

Brussels, 2 July 2008

Orgalime position on WTO NAMA negotiation: General tariff-cutting formula and sectoral tariff agreements

1. INTRODUCTION

Orgalime, the European Engineering Industries Association, speaks for the mechanical, electrical, electronic and metalworking industries, which are one of the main pillars of European manufacturing, growth and employment. These industries provide today for a third of European manufacturing exports, including those with the highest value added.

2. ENGINEERING INDUSTRY DEMANDS A FAR-REACHING GENERAL TARIFF CUTTING FORMULA

The engineering industry is a very diverse sector (NACE 28 to 33 included) and in third countries its companies face a variety of tariffs which change according to the country and the product. The engineering industry would therefore benefit hugely from a WTO DDA agreement that concludes with a far reaching tariff cutting formula, with comprehensive tariff cuts which are binding without exception for all member countries.

Orgalime is disappointed with the latest WTO industrial market access negotiating text that allows excessively high coefficients. Especially worrisome is that emerging countries like China, Brazil and India would profit from these “flexibilities”, when they at the same time count in many areas as significant competitors. We fear that so-called flexibilities will be misused by certain emerging countries as an “opt-out” from the tariff cutting formula, which is why the levels of flexibilities needs to be reduced.

We also believe that an anti-concentration clause needs to be incorporated in the final text, as otherwise whole sectors could be excluded from tariff cuts by the accumulation of flexibilities.

Orgalime, the European Engineering Industries Association, speaks for 35 trade federations representing some 130,000 companies in the mechanical, electrical, electronic, metalworking & metal articles industries of 23 European countries. The industry employs some 10.9 million people in the EU and in 2007 accounted for some €1,813 billion of annual output. The industry not only represents more than one quarter of the output of manufactured products but also a third of the manufactured exports of the European Union.

www.orgalime.org

3. **SECTORAL AGREEMENTS FOR THE ENGINEERING INDUSTRIES**

Orgalime urges the Commission to welcome and to sign up for the sectoral agreements currently discussed at the WTO level. Orgalime asks for sectoral agreements for HS chapters 84, 85 and 90. These engineering products are partly covered by both the tabled proposals on industrial machinery or by the existing Information Technology Agreement (ITA). The scope of these texts should therefore be enlarged. The engineering industries would also welcome sectoral agreements for its supplier industries. We request the elimination of tariffs for important materials, components and parts classified in HS chapters 37, 39, 71, 72, 73 and 74.

The sectoral agreements of the engineering sector and its supplier industries should have in our opinion the following features:

- They should be zero-for-zero agreements.
- All engineering products should be covered or, if it turns out that this is not possible, as few exemptions as possible should be allowed.
- A very large number of countries should participate; a critical mass must be reached. The Commission should especially push for participation from emerging countries such as Brazil, China and India.
- No flexibilities for so-called developing countries should be granted. Although to a certain extent flexibilities could be considered for least-developed countries, they must not be granted to countries such as Brazil, China and India which, to our mind, are not developing countries in the traditional sense.

We also have a keen interest on the environmental goods initiative and the services negotiations, since the engineering industry is both the provider of environmental technologies and to an ever increasing extent also of services. The environmental goods initiative could be treated as another sectoral agreement to which the above mentioned features should be applied. The services negotiations should lead to an ambitious agreement especially on engineering related services.

4. **NON TARIFF BARRIER AGREEMENTS (NTBS)**

Orgalime contributed to formulating the EU's proposal on Non Tariff Barriers in the electronics sector. Our aim is to abolish mandatory certification worldwide and to promote the EU's system of manufacturers' self-declaration of conformity for a majority of electronic and electrical goods. Given that there is already a sectoral agreement - the Information Technology Agreement (ITA) – we believe that it could be possible to enlarge this agreement with a new section on NTBs within this product range.

5. **CONCLUSION**

While the engineering industries are one of the significant beneficiaries of the multilateral trading system, for which we welcome the Commission's constant support, we feel that the current level of ambition among WTO negotiating partners for a new WTO NAMA deal is disappointingly low. We see the serious risk that the EU could eliminate its remaining tariff without obtaining any market access in important third countries.