

NON-AGRICULTURAL PRODUCTS

The future potential of some of New Zealand's most promising export sectors, including forestry and fishing, will hinge significantly on World Trade Organisation negotiations aimed at lowering barriers to trade in manufactured goods and other non-agricultural products.

Also known as 'industrial products', the negotiating area described as non-agricultural market products (NAMA) covers a diverse range of New Zealand exports. They include all manufactured goods - from textiles, clothing and footwear to steel and aluminium, fish and fish products, forest products, chemicals and minerals.

Non-agricultural products made up almost half of New Zealand's goods export receipts in the year to June 2005 - worth NZ\$14.4 billion. For most WTO members, non-agricultural products form the overwhelming majority of their goods trade.

The issue

In the current Doha round of WTO negotiations, members have agreed to negotiate on "reducing or, as appropriate, eliminating" tariff and non-tariff barriers to trade in non-agricultural products. The non-agricultural market access (NAMA) negotiating group, made up of all WTO members, is the body responsible for these negotiations. Previous rounds of negotiations have seen the average tariff on non-agricultural goods fall from around 40 percent in 1947 to 4.7 percent today.

However, that figure masks some considerably higher rates in some areas. A notable problem is "tariff peaks", often defined as any tariff over 15 percent. Another problem is tariffs that increase with each additional level of processing of the particular item, also known as "tariff escalation". Escalating tariffs in

overseas markets reduce the incentive for developing new value-added industries in New Zealand.

This is one reason why New Zealand places a high priority on gaining improved access to overseas markets in the current round of negotiations.

A second reason is that two of New Zealand's largest non-agricultural sectors - forestry and fisheries - face some of the highest remaining tariffs on non-agricultural products worldwide.

New Zealand is also committed to the NAMA negotiation because an ambitious outcome on non-agricultural products would contribute to a big result in the Doha round as a whole.

The negotiations

As with other areas of the Doha Round, progress on NAMA negotiations was slow through much of 2005. It had been hoped that the WTO Ministerial Meeting in Hong Kong in December 2005 would resolve a large number of the outstanding issues. Ultimately, however, little movement was made in key areas, largely because of disagreement amongst the major players (the US, EU, Brazil and India).

Importantly, however, a timetable was agreed for completing the round by December 2006. It was hoped to have agreement reached by the end of April 2006 on 'modalities' - the WTO term for the specific means by which trade liberalisation is achieved (eg the type and structure of the formula to use for tariff reduction). Negotiators were not able to agree these 'modalities' by 30 April but are continuing intensive work in Geneva.

A second deadline of 31 July 2006 has been set for submitting comprehensive draft schedules (the documents in which members state the tariff-cutting and reform commitments they will undertake) in order to allow sufficient time for scrutiny and acceptance of all member schedules by December 2006.

What result is New Zealand looking for?

For New Zealand the key objective is to support efforts to secure an ambitious but fair outcome for the NAMA negotiations. This includes:

- the adoption of a tariff-cutting approach that provides real market access for exporters, rather than just cosmetic cuts to tariffs.
- securing specific 'sectoral' agreements for tariff reduction and trade liberalisation in the forestry and fisheries sectors.
- agreeing on an appropriate level of special and differential treatment for developing countries that delivers on the promises of the Doha development goals without undercutting the benefits to be gained from an ambitious level of trade liberalisation.

Much remains to be done, with the membership having set itself an ambitious work programme for 2006. Although the major players will ultimately be the key to resolving the outstanding issues, New Zealand will continue to play an active role to sustain the level of ambition foreseen in the original mandate from ministers when the round was launched in 2001.

For a glossary of trade associated words please go to:
http://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm