WORLD TRADE ORGANIZATION

WT/GC/W/453
2 November 2001

(01-5409)

General Council

Original: English

PREPARATIONS FOR THE FOURTH SESSION OF THE MINISTERIAL CONFERENCE

Proposal on Market Access for Non-Agricultural Products

Communication from Kenya, Mozambique, Nigeria, Tanzania, Uganda and Zimbabwe industries lost their market share arising from uncontrolled imports and subsequently closed down rendering many people out of employment. Governments that substantially reduced their customs tariffs also experienced significant loss of revenue, which has added to pressures on the government budget deficit, a problem made worse by the decline in aid flows, the fall in commodity prices, and the continuation of debt servicing.

Recent studies by international agencies and academics have provided increasing empirical evidence of many developing and least-developed countries experiencing these negative consequences. For example, a new publication by Cambridge University Press authored by Professor Edward Buffie (2001), entitled "Trade Policy in Developing Countries" has collated what he calls "the most disturbing evidence" of post-1980 liberalization episodes in the African region. According to information collected in the book (page 190-191):

Senegal experienced large job losses following a two-stage liberalization programme that reduced the average effective rate of protection from 165 per cent in 1985 to 90 per cent in 1988. By the early nineties, employment cuts had eliminated one-third of all manufacturing jobs (Weissman, 1991; African Development Bank, 1995, p.84).

The chemical, textile, shoe, and automobile assembly industries virtually collapsed in Côte d'Ivoire after tariffs were abruptly lowered by 40 per cent in 1986 (Stein, 1992). Similar problems have plagued liberalization attempts in Nigeria. The capacity utilization rate fell to 20-30
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in the formal sector and a substantial worsening in underemployment in Peru, Nicaragua, Ecuador and Brazil. Nor is the evidence from other parts of Latin America particularly encouraging: 'the regional record as it now stands suggests that the normal outcome is a sharp deterioration in income distribution, with no clear evidence that this shift is temporary in character.' (Berry 1999, p4)."

Information of this type indicates that for many developing countries the effects of import liberalization can be negative and sometimes devastating, reducing their prospects for industrialization and indeed in some cases destroying the domestic industrial base.

There is thus a need for the WTO to review the basis of its policies, rules and guidelines in relation to industrial tariffs.

Developing countries have an interest in obtaining more access to the markets of developed countries, especially in product areas where developing countries are able to benefit in. Thus, the study process will identify area where further liberalization should begin and which products should be targeted. Should the study show that because of their limited productive capacity and weak industrial base developing and least-developed countries are unlikely to benefit from further liberalization, then they should be exempted from further tariff reduction.

While this measure may be necessary, it may also not be sufficient for the purpose of giving an opportunity for the affected countries to rebuild domestic industrial capacity in view of the closure of local firms and industries. In order to take full account of this extremely serious situation, action should be taken as soon as possible, even when the study process is progressing. We propose that the rules of GATT 1994 be revisited to take this serious situation into account. Developing countries, which have been adversely affected, should be allowed to reevaluate tariffs beyond their allowed threshold levels in respect of specific products and product areas, in order to enable them to rebuild the domestic capacity that had endured a decline, or to prevent a decline in such domestic capacity.

B. Proposal

The draft Ministerial Declaration issued on 26 September 2001 contains a paragraph

While the study process is proceeding, the following action shall be taken:

1. Developed countries shall eliminate/substantially reduce their tariffs in product of export interest to developing countries.

2. In the course of their developmental efforts, the developing countries may enhance their tariffs beyond the bound levels in respect of specific products/product areas for a