

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Proposal of the People's Republic of China

The following communication, dated 20 December 2002, has been received from the Permanent Mission of the People's Republic of China.

I. GENERAL POSITION

1. As a result of the previous rounds of multilateral trade negotiations, the market access of non-agricultural products has been improved substantially. However, it deserves our attention that the existence of unbound tariffs, tariff peaks, tariff escalation and non *ad valorem* tariffs still affect the effective and balanced development of international trade.

2. China proposes that non-agricultural market access negotiations shall be conducted in accordance with the mandate embodied in the Doha Ministerial Declaration with a view to balancing the interests of the WTO Members at different levels of development. It shall safeguard the benefits of developing country Members through implementing the principle of "less than full reciprocity", especially through giving adequate consideration to newly-acceded Members that are implementing their tariff reduction commitments, so as to ensure the active participation of all Members and realize the acceleration of international trade to the economic development of each Member.

II. SPECIFIC PROPOSAL

1. Base rates

3. Developed country Members shall take their applied rates in 2000 as their base rates for reduction. Developing country Members shall take the simple average rate between their applied rates in 2000 and their final bound rates committed in the Uruguay Round as their base rates for reduction. The newly-acceded Members shall take the simple average rate of their applied rates in 2000 and their final bound rates committed in their accession negotiations as their base rates. Tariff reduction shall be made on the basis of HS1996 and the final results shall be scheduled in HS2002.

2. Reduction formula

4. As the core of the negotiations, the method of tariff reduction has a direct bearing on the outcome of the negotiations. To facilitate the negotiations and meet the requirement of eliminating tariff peaks and tariff escalations as embodied in the Doha Ministerial Declaration, China proposes to adopt a uniform formula for tariff reduction. Taking into consideration of the imbalance among the development levels of all Members, the actual reductions achieved through formula approach shall fully reflect the needs and interests of all Members, in particular developing country Members and shall abide by the mandate of the Doha Ministerial Declaration that the developing country Members could make their reduction commitments in the principle of less than full reciprocity.

5. The formula proposed by China is as follows:

$$T_1 = \frac{(A + B \times P) \times T_0}{(A + P^2) + T_0}$$

T_0 : Base rate

T_1 : Final rate

A : Simple average of base rates

P : Peak factor, $P=T_0/A$

B : Adjusting coefficient, e.g. for the year 2010, B=3; for the year 2015, B=1

See the attached Notes on the Formula for Tariff Reduction.

3. Sector approach

6. Sector approach could promote the negotiations forward and supplement the formula approach. Members shall be free to decide their participation in light of their own needs.

4. Tariff peaks

7. China supports the reduction of tariff peaks in accordance with the requirements embodied in the Doha Ministerial Declaration. Tariff peak is a relative concept. When defining tariff peak, we must consider the discrepancies in the current tariff levels of all Members. Tariff peak of a Member shall be defined as a tariff rate three times more than the simple average tariff level of that Member. Members shall take this definition as the standard in the reduction of tariff peaks.

5. Tariff escalation

8. Members shall take concrete measures to greatly reduce the tariff escalations in their respective tariff regime.

6. Non ad valorem tariff

9. Members shall convert their existing non *ad valorem* tariffs into *ad valorem* form through a uniform method and take tariff rates resulted from the conversion as the basis for tariff reduction. The tariff reduction commitments of all Members concluded in the negotiations shall be specified in the form of *ad valorem* tariffs in their schedules. Developed country Members shall eliminate all *ad valorem* tariffs on non-agricultural products, while developing country Members shall limit their number of non *ad valorem* tariffs to no more than 3% of the total number of tariff lines in their national tariff nomenclatures.

7. Lowest tariffs

10. Developed country Members shall eliminate all their lowest tariffs, while developing country Members shall be free to maintain their lowest tariffs since those tariffs are still important for revenue purpose to a number of developing country Members.

8. Binding of tariffs

11. All Members shall bind their tariff rates after reduction, however longer transitional period could be given to developing country Members and more flexible arrangement to least developed country Members.

9. Special and differential treatment

12. Longer implementation period shall be given to developing country Members and more flexibility to least developed country Members with regard to binding of tariffs, conversion of *ad valorem* tariffs, elimination of tariff peaks and tariff escalations.

13. Those sectors and products of substantial export interest to developing country Members and least developed country Members shall be subject to reduction as priorities in the negotiations. As regards the newly-acceded Members, their reduction commitments shall be fully taken into consideration and no further reduction shall be required.

14. As for non-tariff barriers, China will submit its proposal in the future.

Attachment

Notes on the Formula for Tariff Reduction

$$T_1 = \frac{(A + B \times P) \times T_0}{(A + P^2) + T_0}$$

- T_0 : Base rate
 T_1 : Final rate
A : Simple average of base rates
P : Peak factor, $P=T_0/A$
B : Adjusting coefficient, e.g. for the year 2010, B=3; for the year 2015, B=1

The formula not only reflects the characteristics of harmonization and non-linear reduction, but also provides flexibility as regards final reduction level. More reduction will be achieved on tariff rates higher than the average tariff rate; and less reduction will be achieved on tariff rates lower than the average tariff rate. In addition, tariff dispersion will be greatly lowered. A reasonable final tariff level will be retained as a result of the reduction, while tariff peaks will be effectively reduced.

Peak factor P is the ratio between a base rate and the average rate. Through the function of peak factor P, tariff peaks could be effectively reduced and due consideration could be given to the current tariff structures of all Members, which would ensure tariff reduction to be carried out in a more rational way and with less complexity.

Through the function of adjusting coefficient B, the final reduction levels could be adjusted in a flexible way. The actual value of B could be determined through negotiations. China proposes that the adjusting coefficient B for 2010 is 3 and for 2015 is 1.

**A Sample: Tariff Reduction with the Formula
(B=3)**

(%)

Base Rate (T ₀)	For Members with Average Base Rate Equal to 5 (A=5)		For Members with Average Base Rate Equal to 10 (A=10)		For Member with Average Base Rate Equal to 20 (A=20)		For Member with Average Base Rate Equal to 50 (A=50)	
	Final Rate (T ₁)	Reduction Rate	Final Rate (T ₁)	Reduction Rate	Final Rate (T ₁)	Reduction Rate	Final Rate (T ₁)	Reduction Rate
1	0.93	0.07	0.94	0.06	0.96	0.04	0.98	0.02
2	1.73	0.13	1.76	0.12	1.84	0.08	1.93	0.04
3	2.44	0.19	2.50	0.17	2.66	0.11	2.84	0.05
4	3.07	0.23	3.16	0.21	3.43	0.14	3.72	0.07
5	3.64	0.27	3.77	0.25	4.14	0.17	4.57	0.09
6	4.15	0.31	4.33	0.28	4.81	0.20	5.39	0.10
7	4.61	0.34	4.84	0.31	5.43	0.22	6.19	0.12
8	5.04	0.37	5.32	0.33	6.02	0.25	6.96	0.13
9	5.43	0.40	5.77	0.36	6.58	0.27	7.71	0.14
10	5.79	0.42	6.19	0.38	7.11	0.29	8.43	0.16
11	6.12	0.44	6.59	0.40	7.61	0.31	9.13	0.17
12	6.43	0.46	6.96	0.42	8.08	0.33	9.81	0.18
13	6.72	0.48	7.32	0.44	8.54	0.34	10.47	0.19
14	6.99	0.50	7.66	0.45	8.97	0.36	11.11	0.21
15	7.24	0.52	7.98	0.47	9.38	0.37	11.73	0.22
16	7.48	0.53	8.29	0.48	9.78	0.39	12.33	0.23
17	7.70	0.55	8.59	0.49	10.16	0.40	12.92	0.24
18	7.91	0.56	8.87	0.51	10.53	0.42	13.50	0.25
19	8.11	0.57	9.15	0.52	10.88	0.43	14.05	0.26
20	8.29	0.59	9.41	0.53	11.22	0.44	14.60	0.27
21	8.47	0.60	9.67	0.54	11.55	0.45	15.12	0.28
22	8.64	0.61	9.91	0.55	11.86	0.46	15.64	0.29
23	8.80	0.62	10.15	0.56	12.17	0.47	16.14	0.30
24	8.95	0.63	10.38	0.57	12.46	0.48	16.63	0.31
25	9.09	0.64	10.61	0.58	12.75	0.49	17.11	0.32
26	9.23	0.65	10.82	0.58	13.03	0.50	17.58	0.32
27	9.36	0.65	11.03	0.59	13.30	0.51	18.03	0.33
28	9.48	0.66	11.24	0.60	13.56	0.52	18.48	0.34
29	9.60	0.67	11.44	0.61	13.82	0.52	18.91	0.35
30	9.72	0.68	11.63	0.61	14.07	0.53	19.34	0.36
31	9.83	0.68	11.82	0.62	14.31	0.54	19.75	0.36
32	9.93	0.69	12.01	0.62	14.55	0.55	20.16	0.37
33	10.03	0.70	12.19	0.63	14.78	0.55	20.56	0.38
34	10.13	0.70	12.36	0.64	15.00	0.56	20.95	0.38
35	10.22	0.71	12.53	0.64	15.22	0.57	21.33	0.39

Base Rate (T ₀)	For Members with Average Base Rate Equal to 5 (A=5)		For Members with Average Base Rate Equal to 10 (A=10)		For Member with Average Base Rate Equal to 20 (A=20)		For Member with Average Base Rate Equal to 50 (A=50)	
	Final Rate (T ₁)	Reduction Rate	Final Rate (T ₁)	Reduction Rate	Final Rate (T ₁)	Reduction Rate	Final Rate (T ₁)	Reduction Rate
36	10.31	0.71	12.70	0.65	15.44	0.57	21.70	0.40
37	10.40	0.72	12.86	0.65	15.65	0.58	22.07	0.40
38	10.48	0.72	13.02	0.66	15.85	0.58	22.43	0.41
39	10.56	0.73	13.18	0.66	16.05	0.59	22.78	0.42
40	10.64	0.73	13.33	0.67	16.25	0.59	23.12	0.42
41	10.72	0.74	13.48	0.67	16.44	0.60	23.46	0.43
42	10.79	0.74	13.63	0.68	16.63	0.60	23.79	0.43
43	10.86	0.75	13.77	0.68	16.82	0.61	24.12	0.44
44	10.93	0.75	13.91	0.68	17.00	0.61	24.44	0.44
45	10.99	0.76	14.05	0.69	17.18	0.62	24.75	0.45
46	11.06	0.76	14.19	0.69	17.36	0.62	25.06	0.46
47	11.12	0.76	14.32	0.70	17.53	0.63	25.36	0.46
48	11.18	0.77	14.45	0.70	17.70	0.63	25.66	0.47
49	11.23	0.77	14.58	0.70	17.87	0.64	25.95	0.47
50	11.29	0.77	14.71	0.71	18.03	0.64	26.24	0.48