DDA/NAMA Negotiations – Sectoral Tariff Elimination in Electronics/Electrical Products

Submitted by: Japan
DDA/NAMA Negotiations
Sectoral Tariff Elimination Proposal in Electronics/Electrical Products

February 2008
Ministry of Economy, Trade and Industry, Government of Japan

Contribution to Quality of Life
**Contribution to Environment**

- Energy-saving technology significantly reduces energy consumption at home.
  - LCD and plasma TVs
    - Reduction by more than 30% in three years
  - Refrigerators
    - Reduction by 40% in ten years

- Unified management and optimally coordinated operation of freezers and air conditioners at supermarkets and other stores reduced the maximum power consumption by more than 40%.

- Controlling air conditioning of the air terminal building for flights by each gate reduced energy consumption by 35%.

- Energy-saving technology significantly reduces energy consumption at home.
  - LCD and plasma TVs
    - Reduction by more than 30% in three years
  - Refrigerators
    - Reduction by 40% in ten years

- Energy-saving machine tools and control system reduces energy consumption energy in manufacturing.

- Integrated management of distribution and transportation by using IT reduces energy consumption.

**Common Export Interest in APEC**

35% of total export value in 2006 Involves E/E Sector

<table>
<thead>
<tr>
<th>Country</th>
<th>E/E Sector</th>
<th>Total Export Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>Canada</td>
<td>15%</td>
<td>60%</td>
</tr>
<tr>
<td>China</td>
<td>10%</td>
<td>50%</td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td>8%</td>
<td>40%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>5%</td>
<td>35%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>5%</td>
<td>30%</td>
</tr>
<tr>
<td>Japan</td>
<td>5%</td>
<td>25%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>5%</td>
<td>20%</td>
</tr>
<tr>
<td>Mexico</td>
<td>5%</td>
<td>15%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>Peru</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Philippines</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Singapore</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>South Korea</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Thailand</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>United States</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

(Source)    World Trade Atlas / Global Trade Atlas
(Note)    Electronics/Electrical Sector  HS Chapter 84, 85, 90

**Major export products and the in share in total export value (2006)**

- Machinery (Chapter 84)
- Electrical Machinery (Chapter 85)
- Optical, photographic, precision etc (Chapter 90)
- Other Chapter
DDA/NAMA Negotiations: Come a Long Way

November 2001
Doha Ministerial Declaration

September 2003: Cancun Ministerial Declaration

July 2004
General Council; “July Package”

December 2005
Hong Kong Ministerial Declaration

July 2006: negotiations suspended
February 2007: negotiations fully resumed
July 2007: AG/NAMA Chair’s texts
February 2007: AG/NAMA Revised Texts

Around Easter: Establishment of Modalities

July 2005: start of discussions

July 2005:
First Gen. Proposal on E/E

February 2005: start of discussions

April 2006:
Second Gen. Proposal on E/E
(Hong Kong, Japan, Korea, Singapore, Thailand, US)

Reflected in the Doha Package

NAMA Modalities

Formula approach (Swiss formula) is key to reducing tariffs
- Applied on a line-by-line basis
- Markup for Unbound Items
- Flexibilities for developing countries
- Exceptions to SVEs, low-binding coverage, LDCs

Sectoral Tariff Component is another key element
- Aims to reduce, harmonize or as appropriate eliminate tariffs, over and above the formula modality, on specified sectors
- Participation should be on a non-mandatory basis

Non-Tariff Barriers are an integral and equally important part of the negotiations
- Text-based negotiations on-going
**E/E Sectoral Initiative: Proposal Outline (1)**

*All elements to be finalized by discussions among interested Members*

**Primary Aim: Tariff Elimination**
- With staging (“n” steps: to be specified)
- With certain exception for developing countries (S&D)

**Special & Differential Treatment (S&D)**
- Longer Staging (longer than “n”)
- Certain exception to tariff elimination (“zero for x”)

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**Implementing Tariff Elimination**

![Diagram showing tariff rates over time with different stages for developed and developing countries, and special and differential treatment (S&D) for longer staging and zero tariffs for x years.]

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**E/E Sectoral Initiative: Proposal Outline (2)**

**Condition for Success**

**Critical Mass**
- Requires participation representing [90%] of world trade
- Non-mandatory – needs coalition of the willing

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**Duty-free**
## Critical Mass Calculation

<table>
<thead>
<tr>
<th>Rank</th>
<th>Exporters o Importers</th>
<th>Millions United States Dollars</th>
<th>2006</th>
<th>Share</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2004</td>
<td>2005</td>
<td>2006</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,300,966</td>
<td>3,683,448</td>
<td>4,159,582</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>China</td>
<td>459,462</td>
<td>580,788</td>
<td>726,871</td>
<td>17.5%</td>
</tr>
<tr>
<td>2</td>
<td>United States</td>
<td>569,660</td>
<td>613,314</td>
<td>672,836</td>
<td>16.2%</td>
</tr>
<tr>
<td>3</td>
<td>EU25 (External Trade)</td>
<td>509,098</td>
<td>558,529</td>
<td>613,554</td>
<td>14.8%</td>
</tr>
<tr>
<td>4</td>
<td>Hong Kong</td>
<td>266,013</td>
<td>308,757</td>
<td>355,072</td>
<td>8.5%</td>
</tr>
<tr>
<td>5</td>
<td>Japan</td>
<td>311,163</td>
<td>317,849</td>
<td>333,872</td>
<td>8.0%</td>
</tr>
<tr>
<td>6</td>
<td>Singapore</td>
<td>262,675</td>
<td>221,210</td>
<td>256,833</td>
<td>6.1%</td>
</tr>
<tr>
<td>7</td>
<td>South Korea</td>
<td>175,355</td>
<td>194,063</td>
<td>214,582</td>
<td>5.2%</td>
</tr>
<tr>
<td>8</td>
<td>Chinese Taipei</td>
<td>158,458</td>
<td>162,630</td>
<td>182,785</td>
<td>4.4%</td>
</tr>
<tr>
<td>9</td>
<td>Mexico</td>
<td>132,019</td>
<td>141,192</td>
<td>167,183</td>
<td>4.0%</td>
</tr>
<tr>
<td>10</td>
<td>Malaysia</td>
<td>118,373</td>
<td>127,680</td>
<td>142,178</td>
<td>3.4%</td>
</tr>
<tr>
<td>11</td>
<td>Canada</td>
<td>91,379</td>
<td>100,704</td>
<td>106,230</td>
<td>2.6%</td>
</tr>
<tr>
<td>12</td>
<td>Thailand</td>
<td>62,830</td>
<td>70,828</td>
<td>80,257</td>
<td>1.9%</td>
</tr>
<tr>
<td>13</td>
<td>Philippines</td>
<td>38,146</td>
<td>41,659</td>
<td>45,744</td>
<td>1.1%</td>
</tr>
<tr>
<td>14</td>
<td>Switzerland</td>
<td>36,405</td>
<td>39,429</td>
<td>41,557</td>
<td>1.0%</td>
</tr>
<tr>
<td>15</td>
<td>Australia</td>
<td>26,400</td>
<td>28,352</td>
<td>30,798</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

Product Coverage is based on illustrative list circulated by Hong Kong and Japan (2006)
Source: Global Trade Atlas

## E/E Sectoral Initiative: Product Coverage

The products indicated here are illustrative without prejudice to the outcome of negotiations.

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- **Cellular Phone**
- **Audio Visual**
- **Office Machine**
- **Home Appliance**

### Increasing Technological Convergence

Aims at comprehensive tariff elimination on E/E products
Role of APEC: In the case of ITA

APEC Leaders Declaration (November 1996, Subic, the Philippines)

13. We endorse initiatives for freer and non-discriminatory trade in goods and services. Recognizing the importance of information technology in the 21st century, APEC Leaders call for the conclusion of an information technology agreement by the WTO Ministerial Conference that would substantially eliminate tariffs by the year 2000, recognizing need for flexibility as negotiations in Geneva proceed.

WTO/Singapore Ministerial Declaration (December 1996, Singapore)

18. Taking note that a number of Members have agreed on a Declaration on Trade in Information Technology Products, we welcome the initiative taken by a number of WTO Members and other States or separate customs territories which have applied to accede to the WTO, who have agreed to tariff elimination for trade in information technology products on an MFN basis as well as the addition by a number of Members of over 400 products to their lists of tariff-free products in pharmaceuticals.

Role of APEC: In the case of DDA

16the APEC Ministerial Joint Statement (November 2004, Santiago, Chile)

…Ministers agreed on a list of three IT products (multi-chip integrated circuits, digital multifunctional machines and modems) to forward to the WTO for consideration and possible tariff elimination as part of a balanced outcome of negotiations, including comparable liberalization of other products of interest to economies. Ministers welcomed Mexico's list of IT products for unilateral tariff elimination. Economies take this action without prejudice to the positions they may adopt in relevant WTO negotiations and accessions.

Time for Action
The Way Forward

Discussions on draft E/E Sectoral Modality Proposal on-going among co-sponsors

Draft E/E Sectoral Modality Proposal

Discussions among potentially interested Members

Establishment of NAMA Modalities

Formal E/E Sectoral Modality Proposal

Participation beyond Critical Mass

> Tariff elimination to be reflected in Concession Schedules

Conclusion of DDA