

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

The Issue of Newly-Acceded Members

*Submission by the Separate Customs Territory of Taiwan,
Penghu, Kinmen and Matsu*

Addendum

The following communication, dated 14 May 2003, has been received from the Permanent Mission of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.

I. INTRODUCTION

1. The government of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu emphasized in its submission on 20 December 2002 (TN/MA/W/19) the importance that it attaches to providing flexibility to those newly-acceded Members (NAMs) that encounter special problems and thus have special needs with respect to the market access negotiations of non-agricultural products.

2. We support the view that NAMs should participate fully in the Doha Round of negotiations and make contributions to further advancing the liberalization of the multilateral trade system. However, it is also evident that there are difficulties facing the NAMs when it comes to fulfilling Doha conclusions so soon after, or even in the same timeframe as, they implement their WTO accession commitments. In this paper, we wish to share some ideas on the reasons and ways to grant appropriate flexibility to the NAMs, while at the same time enhancing the momentum for their further positive participation in and contribution to the negotiations on market access for non-agricultural products.

II. NATURE OF THE ISSUE AND PURPOSES OF BRINGING THE ISSUE TO THE ATTENTION OF THE MEMBERS

3. The issue we discuss here is not one that would affect many Members. Since it is unique to a limited number of Members, there is a special need to bring it to the other Members' attention. We are of the firm belief that there is sound justification to request Members to give serious consideration to this issue.

4. When acceding to the WTO, an acceded Member needs to implement its commitments in accordance with the schedule set forth in its accession protocol. Some commitments are of a nature that require the acceded Member to carry them out immediately or upon its accession. Some, especially many tariff reduction commitments, will need several years to complete the implementation. It is possible, for instance, that before completing its tariff reduction commitments made in connection with accession, for the Member to be hit by another obligation to reduce tariffs arising from multilateral negotiations on market access. Thus, during the implementation period for the

accession obligations of this NAM, there could be dual reduction obligations, one from its accession, and the other from related multilateral negotiations. Practical and theoretical questions with regard to such a situation are apparent.

5. Practically speaking, it will be extremely difficult for those industries subject to two concurrent sharp tariff reductions to survive. In theory, it would not be fair to them and could be against the very purpose of tariff reductions, which should be made to enable the expansion of trade, not to destroy industries. Industries could be effectually eliminated should double reductions be in place concurrently for their respective sectors.

6. The purpose that we propose in further consideration of the questions in relation to NAMs is to find an appropriate way to cope with the practical problems encountered by them and provide a theoretical basis to deal with their issues. It should not be considered as an attempt to prevent or hinder trade liberalization. As a matter of fact, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu fully supports paragraph 16 of Doha Declaration which sets up the goal of negotiations as to reduce or, as appropriate, eliminate tariffs. We acknowledge the importance of orderly opening up and freeing the markets to the expansion of international trade. We will be making our best endeavors to work together with all Members to find appropriate and reasonable schemata and approaches to achieving freer international trade. Neither are we proposing any *a priori* exclusion of any tariff item from product coverage. Instead, we are here to propose a scheme or an approach to practically coping with this unique situation to avoid difficulties that some Members are facing when a formula of tariff reduction is adopted in the current multilateral negotiations.

III. RATIONALES AND APPROACHES PROPOSED

7. Some might argue that it would be unfair to allow a new Member of the WTO to immediately receive the advantages of over fifty years of various trade concessions and commitments enjoyed by the existing Members, while also permitting the said Member to delay its tariff reductions arising from multilateral negotiations. We agree that this argument is not without merit. The government of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is also firmly of the view that all NAMs should endeavour to make similar contributions to the Doha Development Agenda so as to increase the momentum for the negotiations.

8. However, it should also be a very practical assumption that, when a country makes a commitment on tariff reduction, especially in conjunction with its accession, usually it is the greatest effort that it could make for other Members. The utmost commitments are reflected in the extent of the tariff reduction, the implementation period and staging of the reduction. In other words, the package of commitments is usually made with deliberately negotiated balance, taking into account the ability of the Member and its industries to adjust. In particular, the accession negotiations on tariffs are usually done through the request-offer process. Reduction commitments on each product should be at the maximum level, with which a domestic industry can cope and still survive. Based on the commitments, the enterprises should be able to reasonably expect that the implementation period and staging arrangement could be the basis for making their business decisions in relation to their investment or other business activities. Suppose, before the completion of the initial implementation period, the relevant tariffs are subject to another substantial reduction from multilateral negotiations, the industries could suffer losses arising from mistrust of the government activities. There is no such question for the non NAMs, which already completed either their accession commitments or Uruguay Round commitments, for the reason that industries should not have the expectation that after completing tariff reductions, the tariffs will always remain the same and not be subject to any further reductions. This is also why we consider it as a unique problem for the NAMs.

9. Also from the perspective of current multilateral negotiations, most Members would agree that the pressures created by the Doha negotiations alone on the national economic and industrial

development of Members are great. If a Member is to carry out the major concessions from multilateral negotiations, in addition to their not-yet-completed substantial commitments made in conjunction with its accession, it would be difficult for the Member to persuade its industries to accept the new concessions. Consequently, it is understandable that these NAMs, in the face of enormous pressure from their local industries, could be hesitant to participate fully in the Doha negotiations. This issue could in turn slow the momentum for further liberalization in the non-agricultural market access negotiations. If the NAMs could be given special consideration, it would enhance the willingness of the NAMs to make positive contributions to the current negotiations.

10. As to the concept of NAMs, we do not have any special stance. However, we consider that a scope that covers those Members yet to complete their tariff reduction commitments arising from accession negotiations should be within the scope for the reason that the situations of these Members are similar.

11. In our view, the most practical way to encourage NAMs to actively participate and make a commensurate contribution to the ongoing negotiations is to grant them longer grace periods. One of the methods of granting such a transition period is to decide the length of time on a Member-by-Member basis. However, it would be very costly and time consuming for Members to decide which Members should enjoy a longer period, and which should enjoy a shorter one.

12. We propose a simpler method: give a single period for those Members, which have not completed their commitments on non-agricultural products, a definite across-the-board grace period, such as a six-year period, to allow them to fulfill their respective accession commitments while agreeing to undertake additional liberalization as part of the Doha Development Agenda.

13. In addition to the above-mentioned reasons, we hereby submit additional rationale for the six-year grace period: According to Article 2 of the Protocol to the General Agreement on Tariff and Trade 1994, tariff reductions agreed upon by each Member shall be implemented in five equal rate reductions, and the final rate shall become effective no later than the date four years after the date of entry into force of the WTO Agreement. In other words, Members (as of 1995) shall complete the fulfillment of their concession commitments made in the Uruguay Round by 1 January 1999. The mandate of the Fourth Ministerial Conference held in Doha is for WTO Members to finish negotiations by 1 January 2005. Existing WTO Members have not been required to fulfill any concession obligations for most non-agricultural products between 1999 and 2005, i.e. their national industries will have enjoyed a grace period of six years before having to adjust to a new round of liberalization concessions. Taking this into account, it is only fair to the NAMs if they are given a similar period to adjust their industries. If Members could give favourable consideration to providing NAMs with a grace period of six years, on a product-specific basis, from the year of completing their accession commitments to the year that implementation of Doha commitments begins, it would both help the industries of NAMs and the successful completion of the current multilateral negotiations on non-agricultural trade by their governments.
