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DOHA ROUND DEVELOPMENTS AND IMPLICATIONS FOR STEEL

(Statement by the United States)

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Paper submitted by the United States.

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DOHA ROUND DEVELOPMENTS AND IMPLICATIONS FOR STEEL

Statement by the United States

The United States led efforts to launch the World Trade Organization's Doha Development Round, four and half years ago. Since then, we have pushed our trading partners to aim high for a meaningful and comprehensive agreement.

Creating new market opportunities is essential for the United States – but it is also essential for developing countries. Seventy percent of the tariffs paid by developing countries are paid to other developing country markets. Gains for developing countries from free trade in goods alone are estimated at $142 billion by 2015, almost half the global gains from free trade. Doha is the best opportunity we will have for the next decade to cut duties and eliminate barriers world wide to manufactured goods trade.

The United States continues to seek an approach that will deliver new commercial opportunities for our exporters in key developed and developing country markets, while supporting elements of additional flexibility for developing countries. The implications for steel producers are important because steel is a globally traded product, and because some of the most important high-growth markets still maintain high tariff and non-tariff barriers.

Industrial Tariffs: In 1994, the zero-for-zero agreement on steel products in the Uruguay Round of trade negotiations laid the foundation for eliminating tariffs in a number of countries. However, as of 2005, the economies that have signed the steel zero-for-zero accounted for only 41.3 percent of world production.

On the other hand, the 38 steel producing economies that have not zeroed out tariffs on steel imports produced 650 million metric tons (MMT) of crude steel, or 58.7 percent of global production. These include some of the largest producers and fastest growing markets for steel including: China, India, Brazil, Turkey, Taiwan, Mexico, and South Africa.

Economies that have not zeroed steel import tariffs are also, as a whole, significant steel exporters, accounting for 44.7 percent of all global exports of semi-finished and finished steel products worldwide in 2004. Many of the increased trade opportunities for export-oriented steel producers exist in other economies that currently maintain high tariffs. Significant reductions in industrial tariffs in the Doha Round will not only enhance direct steel trade opportunities, but also increase global growth and trade in steel-containing products.

As part of the Doha Development Agenda, members of the WTO have agreed to the following basic elements of an approach to liberalize trade in non-agricultural goods, including manufactured goods such as steel and steel containing products.

- Reducing tariffs around the world through a "Swiss" formula with coefficients which would reduce high tariffs more than low tariffs;

- Seeking further tariff liberalization through sectoral agreements in key areas of export interest such as electronics, chemicals, and medical devices;

- Addressing non-tariff barriers such as complicated customs procedures or other practices that distort trade; and

- Recognizing the needs of least-developed countries (LDC), small traders and countries just above the LDC level while maintaining an ambitious trade-liberalization agenda**.**

In the Non-Agricultural Market Access (NAMA) Negotiations, the goal is to obtain new real market access (broad cuts into applied rates) in key priority markets for manufactured goods. That means pushing for reductions in current applied tariff rates, not reductions in the upper-limit ceiling rates ("bound" rates). Many developing countries, such as India, have bound rates in excess of 100%, but their actual applied rates are much lower. We want cuts in actual applied tariffs, not theoretical ceilings.

Although we did not have a breakthrough at the December 2005 Hong Kong Ministerial on NAMA, we were able to lock-in the progress that had been made since the July 2004 Framework Agreement including consensus that further tariff liberalization should be achieved through a Swiss formula and sectoral initiatives, reaffirmation that Members need to address high tariffs and tariff peaks, and advancement of solutions on several key technical issues necessary to bringing the negotiations to a conclusion before the end of 2006.

Since Hong Kong, NAMA negotiators have been focusing on finalizing the details of the formula, identifying specific sectors, and country participation in the sectoral component, determining the final balance of flexibilities for developing countries, and advancing negotiations on identified non-tariff barriers (NTBs).

We have been working hard to ensure a common basis for discussion, but there are differences of view on how ambitious we should be in cutting barriers. A number of developed and developing countries have indicated a willingness to liberalize substantially, but key markets such as Argentina, Brazil, and India are seeking flexibilities that would limit how much advanced developing countries would have to open their markets.

While we believe that a so-called Swiss tariff-cutting formula will deliver increased overall access in many markets, sectoral initiatives, especially for industries with strong potential for export growth, can take liberalization further than the formula.

Specific sectoral proposals have been submitted on steel-containing products including: autos and auto parts, bicycles and parts, and hand tools. While there is no new sectoral proposal on steel, scrap would be covered by the raw materials sectoral put forward by the United Arab Emirates, and we are continuing to encourage new countries to participate in the previous Uruguay Round sectorals.

The United States has noted with concern increasing use of export duties and restrictions by governments to impede free trade in raw materials, steel, and other processing industries. We have also been supportive of initiatives in the NAMA NTB talks to increase transparency and predictability in trade in raw materials by addressing export duties and restrictions. Japan has proposed increasing transparency requirements on export restrictions. The EU has proposed a general elimination of export duties while preserving the right of countries to use export duties under limited circumstances consistent with GATT articles. The EU's proposal also provides some flexibility for developing and LDCs to maintain some limited duties for revenue purposes.

Rules Negotiations: The United States considers strong and effective remedies against unfair trade practices, including dumping and unfair subsidies, as essential to ensure that the benefits gained from trade liberalization are not undermined.

The proposals that the United States is advancing in the Rules negotiations are guided by this position, and that they reflect the interests of both exporters and domestic producing industries. Given the increasing number of WTO Members using the trade remedy rules, including many developing countries, a number of additional Members have joined us in insisting that the preservation of effective antidumping and subsidies rules is critical to a successful round.

The United States has long noted, at the OECD Steel Subsidies Agreement talks and elsewhere, that serious market and trade distortions can result from particular types of subsidies other than those currently prohibited by the WTO Subsidies Agreement (i.e., export subsidies and import substitution subsidies). The United States has proposed that the Rules Negotiating Group initiate a discussion on what additional types of subsidies should be prohibited under the WTO Subsidies Agreement. This could include subsidies that have frequently been used to maintain uneconomic capacity in the global steel industry, for example, government lending to uncreditworthy companies and coverage of operating losses.

A number of other participants have also advanced proposals to strengthen subsidies disciplines. Strengthened rules in this area would not only reflect sound economic and trade policy, but also help to more effectively address sources of ongoing trade friction.

On the antidumping and countervailing duty (AD/CVD) rules, we have been able to work with many of the newer AD/CVD users on issues of common interest – for example, despite differences on other issues, we recently co-sponsored a proposal with Brazil to improve due process in AD/CVD proceedings.

The overall work of the Rules Group has intensified this year. Based on the current schedule, the Rules Chairman is aiming to draft a consolidated negotiating text by sometime in July. To meet that goal, Members will meet over the next month and a half to complete their analysis of proposals tabled in advance of the June deadline for texts.

The United States is also working on several other Doha negotiations that may be of interest to the steel sector.

Trade Facilitation: The Doha trade facilitation negotiations are about reducing the border costs of doing business and, ultimately, to enhance market access. The negotiations thus far are proving to be a relatively straightforward exercise toward concrete results that will improve transparency and efficiency--while potentially also giving a real lift to south-south trade.

We envision an agreement that would include new and strengthened WTO commitments, such as Internet publication of laws and import requirements, expedited procedures for express shipments, and enhanced procedural fairness.

Many developing countries have emerged as strong stakeholders in ambitious results for trade facilitation, both to give a boost to ongoing customs reform and to achieve results that will remove some of the key barriers to achieving greater market access with their neighbors.

We are working closely with a broad array of WTO Members to keep the focus on simple improvements that all can support.

Environmental Goods: At Doha, Ministers also agreed to liberalize trade in environmental goods and services. We are pushing to eliminate tariffs on environmental goods by 2008. Some Members have applied tariffs as high as 35 percent on these products.

We are also seeking increased market access for environmental services through new and improved General Agreement on Trade in Services (GATS) commitments in this sector. Currently, only 48 Members have undertaken any commitments in environmental services, making this sector one of the least committed.

Both of these initiatives can result in greater access for lower cost to technologies and services that support governments' environment and development goals (e.g., improved sanitation, access to renewable energy technologies) – a win-win-win.

Free Trade Agreements

Since the Doha Round began in 2001, the United States concluded or initiated negotiations for free-trade agreements (FTAs) with many countries. This year we launched two new agreement negotiations with South Korea and Malaysia. We are pursuing FTAs not as a replacement to a comprehensive Doha result, but as a complement to a broad multilateral agreement.

Conclusion

The Doha Round represents a once-in-a-generation opportunity to create significant new economic opportunities for all countries and to lift millions of people out of poverty around the world.

We have seen tremendous global growth in steel production and trade following the liberalizations achieved by the Uruguay Round, we believe that an ambitious Doha result will yield even more opportunity for steel producers in both developing and developed economies.

Consensus on the correct balance of market access concessions in the agricultural and industrial goods areas has been difficult to obtain. However, the cost of abandoning ambition on trade liberalization is also high.

The United States will not give up on the Doha Round, but we urge our trading partners to open their markets more or the Round could fade away. We hope this does not happen and are willing to work with our trading partners to ensure a successful outcome.