

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Tariff Elimination in the Electronics/Electrical Sector

*Communication from Hong Kong, China; Japan; Korea; Singapore;
Thailand and the United States*

The following communication, dated 27 April 2006, is being circulated at the request of the delegations of Hong Kong, China; Japan; Korea; Singapore; Thailand and the United States.

I. INTRODUCTION

1. As proposed in the previous communication of 4 July 2005 (ref.TN/MA/W/59) and of 11 October 2005 (ref. TN/MA/W/59/Add.1), tariff elimination in the electronics/electrical sector is an essential component of a successful outcome of the Doha development agenda, whose key objectives include development through expansion of trade by enhanced market access. The electronics/electrical sector is a dynamic sector featuring extensive global supply networks in both developing and developed countries and interdependence among them.

2. The industry has expressed their position in support of elimination of tariffs, together with non-tariff barriers, in this Round in various occasions.¹ The discussions on electronic NTB in the Negotiating Group on Market Access are recorded in TN/MA/W/6./Add.5.

3. In view of the Ministerial Declaration adopted in Hong Kong in December 2005 (WT/MIN(05)/W3/Rev.2), which instructed the NAMA negotiating group to review proposals with a view to identifying those which could garner sufficient participation, and considering the extensive informal discussions among a broad range of Members since tabling the previous communication, the modalities and product coverage for tariff elimination in the electronics/electrical sector are proposed as set out in the following sections for further discussions.

II. MODALITIES AND PRODUCT COVERAGE

A. PRODUCT COVERAGE

4. Technological innovation has created convergence among products, and conventional product boundaries are becoming less clear. In order to cope with this convergence issue, the coverage of the electronics/electrical products sectoral initiative should be as wide-ranging as possible and simple for Members to implement. This sectoral initiative should therefore cover a very broad range of products,

¹ See e.g., "GLOBAL ICT/ELECTRONICS INDUSTRY MESSAGE TO THE WTO MINISTERIAL IN HONG KONG Regarding Market Access Negotiations for ICT/Electronics and Electrical Products", issued by AETIS (Ecuador), CCIT (Colombia), EICTA (Europe), ITAC/ACTI (Canada), IAESI (Israel), ICT (Ireland), JEITA (Japan), KEA (Korea), MAIT (India), SEIPi (the Philippines), US High-Tech Trade Coalition (13 December 2005).

such as information technology (IT) products, audio-visual products, home electrical appliances, office machines and other electronic/electrical equipment and machinery, the precise product coverage of which should be elaborated further. In addition, totally new products which have emerged after the introduction of the WTO Information Technology Agreement (ITA), such as multi-chip packages (MCPs) should also be covered.

5. Product coverage has been discussed in informal meetings of this sectoral initiative, typically drawn on HS Chapters 84, 85 and 90. Members are encouraged to convey their interests with respect to product coverage as soon as possible to facilitate Members to focus on negotiation toward finalization thereafter.

B. CRITICAL MASS

6. As agreed in paragraph 16 of the Hong Kong Ministerial Declaration, participation in sectoral initiatives should be on a non-mandatory basis. This approach enables countries with greatest trade interest in the sector to negotiate the product coverage for such initiatives. At the same time, an adequate level of participation representing a vast majority of the world trade should be needed in order to reap sufficient benefit from the initiative, as suggested in the same paragraph noted above. The specific threshold [x% of world trade value] shall be determined as soon as possible, based on the list of the products covered and with a view to the circumstances of those industries.

C. TARGET RATE AND IMPLEMENTATION

7. This sectoral initiative will, in principle, aim at total elimination of tariffs on the covered products, and will be implemented in accordance with the implementation process of the Round. Therefore, the standard target rate and its implementation shall be as follows. (See Section D for Special and Differential Treatment.)

- End Rate: zero
- Implementation periods: same as the standard implementation period (to be agreed in NAMA negotiation in general)
- Staging: equal annual instalment (equal steps each year)

D. SPECIAL AND DIFFERENTIAL TREATMENT FOR DEVELOPING COUNTRIES

8. A variety of flexibility options could be employed to account for the special needs and interests of developing Members. Developing countries can be entitled to choose some combinations of the following options according to special needs and interests of each country. Specific conditions and limits for flexibility options will be further discussed with reference to the general modalities, to be established by 30 April 2006 pursuant to paragraph 23 of the Hong Kong Ministerial Declaration. Specific product treatment shall be duly incorporated into each Member's concession schedule to the GATT. These flexibility options include:

(i) Longer Implementation Periods:

Longer implementation periods may be applied for specific tariff lines up to a certain trade value share of the total product coverage.

(ii) Zero for X:

As a limited exception, tariff rate of [X]% may be maintained for specific tariff lines up to a certain trade value share of the sectoral product coverage, if the tariff rate after tariff reduction in accordance with the general modalities is above [X]%.

(iii) Others:

Additional S&D measure may be further considered, up to a certain limits, for the purpose of encouraging participation by developing Members.

E. MISCELLANEOUS ELEMENTS

9. Due consideration will be given to the integrity of the total package of this sectoral initiative in defining the product coverage and the specific obligations of each Member, while encouraging as many Members as possible to participate.

10. Participants in this initiative shall regularly monitor any developments in the implementation, and shall also discuss any possible improvements and enhancement.

F. NEXT STEPS

11. The sectoral modalities and product coverage set out above shall be finalized by [15 July 2006].

12. This initiative should be incorporated in the final outcome of the DDA, and the obligation of under this initiative shall be implemented as a part of it.
