# WORLD TRADE ORGANIZATION

**TN/MA/W/42**
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**Negotiating Group on Market Access** Original: English


## MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Communication from South Africa

The following communication, dated 12 August 2003, has been received from the Permanent Mission of South Africa.

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The attached proposal is intended to supplement the basis that the Chair provided in his document TN/MA/W/35 and is submitted by South Africa to assist discussions to ensure that all Members' interests are taken into account in the final modalities. The proposal is submitted without prejudice to the final outcome of the negotiations and should not be taken to commit South Africa or any participant in the negotiations or prejudice our negotiating position or any of the Member countries.

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### South Africa's comments on the Draft Elements of Modalities for Negotiations on Non-Agricultural Products

### 1. Introduction

1.1. This submission is made in the spirit of contributing to the search for a balanced approach to negotiations on non-agricultural market access (NAMA). It will begin by situating the current negotiations in a broader context. It then takes up the Chair's proposals as contained in the "Draft Elements" paper of 16 May 2003. Finally, it proposes some adaptations in an attempt to establish an appropriate balance that may be the basis for acceptance by WTO Members.

1.2. A balanced approach will have to be found both within the framework of the NAMA negotiations and within the overall framework of the Doha Development Agenda. Positive efforts by developed countries in the agricultural negotiations and other developmental issues will encourage greater efforts on the part of developing countries in the NAMA.

### 2. Background

2.1 It is now well-established that globalization opens up significant opportunities for both developed and developing countries to promote their economic growth and development. whilst some developing countries have been able to take advantage of these opportunities, the majority has witnessed deteriorating market share, with declines in economic welfare of many, especially in Africa. volatility and the secular decline in commodity prices have worsened the terms of trade for many developing countries. developed countries, on the other hand, continue to reap the most gains from the processes of globalization.

2.2 Global trends in trade over the past decade have seen more rapid growth in the exports of some countries, particularly in sectors that embody high value-added and high-skilled products. However, the bulk of developing country exports, made up agricultural products and labour intensive manufacturing, has remained static, and their share of global markets has declined.[1]

2.3 These negative trends for poor developing countries have been exacerbated by high tariffs, tariff peaks and tariff escalation in developed country markets, preventing developing countries from gaining market access for products of export interest to them. Thus, some observers have noted that the protectionist policies of developed countries constrain the potential of developing countries to export their way out of poverty.[2]

2.4 Structural adjustment policies driven by the World Bank and IMF have largely been unsuccessful in contributing to either the diversification of developing country exports or greater competitiveness in world markets. These have also contributed to a lack of coherence to the development and trade policies of

2.5 Whilst preferential access granted by many developed countries to poor developing country exports has as been successfully utilized by some countries, the strict rules of origin and uncertainty associated with these unilateral measures have significantly reduced their effectiveness.[3] In addition, the proliferation of free trade agreements has exacerbated the erosion of preferential access granted to developing countries.

2.6 The Uruguay Round at least succeeded in bringing the agriculture and textiles and clothing sectors under multilateral trade disciplines. However, whilst developed countries achieved significant gains from the Uruguay Round including increased access to the services sector of developing countries and new rules on anti-dumping and intellectual property rights (TRIPS), most developing countries did not secure benefits through access to developed country markets in products of interest to them, and they continue to labour under implementation problems.

2.7 Since the Uruguay Round, some developed countries have increased their support for their agricultural sector and delayed the process of the removing restrictions and tariffs on both clothing and textiles products, thus preventing many developing countries from advancing their economic development strategies. In addition, the persistent prevalence of tariff peak and tariff escalations continues to prevent developing countries from expanding their exports and diversifying their economies.

2.8 World Bank and IMF studies show that up to 27 million jobs in the clothing and textile sector have been lost in developing countries due to the combined effects of quotas and tariffs. On average, each job saved in the textile and clothing sector in developed countries, through tariffs and quotas, is estimated to cost 35 jobs in developing countries.[4]

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[1] World Bank (2002) *Global Economic Prospects and the Developing Countries*, World Bank: Washington, D.C.; UNCTAD (2002) *Trade and Development Report 2002,* UNCTAD: Geneva.

[2] Stiglitz, J. (2001) *Globalization and its Discontents,* Penguin Press: London. See also James Wolfensohn in N. Krisfhof (2002) "Americans Sow Subsidies, Africans Reap Death: Agricultural Absurdity", *International Herald Tribune*, p 8., July 6.

[3] Mattoo, A., D. Roy, and A. Sumbramaniam (2002) "The Africa Growth and Opportunity Act and Its Rules of Origin: Generosity Undermined?", *International Monetary Fund Working Paper*, IMF: Washington, D.C.

[4] World Bank (2002)

2.9 Agriculture and non-agricultural labor-intensive products constitute the bulk of production, employment and exports for the majority of developing countries whilst these sectors have become relatively insignificant in terms of total output and employment of developed countries. Poor market access conditions for these products have severely adverse effects on developing countries and increased import penetration causes painful structural adjustment for many developing country economies.

3. Approach

3.1 This proposal is based on the assumption that all industrial economies and a small group of more advanced developing countries (the "leaders") have been able to make the necessary adjustments in their economies to compete effectively in the global economy and have achieved gains from increased global trade. Others (the "adjusters") have begun to make significant but painful adjustments in their domestic economies and are beginning to compete more effectively in the global economy. Yet others are "new entrants" to the trading system, accounting for a small share of global trade and are still making the necessary adjustments to participate effectively in the world trading system.

3.2 The Doha Round of WTO negotiations on non-agricultural market access provides developing countries with the opportunity to increase the discipline of multilateral rules on their own economies, creating transparency and certainty for both domestic and foreign investors, and stimulating carefully managed structural adjustments to help them diversify and integrate effectively in the global economy.

3.3 Whilst recognizing the efforts of many developing countries in making autonomous liberalization commitments, this Round provides an opportunity to increase the level of bindings for all WTO members thus creating a more inclusive and certain trading system. This Round should increase genuine liberalization and foster positive adjustments in all countries, developed and developing, providing genuine market access for all.

3.4 However, due recognition must be given to the enormous imbalances in the global trading system reflected in the inequitable distribution of the gains from globalization and the continued protection in the developed countries of the products of poor people from developing countries. Thus, the modalities for liberalization in NAMA must accomplish two things simultaneously: i) create a single framework within which all Members can participate meaningfully in the negotiations; and ii) ensure sufficient flexibility that accommodates the diversity in levels of development.

3.5 The core of the modalities for NAMA is the formula approach. It needs to address issues of tariff peaks and tariff escalation. However, the coefficient used in the formula would need to differentiate between new entrants, adjusters and leaders. Exemptions for particularly sensitive sectors could be accommodated under the proposal.

3.6 Whilst the sectoral approach provides Members with the opportunity to enhance market access, this should be used as a supplementary approach and entered into on a voluntary basis. In addition, where developing countries choose to use this approach, it should include the principle of asymmetry by allowing for limited exclusions, longer phase in periods, and the possibility for a tariff end-rate above zero for developing countries.

3.7 Developing countries need more time to adjust given the significantly larger impact of tariff adjustments on output, employment and revenue loss.

3.8 Due recognition has to be given too to preference-dependent countries who will suffer erosion of preferences. Appropriate adjustment support will need to be explored in the modalities. The burden of these adjustments should not be borne by poor developing countries. Rules of origin would need to be addressed to enable effective utilization of existing preferences by developing countries. In addition, all developed countries should extend duty free, quota free preferences to products from least developed countries.

4. Response to the Chair's proposal of 16 May

4.1 The Chair's paper has provided a workable basis to begin the negotiations on modalities. However, it requires some adjustments suggested above to address existing imbalances in the trading system and to give meaningful effect to the objective of development and the principles of "less than full reciprocity" to which our Ministers committed us in Doha.

5. A South African proposal

5.1 The categories advanced above of new entrants, adjusters and leaders, could be used to differentiate between the capabilities of different WTO members (see Annex I). Countries should select the category that accommodates and is commensurate with their level of development for the purposes of the NAMA to reflect both their capabilities to adjust and the commitments they are willing and able to accept. This should be done on a voluntary basis.

5.2 All countries should strive to maximize the percentage of their bindings up to at least the Chair's proposal of 95 percent. Due recognition should be given to the autonomous liberalization of developing countries in setting the new bound rates for these countries for the purposes of the formula. The co-efficient (B) used in the formula should be differentiated using the smallest number for the leaders (e.g., 0.5), a larger number for the adjusters (e.g., 2), and an even larger number for new entrants (e.g., 3). Developing countries should be allowed to exclude a small percentage of their imports from the formula (e.g., 5%).

5.3 The modalities should provide for longer implementation periods differentiating between the leaders, adjusters and new entrants. The sectoral and zero-for-zero approaches should only be used as supplementary methods after the effects of the formula are understood and established for all countries. It should be entered into on a voluntary basis and developing countries should be granted the possibility of excluding some percentage of their trade in these sectors from the reduction proposed.

5.4 The request and offer approach suggested by the Chair should be only used, if necessary, at the end of the process. The advantage of this self-selecting approach is it takes a systemic view, creates a single framework within which all Members can participate, but also allows flexibility to accommodate countries at different levels of development.

6. Non-tariff barriers

6.1 Reducing tariff barriers alone will not succeed in providing genuine market access for developing countries. Non-tariff barriers such as anti-dumping, technical barriers to trade, and import licensing in developed countries, often pose significant barriers to developed country exports. Some issues, such as anti-dumping, are currently under discussion in other negotiating groups. Real progress in these areas must be achieved as part of a single undertaking. Other issues, such as technical barriers to trade and import licensing, are being addressed by WTO subsidiary bodies. However, these negotiations must be supervised strongly by the Non-Agricultural Market Access negotiating group.

A. ANNEX I: A DRAFT MODALITIES PROPOSAL FOR NEGOTIATIONS ON NON - AGRICULTURAL MARKET ACCESS

| Categories proposed: | Bindings | Formulae co-efficient | Exceptions | Timing | Sectoral Approach and Zero for Zero | Request and Offer | Non-Tariff Barriers |
|---|---|---|---|---|---|---|---|
| <u>New Entrants</u><br><br>Iincluding LDCs and some acceding countries | | 3 | | | | | |
| <u>Adjusters</u><br><br>Most Developing Countries | | 2 | | | | | |
| <u>Leaders</u><br><br>These include OECD countries and some more advanced developing countries | | 0.5 | | | | | |
| Voluntary Selections by Countries | Maximum bindings by all countries – at least 95%. Credit for auto liberalization. | Differential formula for each category. Example above | Developing countries allowed a % of exclusions/ exceptions (eg 5 percent of imports) | Longer Implementation for different categories. | After formula effects known. This should be on a voluntary basis. Developing countries should be allowed a % exclusion and end rate less than zero. | This should be a supplementary approach if necessary. | Need to be integral part of work of Negotiating Group on Non-Agricultural Market Access. |

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