Negotiating Group on Market Access

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

NAMA-11 group of Members

Statement made on 7 May 2007

(NAMA Week: 7-11 May 2007)

Mr Chairman,

We thank you for arranging this meeting and for your efforts, together with the other chairs of the Doha negotiations, to multilaterize the process of the negotiations. We are keen to work with you, and to make yet another attempt to build convergence amongst the membership in the NAMA negotiations. I am confident that you will find our group to be diligent, forthcoming and willing, to cooperate with you and the broader membership, as we have been in the months before the July 2006 Suspension of the Doha Round. Our group is fully committed to work with you in the search for pragmatic and creative solutions that may be called for to achieve a successful conclusion of modalities in the NAMA negotiations, in concert with the negotiations on modalities in the Agriculture negotiations.

Today you have requested us, or should I say provoked us to comment on the question, in your words, of "how to reconcile the mandate of less than full reciprocity with many Members ambition for real market access". Mr Chairman, this question deserves a well considered response. Indeed this is not the first time the question has been raised.

At the end of June 2006 TNC meetings Pascal Lamy stated that the landing zone could now be expressed as a level of ambition which created "new trade flows and real cuts in subsidies". The EU Commissioner Peter Mandelson and Susan Schwab, the new USTR both supported this concept in their statements made at the June TNC meeting. In addition, the G8 Leaders meeting, held in St Petersburg, stated that "The Round should deliver real cuts in tariffs, effective cuts in subsidies and real new trade flows".[1] However, many developing countries were uncomfortable with the application of the concept of "new trade flows" to the NAMA negotiations, as they believed that this was an attempt to create a new benchmark and qualify the central principle of Less Than Full Reciprocity, that is enshrined in the NAMA mandate. There are at least **five** reasons why the argument that developing countries must create "new trade flows" in NAMA, is flawed.

Firstly, the Doha mandate treats the issues of Agriculture Market Access, Agriculture Domestic Support and NAMA, very differently. In the Doha Declaration there is recognition of the need to ensure that this round addresses the development needs of the developing countries and the mandate spoke of "enhanced market access for developing countries".[2] In the case of Agriculture the mandate calls for "substantial reductions in trade distorting domestic support" and "substantial improvements in market access".[3] Again, in the Hong Kong Declaration, Ministers called for disciplines to be developed to achieve "effective cuts in trade distorting domestic support…"[4] In the case of non-agricultural market access the mandate spoke of the need to reduce and "eliminate tariff peaks, high tariffs and tariff escalation"…. "in particular on products of export interest to developing

[1] G8 Statement on Trade, g8russia.ru/docs/16-print.html, 16th July 2006.

[2] See Paragraph 2 of the Doha Declaration. WT/MIN(01)/DEC/1 (20th November).

[3] See paragraph 13 of the Doha Declaration. WT/MIN(01)/DEC/1 (20th November).

[4] See Paragraph 5 of the Hong Kong Declaration. WTO/MIN (05)/Dec (22nd December 2005).

countries".[5] The mandate has clearly placed greater emphases and obligation on the developed countries to make "effective cuts" in trade distorting domestic support and to make "substantial improvements in market access". Whilst in NAMA, the mandate emphasises the need for *developed* countries to provide enhanced market access *to developing* countries.

Secondly, the mandate for tariff cuts in NAMA has been agreed in the July Framework Agreement to "commence from bound rates…"[6]. Calling for "new trade flows" implies that the cuts in NAMA must extend to make cuts in applied rates. This is a new formulation of the mandate. It raises the burden of responsibility for developing countries having to make formula cuts in the round beyond the current mandate. Cuts in applied rates may well be an ambition and desire of developed countries, but insisting on this as new criteria or objective of the negotiations is not consistent with the mandate and is tantamount to changing the rules of the game[7] in the middle of the game, creating uncertainty and undermining the development dimension of the Doha Round.

Thirdly, the Doha Mandate has called for the negotiations "to take fully into account the special needs and interests of developing …countries…"including through less than full reciprocity in reduction commitments…".[8] This means that developed countries must make a greater effort. You will recall that in their submissions to the WTO in October 2005, both the EU and the US called for a Swiss 10 for themselves and a Swiss 15 for developing countries. This proposal was made again in the WTO in the period before the June 2006 TNC Meeting by a Group of developed Countries led by New Zealand. We have calculated, based on the WTO Simulations, that this will mean an average percentage cut of 25 percent for developed countries and an average cut of 65-70 percent for developing countries. A NAMA 11 Ministerial communiqué[9], in June 2006, also rejected this proposal and called instead for a difference between the coefficients of at least 25 points to take into account the principle of "less than full reciprocity". Thus the principle of less than full reciprocity requiring developed countries to do more than developing countries (i.e., to make a deeper cut in their tariffs and a greater effort) would be reversed, if we were to adopt the proposals of the EU and US and other Developed Countries.

Fourthly, Many developing countries have made significant reforms in their industrial tariffs since the Uruguay Round. In many cases these tariff reductions went beyond their commitments made in the Uruguay Round. For many of these countries the reforms have been motivated by their economic development strategies and the need to improve their competitiveness. However, these reforms have entailed high adjustment costs for several countries, resulting in the loss of jobs and factory closures.[10] In other cases reduction of tariffs has been motivated by the need to comply with the conditionalities imposed by IMF structural adjustment and World Bank advice. Thus this increased openness to global markets has increased the imports of these countries creating "new trade flows" of billions of dollars. Thus developed countries have already made significant gains in these major markets. The result has been that the applied rates of many developing countries have been reduced significantly. The demand for "new trade flows" by developed countries fails to reward and recognize the significant effort made already by many developing countries to create new "trade

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[5] See WTO doc. WT/MIN(01)/DEC/1 Paragraph 16 of the Doha Declaration. (20th November).

[6] See WTO doc. WTO WT/ L/ 579 Doha Work Programme. Decision Adopted by the General Council on 1st August 2004. Annex B Paragraph 5. (2nd August 2004).

[7] A. Hoda, *Tariff Negotiations and Renegotiations under the GATT and the WTO. Procedures and Practices*, Cambridge University Press 2004.

[8] See WTO doc.WT/MIN(01)/DEC/1 Paragraph 16 of the Doha Declaration (20th November).

[9] WTO doc. TN/MA/W/79, *NAMA 11 Ministerial Communiqué, 29th June, 2006, Geneva,* (6th July 2006).

[10] See S. Laird and S. F. de Cordoba, *Coping with Trade Reforms: Implications of the WTO Industrial Tariff Negotiations for Developing Countries*, UNCTAD (2005)

flows" and now seeks to further increase the ambition of the Doha round, pressuring these countries to undertake further disproportionate tariff reductions.

Fifthly, the Hong Kong Declaration committed WTO members to ensure that there was "a comparably high level of ambition in market access for Agriculture and NAMA.[11] In the Hong Kong Declaration, Developing countries complied with their side of the bargain to maintain a high level of ambition and thus agreed to adopt a Swiss Formula, to be applied on a line by line bases, with coefficients which were still to be decided. In sharp contrast developed countries in the Agriculture negotiations have insisted on a less onerous linear formula. The formulas being adopted in Agriculture and in NAMA will ensure that the cuts in NAMA, notwithstanding the depth of the coefficient will bring down the higher tariffs in developing countries much faster, making deeper cuts on the higher tariffs and sensitive sectors of developing countries due to the workings of the Swiss Formula. However, in Agriculture, the "Tiered Linear Formula" being adopted will have a less ambitious effect on the high tariffs of developed countries with some tariffs currently as high as 1705 percent (in the case of Japan) and 1061 percent (in the case of Norway). These high tariffs will still remain high even after the proposed G20 tariff cuts using the tiered linear formula currently being adopted in the agriculture negotiations. After such cuts some WTO members such as Japan, for example, will still retain some tariff lines above 1000 percent.[12] In sharp contrast, the Swiss 15 formula being demanded for the tariff cuts of developing countries will bring developing country tariffs in NAMA down to below 15 percent on a line by line bases. Thus, by insisting on "new" trade flows in NAMA developed countries will be biasing the mandate even further, creating a disproportionate burden on developing countries.

Mr Chairman,

You will recall that NAMA 11 countries have already stated their willingness to make a contribution to the Doha Round that is fair and balanced.[13] However, this contribution we have argued should be proportionate to our development, taking account of the realities of our economic development needs.[14]

The high levels of trade distorting domestic support by developed countries is an anomaly in international trade and is a major impediment to the development prospects of developing countries, affecting some of the poorest countries in the world (eg, cotton subsidies in the US threaten the livelihoods of millions of farmers in West Africa and other developing countries). Reducing this support cannot be equated to and paid for by increased market access by developing countries in NAMA! There cannot be a dollar for dollar equation! The adjustment and social cost of reducing these high levels of subsidies paid to rich and mostly large farms in the EU and the US will be insignificant compared to the high economic and social costs of adjustment that developing countries in emerging markets will have to bear if they undertake deep cuts in their industrial tariffs.

[11] WTO doc. WT/MIN(05)/DEC Paragraph 24 of the Hong Kong Ministerial Declaration. (22 December 2005).

[12] See WTO doc. Job(06)/63 *Agriculture Negotiations. Agriculture Market Access Simulations,* (23rd March 2006).

[13] WTO doc. TN/MA/W/68 Striving To Achieve Fair, Balanced And Development Friendly Modalities in NAMA. Submission by the NAMA 11 Group of Developing Countries, 30 March 2006.

[14] WTO doc. WT/COMTD/W/145 *Reclaiming Development in the WTO Doha Development Round,* Submission by Argentina, Brazil, India, Indonesia, Namibia, Pakistan, the Philippines, South Africa and Venezuela to the Committee on Trade and Development, (1st December 2005).

The demand by developed countries for a Swiss 10 for themselves and Swiss 15 for developing countries, and their expectations for Real Market Access, is unfair, imbalanced and against the mandate and will turn the principle of Less than Full Reciprocity on its head, shifting the burden of the adjustments to be made in this round from the developed to the developing countries once again.