

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

A Framework for Negotiations on Industrial/Non-Agricultural
Goods in a New Round

Communication from Australia

The following communication, dated 18 May 1999, has been received from the Permanent Mission of Australia.

Proposal

1. That a framework for comprehensive negotiations on industrial/non-agricultural tariffs comprise formula elements (including comprehensive bindings, minimum cuts/maximum average tariff, cuts in tariff peaks and escalation, elimination of nuisance tariffs and reliance on *ad valorem* tariffs), sectoral approaches (building on existing zero-for-zero and harmonization schemes and adding new ones, including Accelerated Tariff Liberalization) and bilateral request/offer negotiations.

Background

2. Negotiations in the WTO on services and agricultural products are mandated to commence by 2000. These negotiations are likely to produce greater gains if participants are given the opportunity to achieve balance across the full range of their trading interests, including in industrial/non-agricultural products. Industrial tariff negotiations have always been at the centre of successive rounds of multilateral trade negotiations in the GATT. Notwithstanding the success of these rounds, tariff barriers remain an impediment to global trade and should be addressed in any future round.

3. WTO Members will need to use the full range of formula, sectoral and request/offer approaches to achieve balanced benefits for all Members in comprehensive tariff negotiations.

Formula elements should include:

- a minimum percentage cut across all tariffs with minimum reductions for each tariff line;
- binding all industrial/non-agricultural tariffs to increase predictability in world trade;
- agreement on a maximum average tariff for developed and developing countries;
- a formula approach for tariff peaks and escalation;
- elimination of nuisance tariffs at 2.5 per cent and below;

- a move away from the use of specific or compound tariffs to a reliance on *ad valorem* tariffs alone to increase transparency and significantly reduce the tariffs applied to low-value, developing country exports; and
- simplification of tariff structures to facilitate the flow of trade and reduce the need for debate about tariff classification issues.

Sectoral elements could go beyond formulas and allow reductions to zero in many sectors:

- existing arrangements (chemicals, beer, medical equipment, pharmaceuticals, construction equipment, furniture, brown spirits and agricultural equipment) could be expanded and deepened with further participation by WTO Members;
- the Accelerated Tariff Liberalization package originally developed in APEC (chemicals, energy and energy equipment, environmental products, gems and jewellery, forestry products, fish and fish products, medical and scientific equipment and toys) could be agreed as an early harvest during the round, and the tariff elements of the remaining APEC sectors (civil aircraft, fertilizers and rubber) could be added later;
- other sectoral initiatives proposed during the Uruguay Round could be reconsidered, including steel, non-ferrous metals, paper, wood, leather products, ceramics, glassware, musical instruments and photographic film;
- other sectors could be proposed, including those of particular interest to developing countries, such as textiles and clothing; and
- the currently stalled Information Technology Agreement II, which sought the addition of new products to the Agreement, may be rolled over into the new round.

Bilateral approaches

4. The bilateral request and offer methodology helps Members obtain additional concessions from their major trading partners that meet their specific needs.

Structure and time-frame

5. Industrial tariff negotiations should aim to conclude within three years, as part of a single undertaking with the mandated negotiations in services and agriculture. It will be important to determine how negotiating credit for tariff reductions implemented during the course of the round should be calculated. Without such a mechanism, scope for early harvests of sectoral or other proposals is limited.

Non-tariff measures

6. Non-tariff measures (NTMs) remain a significant issue for exporters, and are not so simple to identify or quantify as their tariff-related counterparts. Further work on NTMs is necessary to ensure that benefits accruing from tariff reductions are not undermined by the use of existing or new NTMs. WTO Members should consider complementary work on NTMs that proceeds in parallel with and underpins negotiations on tariff reductions, within the same time-frame.
