

WORLD TRADE ORGANIZATION

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PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Industrial Tariffs

Communication from Singapore

The following communication, dated 2 June, has been received from the Permanent Mission of Singapore.

Background

1. As a result of the Uruguay Round and national tariff reforms, average tariff levels of many countries have now been reduced to relatively low levels. But problems of high tariffs are still widespread. Even after full implementation of Uruguay Round concessions, a substantial number of high tariffs will remain which provide a high level of protection against exports of developing countries.
2. Both the frequency and tariff levels are a matter of concern. In some important developed country markets, there are still numerous products with tariffs above 30 per cent and even with rates of several hundred per cent¹. The problem of tariff peaks occurs predominantly in those sectors of export interest to developing countries. More than half of the peak tariffs of developed countries are in agricultural, fishery and food sectors.
3. The picture for developing country industrial exports is not much better. Most peak tariffs are concentrated in the leather, footwear, clothing and textile sectors. Peak tariffs are normally within the 12-30 per cent range and reach levels as high as 320 per cent (e.g. leather shoes). Numerous peak tariffs are also applied for a wide range of other industrial products, though the situation varies among countries (e.g. plywood, ceramic and glassware, bicycles, trucks, buses, shipping vessels and other transport equipment, consumer electronics and watches). Thus, even in the industrial sector, tariff peaks remain a significant market barrier for exports from developing countries.
4. A second problem is tariff escalation faced by developing country exports. Such escalation is often an effective barrier to export diversification. Take for instance food processing, natural-based products and tropical products. They constitute the major export industries of developing countries and comprise largely of products in the first stage of processing. This is perhaps one reason why developing countries find difficulties in expanding value-added industries and increase their share of processed agricultural exports.

¹ See UNCTAD/WTO Joint Study "The Post-Uruguay Round Tariff Environment for Developing Country Exports" TD/B/COM.1/14 dated 6 October 1997.

Basis for industrial tariffs negotiations

5. It is therefore proposed that industrial tariffs be included in the future negotiations as provided for under Article XXVIII *bis* of the GATT 1994.

6. Article XXVIII *bis* of GATT states that "... customs duties often constitute serious obstacles to trade; thus negotiations on a reciprocal and mutually advantageous basis, directed to the substantial reduction of the general level of tariffs and other charges on imports and exports and in particular to the reduction of such high tariffs as discourage the importation even of minimum quantities, and conducted with due regard to the objectives of this Agreement and the varying needs of individual contracting parties, are of great importance to the expansion of international trade. The CONTRACTING PARTIES may therefore sponsor such negotiations from time to time."

7. Future work on tariff reduction is thus already provided for in Article XXVIII *bis* of GATT 1994. This would also come under paragraph 9(a)(iii) of the May 1998 Ministerial Declaration for commencing further negotiations on industrial tariffs.

Modalities

8. Paragraph 2(a) of Article XXVIII *bis* provides that:

- (i) negotiations may be carried out on a selective product-by-product basis or by the application of such multilateral procedures as may be accepted by the contracting parties concerned ;
- (ii) negotiations may be directed towards the reduction of duties, the binding of duties at then existing levels or undertakings that individual duties or the average duties on specified categories of products shall not exceed specified levels; and
- (iii) that the binding against increase of low duties or duty-free treatment shall, in principle, be recognized as a concession in value to the reduction of high duties.

9. Paragraph 3 of Article XXVIII *bis* also provides that negotiations shall take into account:

- (a) the needs of individual contracting parties and individual industries;
- (b) the needs of less-developed countries for a more flexible use of tariff protection to assist their economic development and the special needs of these countries to maintain tariffs for revenue purposes; and
- (c) all other relevant circumstances, including the fiscal, developmental, strategic and other needs of the contracting parties concerned.

Proposal

10. While the negotiations should aim to achieve a fair and balanced package, comprising products of interest to all Members, it is crucial that this be achieved within a short period of time, say three years.

11. The Uruguay Round tariff negotiations were conducted using three methods: (i) the "request and offer" approach, (ii) sectoral negotiations and (iii) formula cut. Under the sectoral approach, the majority of proposals suggested a zero-for-zero approach while others were premised on the tariff

harmonization model. Whilst Members could select a combination of these methods or focus on a particular approach, the modality so chosen should aim at maximizing benefits to WTO Members across the board. It should aim to reduce distortions, be it tariff peaks, escalation or high tariffs. It could include a range of zero-for-zero sectoral proposals, and build upon work done in other fora such as the APEC Accelerated Tariff Liberalization Initiative (ATLI). This would avoid having to start from scratch in having to determine the negotiating modalities.

12. Thus, at the Seattle Ministerial Conference, Ministers should call for comprehensive negotiations on industrial tariffs without a priori exceptions and which are aimed at, *inter alia*:

- (a) tariff cuts well above that agreed in the Uruguay Round;
 - (b) elimination of tariff escalation, tariff peaks and nuisance tariffs; and
 - (c) expanding the scope of tariff bindings.
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