindings, i.e. the number of headings bound, to foster greater security and predictability in international trade. Our objective should be to bring about a situation where all WTO Members other than the least developed countries have as close to 100 per cent bindings as possible. In previous rounds, traditional approaches to assessing the value of specific tariff bindings were supplemented by practical guidelines. While tariff bindings at free would still be assessed in accordance with Article XXVIII bis, we are open to discussion on the minimum level of credit which should be given practical effect in the negotiations to assess tariff bindings and reductions, including what constitutes a meaningful rate of bindings. The European Communities is, furthermore, ready to discuss guidelines concerning the assessment of the credit arising from initiatives of autonomous liberalisation undertaken by Members since the end of the Uruguay Round or to be undertaken during the course of the DDA negotiations, provided final rates are bound.

15. The approach hereby proposed by the European Communities covers all products, with the exception of those listed in Annex 1 of the Agreement on Agriculture. It applies to the final bound Uruguay Round rates and other bound rates as per Members' Schedules, or in the case of unbound duties, on a level related to the applied duties as at 14 November 2001.

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