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Negotiating Group on Market Access

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MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Joint statement by Ghana, Kenya, Madagascar, Mauritius, Nigeria, Rwanda, Tanzania, Tunisia, Uganda, Zambia, and Zimbabwe on Draft Elements of Modalities for Negotiations on Market Access for Non-Agricultural Products

The following statement, made at the meeting on 9 July 2003, has been received from the Permanent Mission of Kenya on behalf of the Members listed, with the request that it be formally circulated.

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1. I am taking the floor on behalf of Ghana, Kenya, Madagascar, Mauritius, Nigeria, Rwanda, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe. The outcome of these negotiations will have considerable implications for the future development and industrialisation prospects of our countries. With a weak industrial base, we expect the current negotiations to initiate the process of strengthening instead of destroying the existing base. We, therefore, believe that the main objective of these negotiations should be to support and stimulate the industrial growth and development, particularly in Africa that has so far not gained substantially from previous liberalisation. The modalities for negotiations and the actual negotiations as well as other aspects of our work should have this objective as the central pillar in our efforts to improve market access for non-agricultural products. We think this is appropriate because if the modalities are not designed correctly to assist countries with weak industrial base, any further liberalisation will impact negatively on their economies, a situation that has to be avoided by all costs.

2. Turning to the draft elements of the modalities paper and focusing our comments on the section on tariffs, we have the following to say:

3. As we have stated in the past[1] the formula that will be applied should be simple, transparent and able to reduce substantially tariff peaks and tariff escalations faced by developing country exports. It should also take account of the "special needs and interests of developing and least developed country participants, including less than full reciprocity in reduction commitments". For developing countries, it would imply that they are not expected to undertake same or similar levels of tariff cuts. In precise language therefore, developing countries would undertake lesser tariff cuts. In this regard, developing countries should be allowed to make lesser cuts so that they can use tariffs as a policy instrument for industrial development purposes. This is in order to respond to the requirements of their special needs and developmental interests, in accordance with the DMD.

4. The formula proposed which is a variation of the Swiss formula has a harmonising effect and may not address the special needs and interests of developing and least developed countries other than

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[1] Communication from Ghana, Kenya, Nigeria, Tanzania, Uganda, Zambia and Zimbabwe dated 18 January 2003 (TN/MA/W/27).

peaks and escalations. Although the formula takes into consideration the different tariff profiles, it would exert a similar effect on them. The formula does not contain any special and differential component for developing countries, as countries (both developed and developing) with the same average tariffs would make the same percentage reduction.

5. Since cuts will impact more on high tariffs than on low tariffs, the outcome of the formula will be a significant decline in prices on imported products into developing countries, where tariffs are currently high, while it will be only marginal in the case of developed countries. This imbalance in market access between developed and developing countries will lead to a worsening balance of trade in developing countries with its attendant consequences, such as fall in Government Revenue, Foreign Exchange and balance of payment related problems as well as the adverse effects on development initiatives, among others.

6. Many developing countries particularly African countries have not bound all their tariffs because they have used this flexibility to pursue their industrial and trade goals. This notwithstanding, the same countries have through structural adjustment programmes and other liberalization efforts reduced their tariffs to very low levels. Indeed some are as low as 2 per cent. If they had followed the erstwhile GATT and now the WTO path of liberalization, they would not have reduced thus far. The proposal to calculate the base rates from the 2001 MFN applied rates for all unbound tariffs and increasing the scope of binding coverage to at least 95 per cent would be expecting too much from developing countries. In short the proposal goes too far too fast. Even when the 2001 MFN tariffs are doubled, they still fall far below bound rates of some countries that have been very vocal on this issue. That is why we have maintained that the binding should be handled with care and the scope of coverage should be left to each developing country to decide. If the proposed formulation is used, most of the developing countries of Africa may be forced to reduce their tariffs to levels below their applied tariffs, which would eliminate the tariff flexibility they have to use to achieve their industrial and trade development goals.

7. Going by the history of the MTS, it would appear that those countries that did not bind their tariffs would be denied their legitimate bargaining right of binding coverage thus undercutting their negotiating interests and positions. As we have stated in the past, we strongly recommend that any core modality on tariff reductions should be confined to bound rates. There should be no stipulation as to the extent to which developing countries would have their tariff bound. It should be left to individual countries to decide through the continuing negotiations as part of their contribution.

8. We note in your modalities paper you have indicated that B is a coefficient with a unique value to be determined by the participants. We hope this does not mean that one common factor would be applicable to all Members. As stated earlier we think that the application of different co-efficient B could ensure that the process and the outcome of the formula approach would reflect the less than full reciprocity in the reduction commitments. We propose that developing countries be allowed to use a higher co-efficient “B” in order to take account of their special needs and interests as envisaged in the DMD.

9. The countries on whose behalf I speak for are beneficiaries of several preferential trade arrangements. Reductions in MFN tariff rates will lead to the erosion of preferences currently enjoyed by these countries. Thus they will face negative trade diversion**.** We have raised this issue in almost all the past meetings but unfortunately it did not find its place in your modalities paper. In line with the spirit of paragraph 3 of the elements paper we wish to request you to include this important issue in your revision.

10. We propose that the modalities should include a procedure of establishing measures and mechanisms to deal with the erosion of preferences, with the aim of either avoiding or off-setting this problem or compensating the affected Members.

11. We have taken note of the clarification provided by the secretariat on sectoral approach. We also note that while LDCs are exempted from sectoral tariff elimination, tariffs in sectors identified are to be reduced to zero in stages for developing countries and more rapidly for developed countries and those interested in doing so. The approach assumes a level playing ground for all participants, which is not the case. While the elimination of tariffs in developed countries for these sectors may benefit some developing countries, we are not convinced that African countries, particularly those enjoying preferential market access for the same sectors will benefit from tariff elimination in these sectors. Their phasing out tariffs in the same sectors in which they have not become internationally competitive will put tremendous pressure on their weak, vulnerable and limited industrial base. This would contradict the Doha mandate, which aims to promote exports from developing countries to developed countries. In addition, trade statistics reveal that developed countries have significant interests as well in almost all the identified sectors, and indeed exceeding developing countries in their share in world exports.

12. In the past, sectoral approaches to tariff elimination have been conducted on voluntary basis, and as such the current proposal is a radical departure from the previous practice of this organisation that is fond of following precedents.

13. Regarding additional provisions for developing and least developed participants, we welcome the proposal that LDCs are not expected to undertake reduction commitment as part of special and differential treatment applicable to them. However they should not be put under pressure to increase the scope of their binding commitments.

14. The proposal to exempt only 5 per cent of tariff lines from binding commitments provided it does not exceed 5 per cent of the total value of a Member's imports threaten to undermine rather than facilitate development prospects of developing countries. Many developing countries have not bound all their tariffs because it gives the room to pursue their national development goals. We therefore propose that African countries should be allowed to choose for themselves the scope and level of binding so that they can tailor their commitments to the situation and the need of their industrial and trade sectors. We would also like to propose as additional Special and Differential Treatment that implementation period should be based on objective criteria such as the level of industrial development, export capacity and the need not to undertake further reduction commitments if the impact on the economy is likely to be adverse.

15. We have taken note of the paragraph dealing with the newly acceded countries and wish to propose that the same logic should apply to African countries. Indeed for their part, African countries could be encouraged to increase their scope of binding as part of their contribution to these negotiations.

16. On non-tariff barriers (NTBs), it is crucial that these are addressed in the NGMA, as whatever gains are likely to be made through tariff reductions may be nullified by incidences of this form of market access barrier. Referring some of the NTBs to WTO subsidiary bodies that do not have negotiating mandate may turn out to be counterproductive. The NGMA should also explore the need for tariffication of NTBs, where possible.

17. On studies, we wish to state that we expect the studies to be extended to African countries, first, to assess the effects of the previous liberalisation and second, to assess the potential impact of the elements that may form part of the modalities as well as the identification of NTBs that affect developing country exports.

18. We note under footnote one that "all products not covered by the WTO Agreement on Agriculture" will be subjected to further tariff cuts or their elimination. The special session of CTE's reference of negotiations on environmental goods to this negotiating group means that the mandate of paragraph 16 of the DMD must be made applicable to this category of goods. In particular, special attention should be paid to environmental "products of export interests to developing countries" among others. As majority of African countries have comparative advantage on environmental goods that are basically agricultural based, we would like to know how and under which negotiating group these products will be dealt with.

19. We hope you will find the comments we have made useful and more importantly, that you will take them into consideration when revising the modalities paper.