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Market Access negotiations in non agricultural goods

Market Access

Market access is an umbrella term for a number of measures that a country may use to restrict imports. The most common form of such restrictions are tariffs on imported goods. Non-tariff barriers to market access also exist for goods, such as technical standards, antidumping suits, import quotas, import licensing, and variable levies, among others.. The term "market access" is now generally used to refer to non-agricultural market access.

As a result of the tough negotiations on market access during the Uruguay Round, most countries have cut tariffs significantly, and have adopted tariff bindings - levels above which tariffs may never rise - for almost all imports.

Many developing countries - including India, Pakistan, Malaysia and Egypt - are reluctant to reduce industrial tariffs, as they are significant sources of revenue for their respective governments. They also worry that opening up domestic industries to aggressive foreign competition will result in the decline of the domestic industries and job losses.

Market Access Barriers

Tariff barriers

Typical developing country exports face higher barriers, both in the markets of industrial countries and also in other developing countries. Barriers take a variety of forms. Applied simple average tariffs for merchandise imports into industrial countries are approximately 3 percent; but for textiles and clothing, and agricultural products, which represent a relatively large share of developing country exports, average tariffs are 8 and 27 percent, respectively.

But *average* tariffs tell only part of the story. Tariff "*peaks*" within product groups, often exceeding 50 percent or, in agriculture, 100 percent, are concentrated in labor-intensive products of significant export interest to developing countries, and particularly Least Developed Countries (LDCs).

Tariff "*escalation*"—in which tariffs on processed goods exceed those on primary products—can substantially reduce the returns to developing country entrepreneurs of engaging in activities with higher value-added. This hampers the diversification of exports, limits the accumulation of skills and capital, and thus helps to perpetuate dependence on a small number of unprocessed goods whose world demand grows little and whose prices are volatile.

Textiles and Clothing

Textiles are clothing products together constitute one of the most contentious issues at the WTO. For developing countries, production of such goods through relatively low cost labor is a major part of their economic output. If, as is generally the case at present for developing countries, there are significant barriers to exporting these products to developed countries, their economies may suffer as a result.

The Agreement on Textiles and Clothing requires the progressive elimination of all quantitative restrictions in this economically important sector. At this point, 51% of products will have had their quantitative restrictions eliminated. By 2005, Members must bring the remaining 49% of their textiles trade policy into full conformity with the Agreement, at which point the textiles sector will be fully integrated into the multilateral trading system.

Developing countrieshave criticized the European Union, USA and other developed countries for this "backloading" of the liberalization of these key sectors until the very end of the implementation period. Developing countries are also concerned that only the minimum requirements of the ATC are being met, and that protection may still take place through other measures.

Yet the integration of the textiles trade may ultimately prove to be a mixed blessing for some developing countries. Countries that benefited from preferential agreements with the European Union or the United States will face stiffer competition from other nations once the MFA disappears. For other developing countries, China's accession has the potential to reduce the expected gains of textiles liberalization. The World Bank estimates that China's share of world garment production will increase from 20% to 50% by 2010 as a result. Though this may lead to greater economic efficiency, it may also produce a painful period of adjustment for countries who are already poor.

Market Access and Doha Mandate:

Paragraph 16 of the Declaration launches negotiations in the area of market access of non-agriculture products. Though non-tariff barriers have also been included for negotiations. The aim of negotiations is to reduce industrial tariffs. Tariff peaks, high tariffs and tariff escalation. Have also been specifically indentified as target for reduction. The stipulation is that the product coverage shall be comprehensive, which mean negotiations will not be limited to any particular areas.

What is offered in Doha mandate :

- The work program aims at reducing the tariffs, 'in particular" on products of export interest to developing countries.The paragraph says that the negotiations' shall take fully into account the special needs and interest of developing as well least developing countries.

- The tariff reduction exercise will be based on modalities to be agreed. Hence first task in this process will be work out the modalities. The developing countries will have the opportunity to include their special concerns during this stage.

Doha Declaration : Some challenges

- The main targets will be developing countries in this exercise of tariff reduction. The developed countries have generally low average industrial tariffs, though tariffs on some individual items export interest to developing countries are relatively high. **.** A large number of developing countries have comparatively higher average industrial tariff because of the need of protection of their local industries and development need. Hence the developing countries are vulnerable in the area of negotiations.

- There may be tendency to work out formulae for the reduction based on past practices. This may be harmful for developing countries. Some new alternative formulae should be evolved.

What should be done:

- The modalities for negotiations must include identification of products of export interest to the developing countries, including the LDCs, manners of giving special consideration in tariff reductions in the developed countries, identification of tariff peaks and tariff escalation in the developed countries.. Negotiations should be undertaken on tariff reduction exercise only after the modalities have been fully worked out.

- It is prudent for developing countries to have formula that reduces the gap between the average tariff and the higher tariffs rather than having formula which primarily aims at reducing the average tariff.

Conclusion

The multilateral trading system, and the WTO are at the crossroads. Decisions made before and at the WTO's Cancun Ministerial Conference will have an important effect on which direction the system will go. The most important of the decisions is whether the next few years will see the WTO members doing their best to rectify the problems and imbalances in the rules and the system. Any decision in Cancun with little progress in contentious areas such as implementation issues, market access for agriculture as well non agricultural products, TRIPS and Public Health and new issues will determine the fate of Cancun Ministerial.

Despite its deficiencies, the rules based system has been value for developing countries. It is thus important that developing countries remain part and play a pro-active role in the multilateral trading system. What we need is to enhance coordination among like-minded countries at Geneva and constant interaction among NGOs, private sector and governments at national level.

Thanks once again for this opportunity