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Background Note
NAMA Sectorals – Should LDCs be Concerned?

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Do least-developed countries (LDCs) have an interest in the sectoral agreements that may supplement whatever modalities in non-agricultural market access (NAMA) are finally agreed for commitments under the Doha Work Programme negotiations? Discussion has largely assumed that LDCs will not participate. Certainly, there will be no obligation for poorer economies to sign up, since they were offered a “round for free”. Yet, in at least some of the sectors under discussion there are significant development issues worth considering. In particular, LDCs as importers—with interests in reducing costs and enhancing competitiveness both among domestic suppliers and potential exporters—may see potential value. Poorer consumers could benefit. Naturally, liberalisation can take place without any need for WTO sectoral arrangements. But, for investors, bound tariff rates at zero or low levels on key inputs can be a significant inducement and a sign of a secure business environment.

In response to a number of requests from LDCs for information regarding sectoral agreements, this paper seeks to outline the current state of the NAMA sectoral negotiations, the broad lines of the 14 sectoral agreements now on the table and the possible interests—as importers and exporters—of a representative group of LDCs.

I. Introduction

1. Consultations on the treatment of sectoral commitments within NAMA negotiations have been conducted without much attention to the potential interests of LDCs. In large part this is because none of the 14 sectors for which texts are included in the most recent Chairman’s draft¹ will ever see the light of day unless WTO members accounting for a “critical mass” (usually at least 90 per cent) of global imports commit to them. Even acting collectively, the LDCs cannot make much of a difference in that sense.

2. That is not to say that LDCs have no potential interest in what finally emerges from the various sectoral initiatives. On the contrary, they may have more to gain than most. The purpose of this note is to stimulate discussion in Geneva and capitals on the basis of strict attention to basic economic and trade interests, leaving aside tactical positions taken by the LDCs in the Doha negotiations. It is taken for granted that there are, and will be, no *obligations* on LDCs to make commitments on sectorals. It also remains the case that any WTO member may decide, at any time, to reduce its bound WTO duty rates to zero in one or more sectors—regardless of the existence of multilateral trade negotiations². Furthermore, any WTO member may leave *bound rates* in place while removing *applied* duties at the sectoral level, as and when it wishes.

3. In reviewing their possible interests in sectoral commitments, LDC governments might pay attention to the following broad issues:

¹ See *Fourth Revision of Draft Modalities for Non-Agricultural Market Access*, TN/MA/W/103/Rev.3, WTO, 6 December 2008.

² In fact, many WTO members have autonomously liberalised and reduced bound tariffs either as a result of a change in trade policy strategy and, more often, as part of World Bank/IMF structural adjustment programmes.

- i. Competitiveness of export sectors.
- ii. Market access for export sectors.
- iii. Competitiveness of domestic producers and services suppliers.
- iv. Value to consumers in terms of domestic prices.
- v. Value to society in terms of human and economic development.
- vi. Loss of import duty revenues.

4. Arguably, a willingness to participate—whether making use of the special and differential treatment (S&D) provisions or not—might send a positive message to other Doha negotiators. Whether it would be reciprocated in any way is doubtful. Thus, it might be advisable for LDCs to consider any possible participation solely on the basis of clearly identified national interest.

5. The sector-by-sector discussion attempts to review each of the proposals now on the table—and included in the 6 December 2008 draft NAMA text—and matches their potential impact to the particular situations of five representative LDCs: Angola, Burkina Faso, Cambodia, Maldives and Uganda. This is not intended to be a rigorous econometric analysis, merely some pointers towards a more refined debate at the national level.

II. Other Sectoral Initiatives

6. Towards the latter stages of the Uruguay Round, a range of sectoral initiatives was agreed among a limited group of mainly developed countries. These “zero-for-zero” concessions covered: pharmaceuticals, construction equipment, medical equipment, pulp and paper, steel, beer, furniture, farm equipment and toys. In the chemicals sector some WTO members agreed to harmonise bound tariffs at a low level. The benefits of these sectorals—as would be the case in the Doha negotiations—were available to all WTO members through the Most Favoured Nation (MFN) treatment.

7. Attempts to reach a multilateral steel agreement in the aftermath of the Uruguay Round—and ever since—failed. On the other hand, the Information Technology Agreement (ITA), negotiated following the 1996 Singapore Ministerial Conference, has been a success, reducing many key IT tariffs to zero³. Discussions on a possible extension of the ITA have taken place in recent years. Some WTO members favour the electronic/electrical products sectoral initiative in the Doha negotiations (see below).

8. Another important potential sectoral initiative remains on the table in the current negotiations, that on environmental goods and services. While this has substantial support among both developed and developing members—and a potential product coverage list exists—negotiations have been blocked by conceptual differences. This is not a sector in which LDCs have much export interest. However, the growing importance of climate change and the urgency of measures to palliate it make these negotiations have a global interest for all, whether WTO members or not.

³ See AITIC Information Brief No. 8 “WTO Information Technology Agreement (ITA): A Tool for Narrowing the Digital Divide?” – June 2006

III. The Current State of Sectoral Negotiations

9. The sectorals problem was widely seen as the chief reason for the decision by the Director-General not to call a ministerial meeting at the end of 2008. Politically, the issue has become intractable. For the United States in particular—but implicitly for manufacturers in other developed WTO members—the real commercial value of the application of the NAMA formula and its exceptions is seen as minimal; certainly insufficient to justify significant commitments on domestic support in agriculture. To stand any chance of gaining the backing of the US Congress for an eventual Doha package, Washington needs China, as well as India, Brazil and a few other major emerging economies, to sign up to at least some sectoral agreements—preferably, chemicals, electronics/electrical products and industrial machinery. However, the commitment needs to be up-front, not dependent on the outcome of post-modalities negotiations on the content of the sectorals.

10. Understandably, perhaps, this position has been repulsed by China, India and others to the point of being a deal-breaker. These countries' negotiators have quoted time and again the Hong Kong Ministerial Declaration which noted the sectoral initiatives under way among some WTO members at that time, but stated that any eventual participation "*should be on a non-mandatory basis*"⁴. The industrial reality is that the US target sectors are not always competitive in China and the economic downturn has already provoked numerous factory closures and employment losses as overseas markets dry up. China retains relatively low tariff protection—following its WTO accession—which it would find politically painful to abandon entirely. The situation in India is different, with much higher bound rates, and less obvious potential competition for domestic producers. Nevertheless, India has maintained a tough position against sectorals in Geneva and, with elections taking place shortly, is unlikely to concede any time soon. Unfortunately, it is also improbable that the new US Administration will give in, at least in the short term.

11. Various means of escaping the morass were floated during November and December 2008. Reportedly, one approach would leave WTO members free to commit to less than complete sectors; leaving out the more sensitive product lines. Another proposal would apparently have linked a higher formula coefficient to willingness to participate in sectorals. Whether these were ever solid propositions is unclear; in any event, they did not work. The new NAMA Chairman, Ambassador Luzius Wasescha (Switzerland)⁵ was left floundering. The bracketed paragraph 9 of his December text refers, among other things, to the outcome of sectoral negotiations being part of the "single undertaking"; this is stoutly opposed by those defending the voluntary nature of sectorals. Further, Ambassador Wasescha had no alternative but to include two options in his Annex 7: one listing sectors in which members have "*announced their readiness to participate*" in those agreements (to which, no doubt, the names of China and India would need to be appended for US satisfaction); the other merely listing the sectors and the members "*that agree to participate in negotiating their terms.*" The difference between these two approaches is fundamental and there is little sign of it being resolved.

⁴ See WTO document WT/MIN(05)/DEC, paragraph 16, 22 December 2005.

⁵ Appointed Chairman of the NAMA negotiations in October 2008, replacing Ambassador Don Stephenson (Canada).

12. Thus, at the very least, LDCs have time to consider their eventual participation if an accommodation is ever reached among the big players. The following discussion looks at the proposed sectors one-by-one; first, those that are overwhelmingly of import interest to LDCs, second those that may be of value for export development and, third, those that may be both.

13. It should be remembered that the terms of the sectorals, contained in the current NAMA draft, are as tabled by their promoters and supporters (listed in each case). In principle, they will all be subject to further negotiations; normally, after the overall modalities are settled. For the moment, all timelines for implementation as well as the terms for special and differential treatment remain in square brackets (though removed in this paper). Whether such negotiations will lead to significant changes in the conditions or goals of these initiatives is unclear. Except where noted otherwise, coverage is defined within HS 2002.

14. All proposals stipulate that commitments would be fulfilled only if members accounting for at least 90 per cent of world trade in the products concerned indicate an intention to participate. The exceptions are: automotive and related parts (99 and 98 per cent respectively); and textiles, clothing and footwear (all WTO members). Generally, however, it is not expected that LDCs will participate.

A. Potential import interests

15. Three proposed sectorals stand out as those most relevant to the import interests of LDCs in covering product areas that are vital to developing economies: chemicals, industrial machinery and electronic/electrical products. Many items in each of these sectors are likely to be vital for inward investment, for the healthy expansion of domestic manufacturers (especially small- and medium-sized enterprises) and to farmers and food processors. They are needed for the services sector and are likely to be key inputs for infrastructure developments. They also happen to be the three sectors that are most supported among major WTO economies and have the potential to emerge intact from the negotiations.

i. Chemicals

Promoters: Canada; Chinese Taipei; the European Communities; Japan; Norway; Singapore; Switzerland and the United States.

Coverage: Essentially HS Chapters 28-39.

Objective: Developed countries will eliminate tariffs in six equal rate annual reductions; developing countries in 11 equal rate reductions.

Special and differential treatment: Developing countries may either bind up to 4 per cent of tariff lines at a 4 per cent duty, provided that this does not exceed 4 per cent of the member's chemical product imports, **or** extend the implementation period by up to five additional annual rate reductions for up to 5 per cent of national chemical product tariff lines.

Discussion: Australia, Canada, Japan, the United States and the European Union led the Uruguay Round initiative to harmonise chemicals tariffs at a low level.

Average EU bound tariffs came down to 4.6 per cent while those of the US average 2.9 per cent: both have maximum bound rates of 7 per cent.

16. While developed countries have broad interests in chemicals trade, LDCs are likely to focus particularly on agricultural chemicals, like fertilisers (Chapter 31) and insecticides and herbicides (Chapter 38). With or without indigenous suppliers, LDCs with a strong agricultural base tend to import significantly in these product areas. Over 2 per cent⁶ of Burkina Faso's imports are accounted for by fertilisers, for instance. Its imports of herbicides, fungicides and insecticides in 2006 were worth over USD 12 million and accounted for an additional 1 per cent of total imports. Cambodia's imports of fertilisers were worth over USD 16 million, despite the existence of domestic production, and roughly the same amount for Chapter 38 imports. Uganda's imports of herbicides, insecticides and fungicides amounted to some USD 16 million.

17. Pharmaceuticals (Chapter 30) are also included within the chemicals sector. These account for over 2 per cent of Cambodia's imports (USD 92.5 million); 1 per cent for Angola (USD 92.5 million); 7.7 per cent for Burkina Faso (USD 100 million) and 4.7 per cent for Uganda (USD 120 million).

18. Average bound duties⁷ in the chemicals sector range from 60 per cent (Angola) to 9.3 per cent (Cambodia). Maldives maintains the highest average applied duties (15.4 per cent), while the lowest averages in the group are Uganda (4 per cent) and Angola (5.2 per cent). However, some applied rates remain high—frequently around 30-40 per cent and up to 200 per cent in the case of the Maldives.

19. Clearly, the policy implications of eliminating duties on pharmaceuticals and on agricultural chemicals are very different. For the most part, however, chemicals imports are far from the biggest revenue sources for LDCs. On the other hand, their availability and their prices seriously impact agricultural and other producers and significantly affect their competitiveness in international as well as domestic markets.

ii. Industrial machinery

Promoters: Canada; Chinese Taipei; the European Communities; Japan; Norway; Singapore; Switzerland and the United States.

Coverage: Most of HS Chapter 84.

Objective: Developed countries to eliminate tariffs in four equal rate annual reductions; developing countries in seven equal rate reductions.

Special and differential treatment: Developing countries may bind up to 4 percent of national tariff lines at 5 percent, provided these lines do not exceed 4 percent of

⁶ Trade flow statistics in this paper are largely drawn from the International Trade Centre's "Trade Competitiveness Maps" database: <http://www.intracen.org/menus/countries.htm>. All such data is for 2006.

⁷ Tariff information in this paper is largely drawn from the World Trade Organization's "World Tariff Profiles 2008": http://www.wto.org/english/res_e/statis_e/statis_e.htm

the total value of the member's industrial machinery imports, **or** extend the implementation period by up to an 2 additional equal rate reductions on up to 5 per cent of national industrial machinery tariff lines.

Discussion: Among the many hundreds of products covered by this initiative are some of the most vital inputs into basic agricultural and industrial development for LDCs. As the proponents state in their text: “*Eliminating tariffs on industrial machinery also facilitates the import of productivity-enhancing new capital goods to the benefit of the importing Member.*”⁸ Coverage includes: pumps, turbines, refrigeration equipment, dryers, weighing and packaging machines, agricultural machinery, engines, textiles machinery and machine tools. Few LDCs have any domestic production in these areas and are entirely dependent on imports. The more expensive the imports are, the more local industry and agriculture is handicapped, both in supplying the domestic market and in potential export markets. Many of the same products are necessary for the services sector and in public institutions like schools and hospitals.

20. For Angola, Chapter 84 items are at the top of the import list, accounting for almost 17 per cent of the total. This reflects, in large part, the importance of the extractive sector. Yet for other LDCs, industrial machinery is little less important; 12 per cent of total imports for the Maldives, and 6-7 per cent for Burkina Faso, Cambodia and Uganda.

21. Despite relatively high bound duties for non-electrical machinery, both Angola and Uganda (only 5 per cent of tariff lines bound) keep applied rates low; an average of 2.4 per cent and 3.3 per cent respectively. Cambodia largely keeps its applied rates at the bound levels, averaging around 15 per cent with 35 per cent peaks. The Maldives has somewhat higher rates while Burkina Faso maintains average applied rates at 7 per cent with a maximum of 20 per cent.

22. Evidently, even with relatively low applied rates of duty, industrial machinery imports generate important government revenues. However, the overall balance between revenues and cost disadvantages to industry—especially SMEs—can hardly be positive. Potential gains from eliminating duties to facilitate productive investment, and possibly exports too, are clearly worth assessing.

iii. Electronic / electrical products

Promoters: Hong Kong, China; Japan; Korea; Singapore; Thailand and the United States.

Coverage: Large parts of HS Chapters 84 (overlapping with industrial machinery above), 85, 90, 91, 94, 95 and 96. Also chemical elements in Chapter 38 used in semiconductor manufacture. All items under the new HS 2007 heading 8486 (semiconductor manufacturing machinery and parts thereof) are covered, wherever they are classified under HS2002.

Objective: Developed countries to eliminate tariffs in three equal rate instalments; developing countries in five equal rate instalments.

⁸ See *Fourth Revision of Draft Modalities for Non-Agricultural Market Access*, page 110, TN/MA/W/103/Rev.3, WTO, 6 December 2008.

Special and differential treatment: Developing countries may bind up to 5 per cent of national tariff lines of covered products at 5 per cent, provided these lines do not exceed 5 per cent of the total value of the member's imports of covered products, **or** extend the implementation period by up to an additional four annual rate reductions on up to 5 per cent of national tariff lines of covered products.

Discussion: The list of sponsors for this sectoral initiative omits the European Union which, despite high levels of outsourced production, has long sought to protect a small number of domestic producers of household electrical and electronic products. This fact alone reduces substantially the chances of any final agreement. More likely is an eventual extension of the ITA (see paragraph 7 above) although, for the moment, that too is problematic. The EU supports ITA extension but is currently also tied up in a dispute settlement case in which its implementation of the existing agreement is being challenged. Thus, there is unresolved tension between the promoters of a major sectoral initiative and the EU's preference for a limited ITA extension.

23. In large part, imports of electronic equipment, electronic components and materials, as well as most of the household electronic goods that are covered in the sectoral initiative are not development priorities for LDCs. However, lost among the hundreds of identified HS lines are many products—not covered in the industrial machinery sectoral—that have considerable importance in poorer economies. Among them are: electrical generators and transformers, refrigeration and freezing equipment, elevators and conveyors, drying machines, electric lamps and electric cables.

24. Looking solely at Chapter 85 imports (the bulk of electronic/electrical products classifications), these account for large proportions of national imports for all the LDCs considered: 8.6 per cent for Angola, 4.5 per cent for Burkina Faso, 5.4 per cent for Cambodia, and 10 per cent for the Maldives and Uganda.

25. With the exception of Burkina Faso, bound tariffs in the electrical machinery sector tend to be comparatively high with significant maximum bound rates. Average applied duties range from 3.2 per cent for Angola to 24.2 per cent for Cambodia with maximum applied rates between 20 per cent and 100 per cent.

26. The benefits of subscribing to the entirety of this sectoral appear limited for LDCs. Yet important development-friendly product lines are covered. As has been noted earlier, WTO members are entirely free to reduce or eliminate duties on specific bound tariff lines whenever they wish. Alternatively, there may be advantage in seeking terms which permit selective commitments only for LDCs.

iv. Automotive and related parts

Promoters: Japan

Coverage: A limited range of motor cars and other vehicles within HS Chapter 87. Parts within Chapters 40, 68, 70, 73, 83, 84, 85, 87, 90, 91 and 94.

Objective: Elimination of tariffs in five equal rate instalments.

Special and differential treatment: For covered automotive products, developing countries may bind one six-digit sub-heading at 10 per cent. They may also bind up to 10 per cent of national tariff lines of covered related parts at 5 per cent, provided that these lines do not exceed 10 per cent of the total value of the member's imports of such products.

Discussion: This proposal appears to have no support among the other major automotive producing WTO Members. Given the current distress of motor car manufacturers everywhere—and therefore of parts suppliers also—the chances of “critical mass” support being gathered can be put safely at zero. The proposed coverage does not include heavy vehicles like trucks or buses so cannot be seen as providing obvious development benefits.

v. *Bicycles and related parts*

Promoters: Chinese Taipei; Singapore; Switzerland and Thailand.

Coverage: Relevant classifications within HS Chapter 87 as well as Chapters 40 (tyres), 65, 73, 83, 84, and 85.

Objective: Elimination of tariffs in five equal rate reductions or the final implementation period for general tariff reductions by formula, whichever is the shorter.

Special and differential treatment: Developing members may bind up to 5 per cent of covered national tariff lines at 5 per cent, provided the lines do not exceed 5 per cent of the value of imports of covered products, **or** extend the implementation period by a further two equal rate reductions on up to 10 per cent of national covered product lines, provided these lines do not account for more than 10 per cent of national imports of covered products.

Discussion: This is seen as an environment-friendly initiative, especially in the absence of progress in the environmental goods and services negotiations. Its value to LDCs is marginal. Of the five LDCs considered, only Cambodia and Uganda currently import bicycles at levels worth noting, but their import values, at USD 6 million and USD 4 million respectively, represent only 0.15 per cent of total imports in each case. In any event, imports of bicycles in all five countries are completely overwhelmed by the levels of motorcycle imports which often provide the principle means of private transport. Unfortunately, perhaps, motorcycles are not the object of any current sectoral proposal in the Doha negotiations.

vi. *Hand tools*

Promoters: Chinese Taipei

Coverage: Selected products from HS Chapter 82.

Objective: Elimination of tariffs in five equal rate reductions or the final implementation period for general tariff reductions by formula, whichever is the shorter.

Special and differential treatment: Developing members may bind up to 5 percent of national hand tools product tariff lines at 5 percent, provided these lines do not exceed 5 percent of the total value of the member's hand tools product imports, **or** extend the implementation period by two additional equal rate reductions on up to 10 per cent of national covered tariff lines, provided these do not account for more than 10 per cent of national imports of the covered products.

Discussion: This sectoral proposal is unlikely to come to fruition since almost the sole beneficiaries, on the export side, will be China and Chinese Taipei itself (many of whose exports may be Chinese-made re-exports). Export sales of hand tools from China have been increasing at an average of nearly 20 percent in each of the past two years. The country's mature hand tools manufacturing industry consists of about 4,000 suppliers.

27. While hand tools do not account for a large proportion of LDC imports they can nevertheless be important where no locally-produced equivalent is available. Cambodian imports in Chapter 82 (which includes cutlery) amount to some USD 7 million or 0.16 per cent of total imports. Angola imports much more: USD 51 million (0.5 per cent of total imports). Uganda's hand tool imports are around USD 9.5 million or 0.37 per cent of total imports.

28. Cambodia's Chapter 82 tariffs are bound at either 15 or 30 per cent. Angola has bound at 60 per cent, but its applied tariffs were at 2, 5 or 10 per cent in 2005. Uganda has no binding on Chapter 82, but maintains applied duties at 10 per cent. Burkina Faso also has no bindings but applies duties at 10 per cent or 20 per cent.

29. The value of subscribing to a hand tools sectoral would depend much on the likelihood of competitive local producers entering the market. However, in their absence, these would appear to be important and basic items for many small industries and SMEs which ought to be available at the lowest possible prices.

vii. Open access to healthcare

Promoters: Chinese Taipei; Singapore; Switzerland and the United States

Coverage: Selected pharmaceuticals products contained in HS Chapters 29 and 30 with a small number of surgical, medical and related products.

Objective: Developed members to eliminate tariffs within one year of the entry into force of the Doha results. Developing countries to eliminate tariffs in two stages: a reduction to 4 per cent in three equal rate annual reductions followed by complete elimination in five equal rate reductions. The proposal also addresses non-tariff barriers (NTBs) that limit access to pharmaceuticals and medical devices. Thus members "*shall ensure that any standards, technical regulations and conformity assessment procedures are prepared, adopted, and applied in compliance with the TBT Agreement⁹*" in order to facilitate the delivery of critical medicines and medical devices.

⁹ See *Fourth Revision of Draft Modalities for Non-Agricultural Market Access*, page 107, TN/MA/W/103/Rev.3, WTO, 6 December 2008.

Special and differential treatment: Developing countries may extend the implementation period by up to seven additional equal rate reductions on up to 4 per cent of covered tariff lines. LDCs may choose to retain tariffs at the 4 per cent level (i.e. not implement the second phase reductions).

Discussion: The proposal notes that “*high tariffs on healthcare products impede access to quality health care, especially in developing countries, which have the lowest life expectancy and highest disease burden*”. There has been some controversy since the decision on TRIPS and public health in 2001 and the subsequent decision concerning compulsory licensing of exports to countries without adequate production capacity for patented medicines. It has been suggested that while TRIPS obligations are being waived, needy populations are not receiving medicines and medical equipment because of other barriers including high tariffs and NTBs.

30. The veracity of these claims is not always evident. In the five LDCs considered for this paper, it is true that bound rates in Angola (60 per cent) and Maldives (30 per cent) are high, while Cambodia has a bound rate of 10 per cent and Burkina Faso and Uganda have no bindings. Yet applied rates on most of the tariff lines concerned are low or zero in each of these LDC members. There may be LDCs where applied rates are high; and there certainly may be NTBs in place that frustrate the distribution of medicines and other medical supplies.

31. The only obvious case for maintaining high bound tariffs in LDCs is where investment in local manufacturing capacity is a credible possibility; even though that is likely only for basic pharmaceutical and medical products. Importing will generally remain the best option for procuring low-cost, good-quality products (when necessary, at short notice).

32. There may, therefore, be a case for LDCs signing up to this sectoral. However, it should be recalled that the chemicals sectoral would also include pharmaceutical products.

B. Export interests

i. Fish and fish products

Promoters: Canada; Hong Kong, China; Iceland; New Zealand; Norway; Oman; Singapore; Thailand and Uruguay.

Coverage: Fish and shellfish under HS Chapter 3 as well as items from Chapters 5, 15 (fish oils), 16 (prepared and preserved items) and 23 (fish meal etc.). These are largely the items identified in Annex I of the Chairman’s draft as falling within the NAMA negotiations.

Objective: Developed countries to eliminate tariffs one year after Doha results enter into force; developing countries will eliminate in five equal annual rate reductions. The EU would be provided with an additional year for implementation concerning the preference products noted in Annex II of the Chairman’s draft NAMA text.

Special and differential treatment: Developing countries may bind up to 15 percent of national fish and fish product tariff lines at 5 percent. They may also choose one six-digit sub-heading to bind at not more than 10 percent.

Discussion: For several of the LDCs covered by this paper, the fish and fish products sector is important both to the domestic economy and to export potential. For the Maldives, exports in Chapter 3 account for over 85 per cent of the national total and earn nearly USD 120 billion annually. For Uganda, fish products come second only to those of coffee and were worth over USD 140 billion in 2006 or 15 per cent of total exports. Cambodia's fish product exports are much smaller, but growing fast. Angola also trades fish. None of the five LDCs examined has more than marginal imports of products covered by the sectoral.

33. Would a sectoral agreement be of value in expanding exports to world markets? The answer is probably no. LDCs already benefit from duty-free access to their major developed markets, as well as some important emerging economies. By far the most troubling barriers remain the consumer health regulations that require large investment in the exporting countries. The sectoral initiative is very much driven by the big fishing nations and might well operate against the interests of smaller, emerging competitors.

ii. *Gems and jewellery*

Promoters: Canada; Chinese Taipei; the European Communities; Hong Kong, China; Japan; Norway; Singapore; Switzerland; Thailand and the United States.

Coverage: A large selection of items under HS Chapter 71.

Objective: Developed members will eliminate tariffs one year after the Doha results enter into force. Developing members will eliminate in five equal rate annual reductions.

Special and differential treatment: Developing countries may bind up to 3 per cent of national tariff lines at 3 per cent, provided these lines do not exceed 3 per cent of the total value of covered imports, **or** extend the implementation period by up to two additional annual rate reductions on up to 7 per cent of product tariff lines, provided these lines do not exceed 7 per cent of the total value of covered imports.

Discussion: In the group reviewed, all but the Maldives have substantial interests in exports of precious stones; less so in jewellery. Thus, Chapter 71 exports for Angola come second in importance (1.7 per cent of the total) though very far behind oil exports. For Uganda, this sector accounts for nearly 13 per cent of total exports, worth USD 124 million in 2006. For Cambodia and Burkina Faso, the sector is important and growing fast, but accounts for less than 2 per cent of their total exports.

34. Again, duty-free treatment is available to LDCs in most developed markets. Thus, a sectoral agreement providing MFN treatment at zero duty might appear of little value. However, some of the bigger markets for these products will be emerging economies in which duties are still payable. Further, to the extent that LDCs can move downstream from producing and delivering largely uncut and un-

worked gemstones to richer markets—perhaps moving into more sophisticated jewellery manufacture—there may be additional, long-term, advantages in a WTO sectoral agreement.

C. Import and export interests

i. Raw materials

Promoters: United Arab Emirates.

Coverage: Items from HS Chapters 25, 26, 27, 28, 71, 72, 74, 75, 76, 78, 79 and 81.

Objective: Tariff elimination immediately on entry into force of the Doha results.

Special and differential treatment: Unspecified flexibilities.

Discussion: As importers, LDCs may have some selective interests in this sectoral; for instance, inputs like cement for the construction sector, scrap metals where there is refining capacity, coal and other fuels where duties are payable. Outside of oil and gas, the export interests of the five countries reviewed are negligible although this will not be the case for all LDCs, many of which have major mineral deposits and substantial extractive industries.

35. The UAE presumably has import tariffs on crude oil and petroleum products in its sights, since the country's exports are dominated by this sector (although it is also exporting growing quantities of refined aluminium, copper, steel and other raw materials). LDC exporters already benefit from duty-free treatment in big developed markets but might see value in duty elimination elsewhere. However, oil trading patterns pay little attention to customs duties.

36. The proposal does not say explicitly that it would also apply to export duties. For some of the products covered (e.g. steel and other metal scrap) that would potentially be of much greater importance in the current economic climate.

37. In any event, there is little support for this initiative. Its objective is probably admirable, in principle, but the scope of products covered will carry too many political concerns (strategic supplies of rare metals for instance) as well as trading and revenue complications for most WTO members to swallow.

ii. Textiles, clothing and footwear

Promoters: European Communities.

Coverage: HS Chapters 50–64.

Objective: Tariffs “as near to zero as possible”. All NTBs as well as export restrictions on raw materials for the products included to be removed. No implementation timeframe.

Special and differential treatment: To be decided.

Discussion: This is the vaguest sectoral proposal tabled in the negotiations, and for good reason. The only explanation for its being on the table is: China. The expression “as near to zero as possible” means that tariff liberalisation in these HS chapters will take place only to the extent that China is not the chief (sole) beneficiary. The EU industry certainly has interests in dismantling NTBs but shares an overriding interest with almost every textile and clothing exporter worldwide in seeking to block further domination of the world market by China, as the era of quotas and the special textiles safeguard draws to a close. As was the case with an earlier textile sectoral proposal by Turkey, the end result would provide for bound tariffs not only above zero, but potentially above those that would be achieved by application of the overall NAMA formula. The US industry is known to be supportive, as would be the US Congress and producers in many WTO members, developing as well as developed.

38. For LDCs as importers, there is no particular issue here; they do not have to apply the NAMA formula, still less any sectoral. All five countries reviewed import clothing and footwear. Only Cambodia imports in substantial volumes; largely parts for assembly, processing and re-export in support of its immense clothing export sector that accounts for approaching 90 per cent of the total. Burkina Faso and Uganda have interests as cotton exporters. Where they do not already have it, LDC cotton producers should receive duty-free and quota-free access, at least in developed markets, through the agricultural modalities (Paragraph 155 of the 6 December 2008 draft¹⁰).

39. In principle, Cambodia receives preferential access for its clothing exports to most big developed markets; unfortunately, it encounters rules-of-origin complications because of the sourcing profile of its products. In general, however, all LDCs have an interest in the present preferential access that comes through GSP, “Everything but Arms” and a variety of narrower preferential agreements with developed WTO members.

40. Angola retains low applied tariffs on fabrics, yarns and other basic textiles items, while imposing 15 per cent rates on finished clothing. Burkina has a 20 per cent rate applied on most clothing products; Maldives 15 per cent on fabrics and other basic textiles products and 25 per cent on made-up clothing; Uganda has most applied rates at 25 per cent with some fabrics and yarns at 10 per cent. Decisions to reduce and bind such rates depend on the usual balance between the interests of local producers and the consumer benefits of cheaper and easier access to low-cost suppliers—notably China—elsewhere. Certainly, they would not depend on the existence of a WTO sectoral agreement.

iii. Forest products

Promoters: Canada; Hong Kong, China; New Zealand; Singapore; Switzerland; Thailand and the United States.

Coverage: HS Chapters 44, 47, 48, 49 and items from 94. This builds on the Uruguay Round sectoral agreement on pulp, paper and paper products by adding wood, wood-framed furniture and prefabricated buildings.

¹⁰ See *Revised Draft Modalities for Agriculture*, TN/AG/W/4/Rev.4, WTO, 6 December 2008.

Objective: Developed members to eliminate tariffs one year after Doha results enter into force; developing members through four equal annual rate instalments; exceptions to be considered on a case-by-case basis.

Special and differential treatment: Developing members may bind up to 4 per cent of national forest product tariff lines at 4 per cent, provided these lines do not exceed 4 per cent of the total value of the member's forest product imports. They may **also** extend the implementation period for tariff reduction by up to an additional three annual rate reductions on up to 4 per cent of national forest product tariff lines.

Discussion: This is a sectoral that could have a significant impact on many LDCs. Yet, interests among these countries are varied. Some are big wood exporters; others significant importers. Among the test group, only Cambodia is an appreciable exporter, though Angola, Burkina Faso and Uganda also trade wood in small quantities, both importing and exporting. Imports of the processed or manufactured products are generally of higher value. Thus, Angola's Chapter 94 imports in 2006 accounted for over 2 per cent of its total imports and were worth over USD 200 million; those of the Maldives accounted for 3.6 per cent of the total while Uganda's imports of furniture were worth around USD 20 million. All five LDCs reviewed import paper, paperboard and related products in substantial volume, whether or not they possess timber resources.

41. Angola's bound tariff rate for all these products is 60 per cent while applied rates for wood (Chapter 44) are 20 per cent, for paper, etc (Chapter 48), 2 per cent and furniture (Chapter 94), 15 per cent. Most of Cambodia's tariffs in Chapters 44 and 94 are bound at 35 per cent, while those in Chapter 48 are at 20 per cent. Burkina Faso has some bindings at 5 per cent in Chapter 48; otherwise the relevant duties are unbound. Its applied rates are 10 and 20 per cent in Chapter 44; 5 or 10 per cent in Chapter 48 and 20 per cent in Chapter 94. Uganda has no bindings in any of these lines. Its applied rates on many basic wood imports in Chapter 44 are zero while more exotic woods and processed wood items are at 10 and 25 per cent, as are products in Chapter 48. Relevant items in Chapter 94 have applied rates at 25 per cent.

42. Each LDC would have to analyse its own interests in this sector; there is no basis for generalities. Certainly, some LDCs may come to the conclusion that duties on timber imports that are necessary for basic construction and as inputs into artisanal enterprises are counterproductive. Development interests may be well served by zero duties on paper. At the same time, there may be little to be gained from reducing applied tariffs on furniture—especially if there are nascent or established local producers. Broadly, it seems unlikely that any LDC will find an overwhelming case for subscribing to this sectoral initiative. Autonomous liberalisation where appropriate may be the best approach.

43. The proposal does not make clear whether export tariffs and quotas are covered; an issue of some importance for major wood importers.

D. Neither import nor export interests

i. Sports equipment

Promoters: Chinese Taipei; Norway; Singapore; Switzerland and the United States.

Coverage: Largely drawn from HS Chapters 89 and 95. Coverage does *not* include sports footwear and clothing.

Objective: Tariff elimination through five equal rate annual instalments or within the implementation period for general NAMA reductions, whichever is the shorter.

Special and differential treatment: Developing countries will bind up to 5 per cent of national sports equipment product tariff lines at 5 per cent, provided these lines do not exceed 5 per cent of the total value of the member's covered imports, **or** extend the implementation period by up to an additional two annual rate reductions on up to 10 per cent of covered product tariff lines, provided these do not exceed 10 per cent of the total value of the member's imports.

Discussion: This is a sectoral proposal with limited coverage that would benefit only big-name producers of items like skis, golf clubs, tennis rackets and sailboats. That is clearly the intention; which leaves no interest on either the import or export sides for LDCs.

ii. Toys

Promoters: Chinese Taipei and Hong Kong, China.

Coverage: Limited selection from HS Chapter 95 (as for Uruguay Round zero-for-zero agreement).

Objective: Developed countries will eliminate tariffs one year after entry into force of Doha results; developing countries in three equal annual rate instalments.

Special and differential treatment: To be decided on a case-by-case basis.

Discussion: None of the five countries reviewed has any appreciable exports of toys; three have no exports registered in Chapter 95. Where they are produced, these are items for local consumption or for tourists. Generally, this sector is dominated by Asian manufacturers and is likely to remain so. There are, therefore, no obvious import or export interests for LDCs in a sectoral agreement.

IV. Conclusion

44. LDCs will need to consider in detail—and with respect to their own specific commercial interests—whether any of the NAMA sectorals are worth signing. On the face of it, the proposals relating to chemicals, industrial machinery and electronic/electrical products could be beneficial in whole, or in part. Each of these impacts the availability of crucial competitively-priced inputs that are needed by

productive enterprises supplying domestic markets or as potential exporters. Tariff bindings at zero or low duty rates can help build a healthy business environment and stimulate investment. The value of other sectorals is less obvious, but individual LDCs with specific export interests may want to look at them more closely.

45. Given the sensitivities of major players in the Doha negotiations—notably with respect to competition from China and that of WTO members’ unwillingness to participate—none of the sectoral proposals may ever emerge with the necessary “critical mass” support. In such circumstances, LDCs have other routes to development-enhancing trade liberalisation. However, in the meantime, there is certainly a case for careful consideration in capitals rather than an assumption that, since LDCs are not *required* to participate, they will not do so under any circumstances.

Acronyms

GSP	Generalized System of Preferences
HS	Harmonized System
ITA	Information Technology Agreement
LDCs	least-developed countries
MFN	Most Favoured Nation
NAMA	non-agricultural market access
NTBs	non-tariff barriers
S&D	special and differential treatment
SMEs	small and medium-sized enterprises
TBT	Technical Barriers to Trade
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UAE	United Arab Emirates
US	United States
WTO	World Trade Organization