AVON

the company for women

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Ms. Gloria Blue
Executive Director
Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

RE: **Qatar WTO Ministerial Agenda and Preparations**

Dear Ms. Blue:

In response to your request for public comments regarding the preparations and agenda for the Qatar WTO Ministerial meeting in November, Avon Products is pleased to submit the following information for your consideration. The Qatar meeting marks a key international opportunity to liberalize trade and to foster economic growth.

Avon, a U.S. multinational company headquartered in New York City, had 2000 worldwide sales of $5.7 billion. The Avon brand is sold directly to customers in their homes, workplace and other locations which are not fixed retail locations, by independent sales representatives in more than 140 countries. These "Avon ladies" total 3 million globally, 500,000 of whom are in the United States. Avon also employs 43,000 traditional employees globally.

The ability of Avon Products to provide earning opportunities to its sales force, predominantly women, to utilize local vendors and suppliers, to build and maintain manufacturing and distribution facilities, as well as to hire employees at these facilities, all adds to global economic development. High tariffs, bureaucratic and unnecessary customs procedures, and onerous testing and certification procedures stifle development and growth for U.S. companies and reduce their viability and competitiveness in some markets.

We are aware that governments must decide in Qatar whether to launch negotiations on non-agricultural tariffs. Should such negotiations be added to the WTO's agenda, and Avon Products urges that this be the case, we hope the U.S. Government will seek to further liberalize and eventually eliminate the following tariffs and non-tariff barriers in the countries cited.

**Argentina**

High tariffs and delays in import processing times due to multiple import clearance requirements inhibit Avon's access to Argentina's market for certain products. For example, the quantity of imports of footwear is restrained through a tariff-rate quota from countries outside the Mercosur agreement. Once the authorized quantity of imports is reached, those who want to import additional quantities must pay double the level of normal duty. Moreover, the importer who wants to import footwear from any country in the world is obliged to obtain a certificate, requiring prior approval of each shipment by the local Secretary of Commerce, a requirement that results in at least a 90-day delay in being able to enter the imports.

Enlargement of the list of products subject to the pre-shipment inspection requirement with respect to country of origin, adds an additional four days of delay to the customs clearance time needed. In other examples, we are obliged to present an application prior to each import of plastic materials, whose approval can add up to 10 days of delay in clearing customs. For textiles and apparel products, a legal statement must be made at the Commerce Council, again adding 10 days to the importation process.

**Brazil**

Some raw ingredients and cosmetics are controlled by the Health Ministry, requiring an import license, causing delays of days, depending on the availability of an inspector to approve the shipment. The tariff classification for these products is 3304.99.10/20/90, with a duty rate of 21%. We request that the duty on these products be liberalized as early in the negotiating process as possible, at least in the first three years of the implementation period, and that the inspection requirements for raw ingredients and cosmetics be streamlined and made transparent.
Brazil's tariff rate of 21% on fashion jewelry (Harmonized System classification 7117.19.00) is 100% higher than that imposed in most markets.

A price evaluation by Customs to compare invoiced prices with prevailing market prices, and then with our suggested prices, can result in high storage costs due to the time that is devoted to this review.

To reduce tariffs as high as 19% down to 5% for capital goods, it is necessary to prove that no similar item is being produced by local industry. This requirement is a slow and cumbersome process that can result in delays of more than six months before approval can be obtained, as the required import license must be issued before the shipment is allowed to enter the market

All prices for apparel are controlled, plus there are duties that average 23% (Harmonized System classifications 6108.11.00/10, 6109.21.00/22.00/39.00 and 6212.10.00).

**Chile**

Products imported from the U.S. and other countries which do not qualify for preferential treatment under one of Chile's bilateral free trade agreements (including components, ingredients and finished goods, and jewelry) are usually subject to a VAT of 10%, over and above the normal customs duty (which itself is calculated on a CIF basis). By comparison, countries having bilateral preferential agreements with Chile, such as Mexico and Venezuela, are subject to a VAT rate of only 4%.

Furthermore, an additional duty of 0.2% is applicable to products shipped into the country by air, in addition to a warehouse rate assessed according to the number of days a shipment is kept at Customs. These charges are assessed on the CIF value of the goods.

**Ecuador**

We request that priority be given in the negotiations to eliminating the duties on the following products:

| **Products** | **Tariff Code** | **Rate** |
|---|---|---|
| Fragrances | 3303.00.00 | 20% of CIF value (cost, insurance, freight) |
| Lipsticks and related products | 3304.10.00 | 20% of CIF value |
| Eye make up and related products | 3304.20.00 | 20% of CIF value |
| Nail care and related products | 3304.30.00 | 20% of CIF value |
| Hair care products | 3305.10.00 | 20% of CIF value |
| Skin care and related products | 3304.99.00 | 20% of CIF value |
| Jewelry | 7117.19.00 | 20% of CIF value |

NOTE: For products manufactured in the Andean Pact (Colombia, Venezuela, Peru, and Bolivia), the rate is already 0%.

**Guatemala**

As a beauty company, Avon finds that the following rates of duty represent a significant challenge to our being able to market our products and request that they be eliminated or substantially reduced.

| Category | Tariff Code | Rate for Imports from Mexico Since March 2001* | Rate 3rd Countries (MFN rate) |
|---|---|---|---|
| Jewelry | 7117.19.00 | 0% | 15% |
| Plastic Components | 3923.30.99 | 9% | 10% |
| Plastic Components | 3923.50.90 | 9% | 10% |
| Glass Bottles | 7010.91.90 | 4.5% | 5% |
| Fragrances, Colorants | 3302.90.90 | 3.33% | 5% |
| Cosmetic, Fragrances, and Toiletries Finished Goods | 3304.20.00 | 13.5% | 15% |
| Cosmetic, Fragrances, and Toiletries Finished Goods | 33.04.10.00 | 13.5% | 15% |
| Cosmetic, Fragrances, and Toiletries Finished Goods | 33.04.30.00 | 13.5% | 15% |
| Apparel | 6104.42.00 | 22.3% | 24% |
| Shoes | 6406.20.00 | 25.2% | 27% |
| Brochures | 4911.10.90 | 13.5% | 15% |

* Free trade treaty between Mexico and Central America "North Triangle". These rates will continue descending each year.

**China**

The use of the direct selling distribution system was banned in China in April 1998. Some firms were permitted to continue business if they converted to a retail, wholesale and sales promoter system. Under the WTO accession agreement between China and the U.S., within three years of the PRC joining the WTO, direct selling is to be authorized, although the form in which direct sellers can operate is still to be negotiated.

Also, most manufacturing companies in China cannot import products directly from foreign-affiliated or independent manufacturers or distributors for reselling in China.

**Malaysia**

A quasi-legal policy exists whereby foreign ownership in most foreign-owned companies must be reduced to 30% over time. The alleged intent of the policy is to provide economic opportunity for the Bumiputra (native Malay) population. We feel this policy discriminates against U.S. companies.

**Singapore**

A law which allows multi-level direct selling only after receiving the discretionary approval of the government exists apparently based on a confused belief that many multi-level businesses are actually pyramid schemes. Since this is not so, we urge that multi-level direct selling companies be treated equally with "single-level" companies.

**Europe**

Possible trade sanctions by the EU against the United States as a result of the Foreign Sales Corporation (FSC) trade dispute could result in significant costs to Avon Products. If such sanctions, involving onerous duties and quotas, were imposed on perfumery, cosmetic or toiletry preparations, paper and paperboard, glass, and imitation jewelry, these would have a very negative impact on Avon.

**Conclusion**

In closing, the high tariffs and non-tariff barriers cited in this submission are examples of the issues we face in certain markets. We will seek to furnish USTR with additional information about these and other markets as the Qatar Ministerial draws closer. We believe that if the duties and other obstacles are reduced and ultimately eliminated, and the customs delays we typically face are substantially shortened through simplification and streamlining measures, Avon Products would be able to operate more efficiently in a global economy and lower our operating costs. This would enable us to be more competitive and to offer consumers a greater choice of products at lower prices. Avon Products believes that free trade will result in additional earning opportunities for women who enter into direct selling. These earnings and employment opportunities available to women through Avon Products help to improve the lives of women directly, as well as helping the local communities where our representatives live and work.

Thank you for the opportunity to submit these views. Please let us know if we can provide any additional information to supplement the points noted above.

Sincerely,

Josephine Mills