



Trade Facts

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Charting a Course to Prosperity **WTO Agrees on Detailed Plan to Open Markets, Expand Trade**

The General Council of the World Trade Organization (WTO), meeting in Geneva, has agreed on a framework for the final phase of the Doha Development Agenda of global trade negotiations. After the detour of Cancun, this week the Doha negotiations were put back on track.

Roadmap for Historic Reforms

- The decision this week in Geneva sets the WTO on course to achieve:
 - **Historic reform of global agricultural trade:**
 - Elimination of all agricultural export subsidies
 - Substantial improvement in market access for farm goods through tariff cuts and quota expansion
 - Substantial reductions in trade-distorting agricultural support programs.
 - Significant **new market access for manufactured goods** through broad tariff cuts, tariff elimination or harmonization in key industry sectors, and work to reduce non-tariff barriers.
 - Ambitious **opening of global services markets.**
 - **Less red tape** and more efficiency in the movement of goods across borders.
- The Doha Development Agenda was launched in November 2001 with strong leadership by the United States. With 147 economies participating, the DDA is the largest negotiation of its kind in history, covering everything from cars and corn to communications services and customs rules.
- A study by the University of Michigan estimates that a one-third cut in global barriers to goods and services would mean \$2,500 a year in increased income to the average American family of four. And a study by the Center for Global Development indicates that a successful conclusion to the Doha negotiations could lift more than 500 million people out of poverty and add \$200 billion annually to developing country economies.
- The negotiations are a key component of President Bush's agenda to open new markets for American workers and ensure a level playing field through a combination of global, regional and bilateral trade initiatives. As President Bush and other G-8 Leaders recently noted, the world faces a moment of strategic economic opportunity to combine an upturn in economic growth with a global reduction in barriers to trade.

"The WTO has laid out a map for the road ahead. Next, we will negotiate the speed limits for how far and how fast we will lower trade barriers."

*Robert B. Zoellick
U.S. Trade Representative*

Agriculture

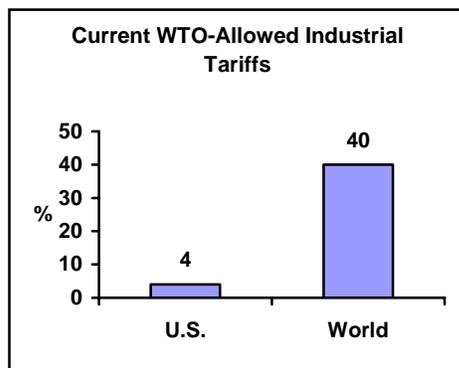
- In a key accomplishment for U.S. farmers and ranchers, the framework calls for an ambitious and balanced result through reform of trade-distorting agricultural subsidies, elimination of agricultural export subsidies, and a substantial improvement in market access for all farm products.
- In cutting farm tariffs, all countries other than the least-developed will make a contribution, and there will be deeper cuts in higher tariffs.
- Tariffs will be cut using a tiered (“banded”) formula that will lead to greater harmonization in tariff levels across countries. In addition, a tariff cap will be evaluated as part of the negotiations.
- Substantial improvement in market access will apply to all agricultural products, even “sensitive” products. Countries may designate a specific number of sensitive products that will be handled through a combination of tariff quota expansion and tariff reductions to expand market access.
- Developing countries, while part of the reform process, will be subject to lesser tariff reduction commitments in each band of the tiered approach. The vulnerability of poor subsistence farmers is recognized in the text for further discussion.
- In a historic achievement that has been a goal of the U.S. and others for decades, the framework calls for the elimination of agricultural export subsidies. These are the most trade-distorting type of agricultural subsidies.
- The framework also disciplines export credits and export guarantee programs, eliminating over time their trade-distorting elements.
- Another key U.S. objective reflected in the framework is the elimination of trade-distorting practices in the sales of State Trading Enterprises (STEs). The framework calls, for the first time, for specific disciplines and greater transparency on STEs, and offers the possibility to negotiate the elimination of the monopoly powers of such entities.
- Those countries with higher allowed levels of domestic support will be subject to deeper cuts. This harmonization of domestic support levels has long been a key U.S. objective.
- Trade-distorting forms of domestic support for agriculture will be cut substantially, with caps on support levels for specific commodities and cuts in the overall level of trade-distorting support.

Key Opportunities For U.S. Farmers and Ranchers

- *Major cuts in foreign tariffs on U.S. farm exports.*
- *Expanded market access for all U.S. farm products through tariff cuts and quota expansion.*
- *Elimination of agricultural export subsidies, most of which are used by overseas competitors.*
- *New disciplines on state trading enterprises such as the Canadian Wheat Board.*
- *Harmonization of trade-distorting farm support programs, with Europe and Japan subject to deeper cuts because of their higher levels of support.*
- *The Doha framework would cut allowed domestic support for agriculture more in the first year than during the entire Uruguay Round.*

- In the first year of implementation, each Member's total trade-distorting support will be cut by 20% from currently allowed levels, an amount equal to the cut of these subsidies during the entire Uruguay Round.
- The framework text also maintains the viability of food aid programs for humanitarian and development needs.
- Cotton: countries have agreed that cotton is a vital issue that will be addressed within the agriculture negotiations. As the G-8 Leaders recently affirmed, cotton is a matter of primary concern to African countries. Work on cotton will include all trade-distorting policies in the sector, including market access, domestic support, and export competition.

Manufactured Products – Broad Cuts in Tariffs and Other Barriers



- The text lays the groundwork for significant reductions or elimination of tariffs on industrial goods, which account for over \$6 trillion in global trade or nearly 60% of overall global trade in goods and services. U.S. exports of industrial goods are more than \$670 billion per year.
- Members agreed to negotiate a tariff-cutting formula for industrial products under which higher tariffs will be cut more than low tariffs. This will help U.S. manufacturers, because foreign tariffs on industrial goods currently average 40 percent, while U.S. tariffs average 4 percent.
- The formula cuts will be complemented by sectoral initiatives to fully eliminate or harmonize tariffs in particular industry areas. This may include “zero-for-zero” (elimination of tariffs) as well as “harmonization” (tariffs equalized at lower levels) sectoral initiatives.
- In cutting tariffs, developing countries will have longer implementation periods and flexibility on a certain percentage of their tariff lines.
- Least developed countries are expected to increase the certainty and predictability of their tariff regimes by binding (capping) more of their industrial tariffs.
- Non-tariff barriers will be reduced through negotiations that are equally important as tariff-cutting work. Countries will identify and work to reduce non-tariff barriers in the next phase of negotiations.

Key Opportunities For U.S. Workers and Manufacturers

- *Expanded market access for U.S. manufactured goods, from cars to computers to consumer goods.*
- *Broad cuts in tariffs through a “tariff-equalizing” formula that would cut high foreign tariffs faster.*
- *Elimination of tariffs in key U.S. export sectors through “zero-for-zero” initiatives.*
- *Work to address foreign non-tariff barriers.*

Services – Intensified Negotiations to Open Markets

- Members reaffirmed that Services is one of three core elements of an ambitious market access result.
- Members agreed to intensify negotiations to open global services markets, which are the increasingly critical infrastructure of economic growth and competitiveness in both developed and developing countries.
- In the United States, services account for 65% of GDP and 80% of domestic employment. The U.S. services market is one of the most open in the world; the U.S. objective in the Doha negotiations is to open foreign service markets to world-class services of U.S. providers. Developing countries, too, will benefit from services liberalization. On average, services account for more than half the GDP of most developing countries.
- Countries agreed that more – and better – market-opening offers need to be put on the table as soon as possible, and that they should aim for progressively higher levels of liberalization.

Key Opportunities For U.S. Service Workers and Providers

- *Intensified negotiations to open foreign markets for U.S. services such as telecommunications, entertainment, distribution, construction and engineering, professional and computer services.*
- *Services on par with agriculture and manufacturing as a “core” market access area.*

Trade Facilitation – Cutting Red Tape, Helping Small Business

- Countries have agreed to launch negotiations to clarify and improve the WTO rules governing customs procedures. This will cut red tape, improve the transparency and efficiency of how goods cross borders, and advance reforms that will contribute to anti-corruption efforts in many countries.
- These negotiations will update and modernize current WTO rules on border procedures, which date back to 1947.
- Red tape and unnecessary formalities at the border can wipe away market access gains achieved through lower tariffs. Some studies have suggested that an antiquated approach to customs procedures in some countries can be the equivalent of an extra 5 to 15 percent tariff.
- Uncertainty about import requirements, hidden fees, and

Key Opportunities For U.S. Exporters and Small Businesses

- *Cut red tape and reduce the cost of selling into some countries by 5% to 15%.*
- *Expedited customs treatment for express deliveries.*
- *Facilitate “just-in-time” manufacturing programs.*
- *Use the Internet to improve information about foreign customs requirements and fees.*
- *Improve opaque foreign customs procedures that cause shipment delays and frustration for small U.S. exporters.*

slow border release times are among the non-tariff barriers most frequently cited by U.S. exporters.

- Small and medium-sized exporters are particularly affected by opaque customs procedures and unexpected problems in getting clearance of critical shipments into important markets.

Development – Ensuring That The Poorest Are Not Left Behind

- The framework encourages expanded trade between developed and developing countries, as well as expanded “South-South” trade. Open markets and domestic reform go hand in hand, offering the best means for further integrating developing countries into the global economy.
- This reflects the recent commitment of G-8 Leaders to ensure that the poorest are not left behind but that they too develop the capacity to participate in the global trading system. The framework recognizes that different countries will need to move at different speeds toward open trade.
- The Doha Development Agenda is part of President Bush’s strategy to open markets, reduce poverty and expand freedom through increased trade among all countries in the global trading system, developed and developing. The strategy is being implemented through global, regional and bilateral trade initiatives as well as preference programs like the African Growth and Opportunity Act.
- The United States recognizes that poorer developing countries need assistance designed to help them better integrate into the global economy. As part of this commitment, the United States spent more than \$764 million in trade capacity-building assistance in 2003, and contributed to the WTO Technical Assistance Trust Fund.
- In addition, the United States has just launched a program with the first group of sixteen countries in the Millennium Challenge Account. This new concept directs foreign aid to countries that have strong records of governance, a commitment to invest in their people, and sound economic programs. More than \$1 billion has already been committed to this program, and recent legislation in the U.S. Congress has added another \$1.5 billion.

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