

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Market Access for Non-Agricultural Products

Communication from the European Communities

The following communication, dated 3 May 1999, has been received from the Permanent Delegation of the European Commission.

1. Fifty years of tariff negotiations in GATT and subsequently in the WTO have very substantially reduced market access obstacles for non-agricultural products. However, process oriented approaches (such as formulas, requests and offers) applied to very different starting points and allowing for considerable exemptions have shaped tariff structures across Members which are very heterogeneous. The tariff structures of Members differ considerably with regard to tariff peaks, tariff escalation, percentages of binding, and spread between bindings and applied rates. In fact, we continue to see tariff structures among developed countries which are clearly unjustifiable in the light of their own pronouncements on liberalization, and some tariff structures in developing countries can in themselves hamper development.

2. It is time, after the sectoral harmonization attempts of the Uruguay Round and the post Uruguay negotiations, such as ITA, to envisage a comprehensive tariff negotiation aiming at harmonizing the tariff structures of all Members across all non-agricultural products, without any products being excluded. Such a result-oriented approach should be sufficiently flexible to allow Members at different stages of development to subscribe fully to the commitment. A tariff-band approach, defining a low, medium and high band within which all tariffs would have to fall, would allow offering such flexibility while leaving no sector in exception. Such an approach could be accompanied by average (simple/weighted) tariff objectives differentiated according to the level of development. It would obviously also allow for deeper reductions or indeed tariff elimination for specific products or product groupings.

3. A credible market access negotiation will have to be accompanied by a comprehensive non-tariff initiative, so as to make sure that non-tariff concerns do not counter the benefits of further tariff reductions. The non-tariff initiative may have to be based on a rules approach, looking at horizontal issues such as customs valuation, licensing, origin, product safety standards and certification procedures, but should also allow for discussions of specific non-tariff measures on a case-by-case basis.

4. An additional element of a market access negotiation should be a determined effort to simplify the tariff structure of all Members, by reducing the tariff differentiation to the six-digit HS level. This implies that there should no longer be ex-outs in the duty level of entire six digit positions. This would provide considerable gains for customs administrations as well as traders, as the level of classification differentiation today represents a considerable level of uncertainty, if not fraud.

5. A tariff initiative in the Round must take into account the concerns of the LDCs. The Community therefore calls for an up front commitment, at Seattle, from all developed countries to implement, no later than the end of the Round, a tariff and quota-free access for products from least-developed countries. We call on the more developed of our developing partners to seek to associate themselves with this special effort.

6. Tariff preferences in favour of the developing countries continue to offer real perspectives for better integration of developing countries into the multilateral trading system. We suggest that during the Round developed countries also seek to provide on an autonomous basis significant margins of preference in favour of developing countries in product areas of particular export interest for these countries. We argue for non-reciprocal preferences, but consider that the willingness by developing countries to assume increased MFN tariff bindings, in line with the above outline approach, would greatly facilitate a real effort by GSP donor countries to expand the coverage of their present preferential system.

7. We hope that we will be able, in the lead-up to the Seattle Ministerial meeting, to reach a sufficient level of understanding on the objectives of the non-agricultural products initiative, so as to allow effective negotiations to begin immediately at the launch of a Round. We firmly believe that within a three-year Round, substantial results could be negotiated.
