

## PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

### Market Access for Industrial Goods

#### *Communication from Korea*

The following communication, dated 28 July 1999, has been received from the Permanent Mission of Korea.

#### **Background**

1. Under the auspices of the GATT/WTO system, tariffs in most countries, both developed and developing, have been significantly reduced, while international trade has expanded to a great extent as a consequence of the past eight rounds of multilateral trade negotiations. However, high tariff rates, tariff peaks, and tariff escalation still exist in many countries, impeding market access and slowing down the expansion of international trade.

2. Hence another round of trade liberalization could be the ideal forum to remedy this situation. Fresh liberalization would help to thwart the rising protectionism fuelled by the consequences of the recent financial and economic turbulences as well as to maintain and accelerate the momentum for sustainable economic growth.

#### **Proposal**

3. With this background in mind, Korea believes that a number of issues pertaining to market access should be dealt with in the new round. The following paragraphs provide a brief, non-exhaustive summary of such elements.

4. In principle, tariff negotiations should cover all industrial items. Certain items, however, need special treatment and therefore separate talks. Considering the sensitivity and non-trade concerns of fishery and forestry products, it would be desirable that these areas be discussed separately from the tariff negotiations on industrial products.

5. Setting the objectives of tariff reduction for the new round at similar levels to that of the Tokyo Round or the Uruguay Round would be in order. The scope of tariff bindings among the Members should also be widened to enhance the predictability of tariff rate changes.

6. Members should tackle problems related to tariff structure. Tariff peaks that are maintained by a number of countries should be substantially lowered. Also, ways to avoid tariff escalation, as much as possible, should be therefore devised during negotiations on market access. This is

warranted by the fact that real protection caused by tariff escalation can remain high despite low tariff rates in absolute terms.

7. Regarding nuisance tariffs, the decision to abolish them should be at the discretion of each Member. When making this decision, Members should ponder factors such as consistency with their overall tariff system, convenience in taxation and the share of nuisance tariff revenue out of total customs revenue. If nuisance tariffs are to be eliminated, Members may be reluctant to reduce general tariffs since lowered tariffs may become nuisance tariffs, which then are subject to abolishment. In this sense, abolishing nuisance tariffs may not contribute to the overall tariff reduction of industrial goods.

8. To effectively deal with the aforementioned elements associated with tariff levels and structure, the formula cut approach seems appropriate in conducting the tariff negotiations. An item-by-item and sectoral approach are more likely to lead to an imbalance of interests among the Members. The formula cut should be designed to generate the following effects:

- lower high tariff rates and tariff peaks by all Members (especially for high tariff products);
- general reduction of tariff rates for all products;
- ease tariff escalation;
- easy and simple to apply.

9. As for autonomous trade liberalization, Members should agree that credit be granted to autonomous lowering of both bound and applied tariffs, as all trading partners benefit from both. Such credit is important to provide Members with incentives not to intentionally postpone reductions in tariff rates. This sort of intentional postponement often unnecessarily delays much-needed trade liberalization.

10. Another closely linked aspect to be considered is the spread between the bound and applied rates. Because the spread is often the result of autonomous liberalization, it should not be necessarily seen as a problematic issue. As for the tariff negotiations in the new round, bound rates should remain the basic rates, as in the Uruguay Round.

11. Non-tariff barriers (NTBs) should also be subject to new negotiations. GATT 1994 and other multilateral agreements on trade in goods incorporate various provisions focused on reducing NTBs. However, non-transparent NTBs still exist in various forms within the realm of international trade, reducing the benefits of trade liberalization gained through tariff reductions. As such, NTBs, particularly if non-transparent, demand as much attention as tariffs in the new round.

12. In the event that complete and immediate elimination of NTBs is difficult to achieve due to technical problems experienced by Members, it will be important to at least introduce regulatory measures that will enhance transparency and predictability so as to minimize the negative effects of NTBs.

13. Given the importance of market access for developing economies, especially LDCs, negotiations on increased market access must imperatively address the need of developing countries. Practical support measures are called for to improve these countries' market access to major global markets and facilitate their integration into the multilateral trading system.

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