Facts on Global Reform

Office of the United States Trade Representative **www.ustr.gov**
Doha Development Agenda Policy Brief – December 2005

Liberalizing Market Access for Manufactured Goods to Promote Growth

Non-Agricultural Market Access (NAMA) Negotiations in the WTO

Market access for manufactured goods (or in WTO parlance – non-agricultural goods) reflects the terms and conditions for entry of goods that have been agreed by Members, including tariffs and non-tariff measures. Tariff commitments are set out in each Member's schedules of concessions on goods. The schedules represent commitments not to apply tariffs above the listed ceiling rates, known as "bound" rates and would reflect any tariff reductions undertaken in the Round. Non-tariff measures are dealt with under specific WTO agreements or through bilateral or plurilateral commitments applicable to all Members that are also bound in schedules.

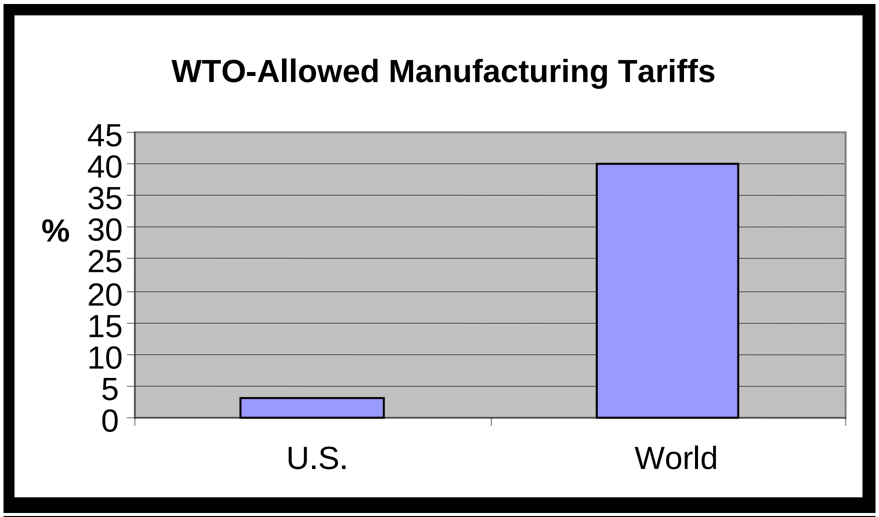
WTO Members are seeking to lower tariffs on manufactured goods through the negotiations launched at the Doha Ministerial Conference in November 2001 (commonly referred to as the Doha Development Agenda or DDA). For manufactured goods, the DDA calls for tariff-cutting negotiations on all manufactured goods with the aim "to reduce, or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries." The DDA also requires Members to take fully into account the special needs and interests of developing and least-developed countries

U.S. Position

The United States is seeking an ambitious result in the NAMA negotiations that will obtain new real market access in developed and advanced developing markets by cutting high tariffs more than low tariffs. That means pushing for reductions into current <u>applied</u> tariff rates from ceiling rates or "bound" rates. Many developing countries have bound rates well in excess of their regularly applied rates. The United States is working towards setting the ground rules for the market access negotiations at Hong Kong. These modalities include: 1) the tariff reduction formula; 2) industry sectoral tariff-cutting initiatives; 3) addressing non-tariff barriers; and 4) flexibilities from tariff reductions for developing countries. The Doha Round is the best opportunity the United States will have for the next decade to cut global duties and eliminate barriers facing U.S. exports of manufactured goods.

Benefits to American Producers

In 2004, U.S. exports of manufactured goods rose to $710 billion – almost 11 times the level of U.S. agricultural exports. This figure is up 13 percent from 2003 and up 81 percent from 1994. Further reductions in tariffs will help boost U.S. exports. Also, America's tariffs are already among the lowest in the world, with a simple average of 3.0 percent, compared to a WTO-allowed average of 30 percent. An ambitious result in the NAMA negotiations will help to level the playing field for U.S. producers of manufactured goods.



Lower global tariffs would lower prices for many goods purchased by Americans. A study by the University of Michigan estimates that a one-third cut in global barriers to goods and services would mean $2,500 a year in increased income to the average American family of four. Further, a 50 percent cut in U.S. import taxes on everyday household items would save Americans $9 billion annually.

Benefits to Developing Countries

The economics are clear – countries that engage in increased international trade and have more open economies have been shown to have higher growth rates than more closed economies. For example, the World Bank has reported that per capita real income grew three times faster in the 1990s for developing countries that lowered trade barriers (5.0 percent per year) than for developing countries that did not (1.4 percent per year).

Trade among developing countries is growing rapidly at 10 percent per year, double the growth rate of world trade. According to recent WTO data, developing countries' share of world merchandise trade rose sharply in 2004 to 31 percent, the highest since 1950, and developing countries now contribute almost 20 percent of world exports. Furthermore, South-South trade now accounts for over 40 percent of developing country exports.

Over 70 percent of the duties paid by developing counties are paid to other developing countries, largely a function of high tariff rates. An ambitious NAMA result will help to lower barriers between both developed and developing countries, but also between developing countries, providing new opportunities for small traders, as well as larger traders, to find export niches and diversify trade.