

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Submission by the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu

The following communication, dated 19 December 2002, has been received from the Permanent Mission of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.

Introduction

1. We particularly welcome that the non-agricultural market access negotiations, as mandated by the Doha Ministerial Declaration, are comprehensive and without *a priori* exclusions of any products. The negotiations should therefore incorporate all tariff items. For the negotiations to achieve the ultimate result of effectively removing tariff and non-tariff barriers, we believe it is essential that Members not only participate fully in the negotiations in a meaningful way, but also make their priorities known as early as possible in the negotiating process.

2. In this, its first submission to the negotiating group, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu wishes to set out its views on the various approaches under consideration and to suggest ways in which the most ambitious goals of the Doha mandate on non-agricultural market access may be achieved. This submission addresses the areas of negotiating modalities, base rates, nomenclature, tariff bindings, staging, high tariff, tariff peaks and tariff escalations, nuisance tariffs, special consideration for newly-acceded members, non-tariff measures and special and differential treatment.

Negotiating Modalities

3. Studies by both the WTO and UNCTAD show that, while the achievement over the last 50 years in reducing industrial tariffs has been very impressive, there remain substantial disparities within the tariff structures of WTO Members. For many developed Members this is particularly the case in relation to tariff peak and tariff escalation issues, while for most developing Members a wide divergence continues to exist between rates bound at ceiling levels and applied tariff rates. There is still a considerable amount of work to be done, therefore, within the limited time frame provided to us under the Doha Declaration.

4. Bearing in mind the ambitious objectives agreed in the Doha mandate, Members should resolve to achieve a more fruitful outcome than was attained in the Uruguay Round in the case of non-agricultural tariff reductions. In this regard, Members have suggested various modalities, including zero-for-zero, a harmonizing formula, request-and-offer, and target tariff rates. It is worth noting that not a single Member appears to have a strong objection to a cocktail approach to negotiations.

5. Taking this fact into account, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu favours a sector-by-sector approach to the non-agricultural market access negotiations. All

sectors should be covered. In our view, it is not necessary to or desirable to employ a single negotiating modality to conducting the market access negotiations. A variety of modalities can be utilized, and these can differ from sector to sector. Using this multiple modality approach has the advantage of providing maximum flexibility for Members in the negotiating process. For example, in one sector liberalization could be in the form of tariff elimination (on either a “zero for zero” or “ITA” basis), in another it could be achieved through the harmonization of tariffs, and in another by reductions in target tariff rates. Furthermore, we would like to see participation in existing zero-for-zero agreements broadened to include the critical mass of trading partners participating in world trade for each of the sectors involved, in order that the most meaningful level of liberalization may be achieved.

6. Importantly, it seems to us that the use of a variety of approaches to tariff liberalization on a sector-by-sector basis would allow the different levels of development of Members, and in particular the needs of the developing and least developed Members, to be taken into account.

7. In addition, we would like to emphasize that special consideration should be given to the treatment of exhaustible natural resource sectors.

Base Rates

8. With regard to the base rates to be used in these negotiations, we acknowledge that, in the case of a number of Members, significant gaps remain between bound and applied rates. Nevertheless, my delegation considers that bound rates, which signify Members’ legal commitments in this organization, are the only legitimate rates to use as basis for the negotiations.

9. In the case of unbound duties, we consider that applied rates that are in effect in 2002 should be employed as the negotiating base rate, but in conjunction with the standstill and no-rollback principle. This approach would provide predictability in the negotiating process as well as enhance the coverage of bindings, which in turn adds stability to the global trade regime.

Nomenclature

10. As for the nomenclature issue, in principle we are in favour of all schedules of concessions being in a common nomenclature. Considering that only 24 Members circulated their HS2002 changes according to the document G/MA/TAR/4/Rev.2 and most of the IDB data are based on HS 1996, it would seem sensible to use HS 1996, for the most part, as the common nomenclature. However, to be fully consistent with the proposal to use bound rates as base rates for the negotiations, in those instances where the nomenclature in which individual Member have bound their tariffs under the WTO differs from HS 1996, we are of the view that the Member concerned should be free to use their bound nomenclature. This approach, nevertheless, would require such Members to provide tariff nomenclature concordance tables to assist trading partners when engaging in bilateral negotiations. Furthermore, as this negotiation is mandated to be completed by 1 January 2005, some Members may be required to transpose their tariff schedules from HS 1996 to the HS 2002 version before the completion of this negotiation. For those Members having to make this transposition, the preparation of concordance tables for use by other Members during the negotiations should be required in the interests of transparency.

Tariff Bindings

11. According to the WTO document on Members’ Tariff Profiles, 77 out of the 126 WTO Members reviewed have not bound their tariff rates on all non-agricultural tariff lines. This being so, one objective of the negotiations on market access for non-agricultural products should be to increase Members’ bindings to full coverage for all relevant tariff items. This approach would increase the

predictability of the global trade regime and could lead to greater trade liberalization. In this context, our view is that all Members should commit to bind all of their non-agricultural tariff lines at the conclusion of these negotiations, with the exception of least-developed country Members, who may determine the coverage of their binding undertakings on an autonomous basis.

Staging

12. In our considerations of what length of implementation period to allow for staging tariff concessions that are agreed to during these negotiations, we believe that experience from the Uruguay Round is probably the most relevant. We suggest that the general rule for staging should be to allow for implementation over five years, in principle, commencing either from the conclusion of implementation periods already committed to by each Member in its Tariff Schedule, or from the conclusion of these negotiations, whichever is the later.

High Tariff, Tariff Peaks and Tariff Escalation

13. Tariff peaks and tariff escalation remain significant barriers to market access for the exports of developing countries, due principally to the fact that the most commonly used peak and tariff escalation practices are applied precisely to those industrial products for which developing and least developed countries have the greatest comparative export advantage.

14. We support the overall aim of reducing high tariffs, tariff peaks, and tariff escalation. However, like some other Members we feel that the definition of the terms “high tariffs,” “tariff peaks,” and “tariff escalation” needs to be clarified if negotiations are to be conducted effectively.

15. In view of the fact that the WTO Secretariat has already presented a paper (TN/MA/S/4) that provides a clear approach to defining the terms “international peaks” and “national peaks,” we would suggest that this same approach may be employed as a benchmark for working towards clarification of these definitions.

16. Since tariff peaks and tariff escalation are believed to have the greatest trade distorting effects (e.g. compared with nuisance tariffs), it is suggested that Members should give priority to reducing tariff peaks and rationalizing tariff escalation. In this regard, because tariff structures vary greatly from Member to Member, we support the use of a request-and-offer approach.

Nuisance Tariffs

17. On nuisance tariffs, it is worthy of note that the administrative costs of collecting minimal tariffs are not always greater than the revenues collected, especially in the case of some high-value items. Moreover, such tariffs can sometimes provide significant amounts of customs revenue. Accordingly, we must carefully define the scope of “nuisance” tariffs and eliminate only those considered to be truly burdensome.

Special Consideration for Newly-Accessed Members

18. My delegation would like to reiterate its concerns regarding those newly-accessed Members that are still in the process of implementing significant first-stage market access concessions on non-agricultural products in compliance with their accession commitments. In these cases, the timetable agreed for the phasing-in of their accession commitments acknowledges the fact that their industries need time to adjust to the new demands of WTO Membership. We would therefore urge Members to take this situation into account where it exists, by allowing such newly-accessed Members a longer staging period and credit for autonomous liberalization.

Non-Tariff Barriers (NTBs)

19. Not only do NTBs cause uncertainty and friction in international trade, but they can increase transaction costs for exporters and importers as well. Furthermore, severely restrictive NTBs can function in much the same way as extremely high tariffs.

20. To facilitate discussion on NTBs, we support some Members' suggestion that Members should first identify the potential non-tariff barriers about which they are concerned. On the basis of the results of Members' NTB notifications, Members will be in a better position to discuss the subject and categorize these NTBs according to whether they are 'issue-specific' and 'sector-specific'. NTBs that are issue-specific should be addressed, where possible, in other relevant Committees or Negotiating Groups. The only NTBs that would be addressed in this Negotiating Group would therefore be: (1) those issue-specific NTBs that other Committees or Negotiating Groups have no mandate to address; and (2) sector-specific NTBs.

Special and Differential Treatment (S&D)

21. Bearing in mind that the issue of the special needs and conditions affecting the trade of developing countries (including the least-developed countries) is one of the cornerstones of the Doha Development Agenda, my government would like to see a balanced package resulting from these negotiations, which caters for the needs and interests of developing and least-developed countries. To achieve this, a systematic, transparent and comprehensive application of S&D will be required.

22. We therefore believe there should be continued emphasis on a coordinated evaluation of the capacity-building needs of these countries and on providing the appropriate measures to help them participate actively in the multilateral trading system. Accordingly, we recommend designing capacity-building programmes that are individually tailored to the particular needs of each of the Members concerned, which also contain certain milestones and assessment criteria to show what progress a country is making internally with the capacity-building assistance already provided. This would help to avoid duplication of the assistance provided and ensure that the effects are optimized.
