

## PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

### Negotiations on Industrial Tariffs

#### *Communication from Hong Kong, China*

The following communication, dated 29 April 1999, has been received from the Hong Kong Economic and Trade Office.

#### **Introduction**

1. Tariff negotiations under the auspices of the GATT/WTO have been a major instrument to move ahead global trade liberalization. Despite successive rounds of negotiations to bring down tariffs, market access remains a central concern to WTO Members. Many Members have expressed the view that industrial tariffs should form an integral part of the new round of multilateral trade negotiations. As a staunch supporter of free and open trade, Hong Kong, China fully supports and calls for comprehensive negotiations on industrial tariffs in the new round of multilateral trade negotiations to achieve significant market access improvements through substantial and early reduction/elimination of tariffs.

#### **The problem**

2. Successive rounds of multilateral tariff negotiations have succeeded in lowering significantly tariffs on industrial products. The Uruguay Round alone has achieved an overall reduction of about 40 per cent in average trade-weighted tariffs for developed economies and 30 per cent for economies-in-transition, and a significant increase in the coverage of bindings by Members. Whilst the achievement is significant in average terms, tariff reductions do not spread out evenly both across economies and sectors. Tariff peaks in certain sectors and tariff escalation are commonly found and remain a general problem.

3. While high tariffs represent impediments to trade, low tariffs, such as those below 2-3 per cent, also create nuisance to trade. Nuisance tariffs, at such a low level, are unlikely to provide any significant protection for domestic industries, and the administrative costs incurred in duty collection and the associated enforcement costs very often far exceed the revenue generated. Yet nuisance tariffs generate considerable administrative procedures and burden to customs authorities as well as traders, hence hampering the efficient flow of trade. Elimination of nuisance tariffs will therefore bring substantial trade facilitation benefits to the business community by reducing transaction costs.

## **Proposal**

4. Hong Kong, China strongly supports and calls for the inclusion of industrial tariffs in the new round of broad-based and balanced multilateral trade negotiations. The negotiations on industrial tariffs should be comprehensive so as to provide room for trade-offs and bring about balanced benefits to all Members, including developing and least-developed country Members.

5. To achieve quick and meaningful results, an agreement on the approach to industrial tariff negotiations should be reached at the Third Ministerial Conference so that the negotiations can start once the new round of multilateral trade negotiations is launched. Hong Kong, China advocates a simple, transparent formula-cut approach, covering all industrial sectors with no a priori exclusions. The negotiations should also address tariff peaks, tariff escalation and nuisance tariffs.

6. In the light of the foregoing, Hong Kong, China recommends that the General Council, in its recommendations to the 1999 Ministerial Conference regarding the new round of multilateral trade negotiations, include the following:

- Ministers agree to launch a new round of comprehensive tariff negotiations on industrial products with an ambitious target, with a view to achieving a level of tariff cut well above that agreed in the Uruguay Round.
- The negotiations should start immediately in the year 2000 and conclude by the end date of the new round of multilateral trade negotiations as agreed by Members, with the agreed tariff reduction/elimination to be implemented in a progressive manner within [three] years from the conclusion of the negotiations.
- The negotiations should adopt a simple, transparent formula-cut approach with no a priori exclusions, including appropriate methods to eliminate tariff peaks, tariff escalation and nuisance tariffs. There should also be an expansion of the scope of tariff bindings among all Members.
- The negotiations should include all Members, and the interests and needs of developing and least-developed country Members should be duly taken into account.

7. Hong Kong, China is prepared to discuss these proposals further with other Members and work with them on other possible ways to reduce/eliminate tariffs including achieving early results on tariff reduction/elimination, including the Accelerated Tariff Liberalization initiative.

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