WORLD TRADE ORGANIZATION

TN/MA/W/37/Add.1
28 May 2004

(04-2294)

Negotiating Group on Market Access

Original: English

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Proposal on a Sectoral Agreement for Materials – The Primary Aluminium Case

Communication from the United Arab Emirates

Addendum

The following communication, dated 11 May 2004, is being circulated at the request of the delegation of the United Arab Emirates.

Since the February General Council meeting this year, the Negotiating Group on Market Access has held on last March its first formal meeting and several informal discussions. During these discussions, the UAE delegation detected a clear willingness of delegations to negotiate with each other and a concentration on the substance instead of the procedure. UAE perceived other positive element that all of members have avoided sinking into repetitive debates and have focused their contributions on how solving problems and converging positions.

In this spirit, UAE has elaborated its second proposal, trying in the meantime to give effect to the appeal expressed by the Chairman of the Negotiating Group, and many other delegations to submit more specific contributions. As it has been announced it the communication of May 2003 (TN/MA/W/37), UAE submit today a specific proposal on the sectoral component in the Non Agricultural Market Access (NAMA) package.

Concerning the references of the position, UAE has preferred to follow a positive approach aiming at capitalizing all progress made before, during and after Cancun Conference. The objective is to suggest a constructive basis for discussion on the sectoral agreements which constitutes a very sensitive and important issue not only for UAE but for all members.

The importance of this issue stems from the engagements undertaken by many members, including UAE, to strengthen their national policy of diversifying the exporting sectors having comparative advantage. Otherwise, it is becoming so evident that a single formula con not be taking into account the large diversity of economic situations across the WTO membership, and that a sectoral approach will be essential to find balance. For that purpose, the Doha mandate (Paragraph 16) is very clear and explicit while it insists on the priority of initiatives, like sectoral tariff elimination, for products of substantive interest to developing countries.

In this respect, UAE suggests introducing a new sector into the list of specific sectors proposed to be covered by a sectoral tariff elimination approach; it's the sector of raw materials, including non-ferrous metals; with primary aluminum as the strategic priority of the UAE.

<u>Indeed, UAE attaches a strategic importance to the Primary Aluminium (HS 96: 76 01 – unwrought primary aluminium from the potlines of smelters) for which it suggests, as “a product of substantial export interest”, the complete elimination of tariffs due to various arguments:</u>

- First of all, UAE proposes a win-win agreement on raw materials, and in particular metals (long sought for since the Uruguay Round), which is equally beneficial to developed and developing countries; wile favouring a fair level playing field.

- Indeed, duty-free raw materials, including primary aluminium, are essential for the competitiveness of developed countries manufacturing and semi-manufacturing businesses; while the same products constitute generally strategic exports and emerging industries in developing countries. Therefore, we consider that a consensus among all WTO members could be easily reached around that proposal.

- The world is in a trend of structural shortage for primary aluminium. Some experts forecast a world deficit over 8 millions tones by 2010, although prolonged economic slow pace may create surplus for a few years. As it’s shown in the Annex N° 1, the world primary aluminium demand has increased from 21 millions tonnes to approximately 27 millions tones (1995-2003) whereas the demand of developed countries has raised from 18 millions tones to approximately 26 millions tones. We expect that this tendency will continue in the coming years such as indicated in the Annex N° 2. The increase of world aluminium demand is due to its physical, economical and environmental proprieties; mainly in its key application (transportation, building, packaging, consumer goods).

- The major integrated groups are concentrating and rationalizing, which results in curtailment of jobs and shrinking of suppliers for independent aluminium transformers – they are the ones who create the most new jobs, especially in downstream operations. Duty-free raw materials are essential to independent transformers who face everyday a harder competition and a restricted access to supplies, at a global and regional scale.

- Primary aluminium counts for around 50% of the cost of aluminium products. Duty-free primary aluminium will stimulate aluminium consumption and support its competitiveness towards alternative materials such as steel and plastics.

- Complete liberalization of primary aluminium would reduce speculative manipulations and distortions in the pricing of this raw material. Thus providing a better visibility and predictability to the market while allowing for more transparency and a clear balance between demand and offer.

Besides, UAE would like to draw the attention of the members on the fact that most of raw materials, including primary aluminium, are subjected to lowest tariffs. In this respect, UAE support strongly the proposal that all of those tariffs should be eliminated at the beginning of implementation period for tariff elimination. In fact, there is no economic sense to keep applying such duties, since their abolition will not produce any considerable consequences for the members who applied them. In other words, those members – which are generally developed countries - will not be constrained to make much effort if they decide to eliminate these lowest tariffs.

The level at which a tariff is considered as lowest in not yet defined in the WTO, although some members have proposed options. For that reason, UAE proposes that such lowest tariffs are defined at/or below 6% so that duties on primary aluminium can be eliminated in the last major developed regional markets where they are still applied.

Concerning the concept of a "critical mass", it's important to ensure that significant exporters and importers in the raw material sector participate in that sectoral agreement. For primary aluminium, the Annex N° 2 shows, *inter alias* indicators, the main importers and exporters at present, and in the future according to certain forecasts (until 2020). UAE hopes that those members will be interested by the elements contained in this proposal and encouraged to share with the UAE delegation their appreciation in order to attain the critical mass required to conclude that Agreement.

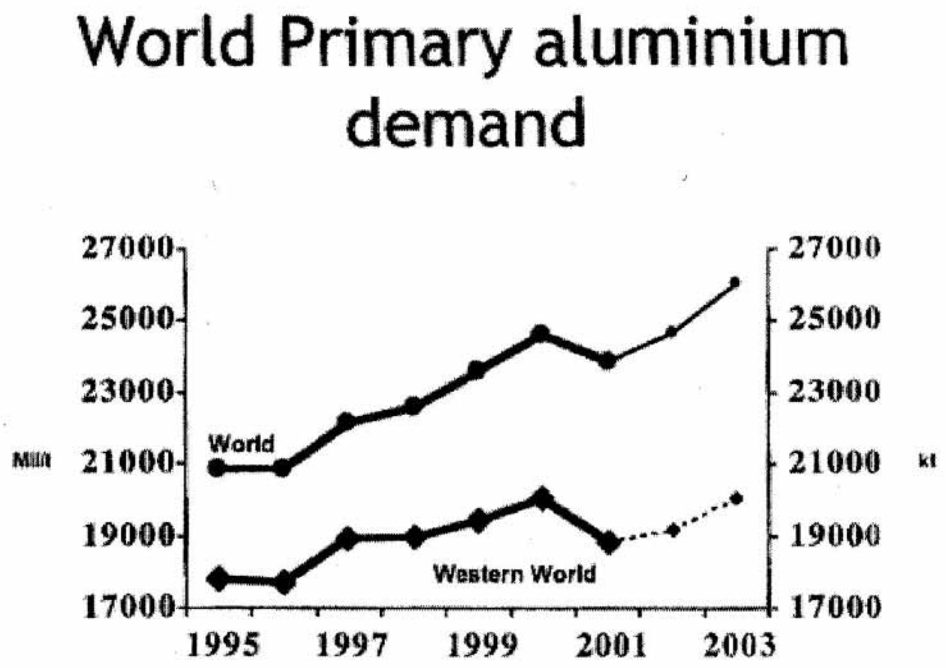
To conclude, UAE wants to stress that primary aluminium is its second most important industry after oil; and one of with a considerable potential for growth which is essential to the country's economic and social development. UAE has massively invested to reach the world's top level for its standards in terms of technology, quality, environment and labour policies. The liberalization of primary aluminium will encourage more productive investments upstream and downstream for this environment friendly metal. It will globally stimulate an industry which is evolving as a model for sustainable development. <u>For these reasons, the elimination of all duties on primary aluminium is a major strategic objective for UAE in the Doha Development Agenda.</u>

Moreover, a sectoral agreement on raw material, including primary aluminium, can be considered as a salient example of co-operation and convergence between the interests of both developed and developing countries in the WTO.

UAE invites all interested members to discuss more-in depth the details of its sectoral proposal, keeping in mind that the ultimate objective is to reach a balanced and "win-win" agreement.

To end with an optimistic note, international negotiators use to say: "when there is a will, there is a way". UAE hopes that such proverb will be a source of inspiration for the discussions on this initiative.

Annex I



Source: James F. king: Primary aluminum Flows. Spoutwell House, Spoutwell Lane, Cobridge, England. October 2002.

Annex II
Summary of primary aluminium flows by region
(in '000 tons)

	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Canada												
Production	1567	2172	2374	2583	2583	2578	2582	2651	2885	2985	3000	3015
Imports	85	134	276	223	248	262	274	276	277	282	285	295
Exports	1253	1719	1837	2046	2174	2035	2017	2082	2315	2405	2416	2409
Net Imports	-1169	-1585	-1561	-1823	-1926	-1777	-1743	-1806	-2035	-2123	-2129	-2113
Consumption	399	617	813	760	757	801	839	845	847	862	871	902
USA + Mexico												
Production	4116	3386	3733	2679	2760	3254	3660	3743	3728	3746	3765	3784
Imports	991	2017	2664	2715	3776	3513	3304	3207	3385	3543	3632	4079
Exports	702	470	248	400	408	460	507	520	532	546	559	574
Net Imports	289	1548	2415	2315	3367	3052	2797	2687	2853	2997	3073	3505
Consumption	4405	5250	6348	5145	6177	3656	6507	6480	6831	6794	6889	7339
South & Central America												
Production	1718	2030	2102	1972	2200	2299	2342	2347	2359	2395	2729	2790
Imports	53	299	226	190	82	87	91	91	95	99	102	112
Exports	1127	1267	1335	1165	1410	1457	1459	1452	1421	1411	1710	1717
Net Imports	-1074	-968	-1109	-979	-1328	-1369	-1368	-1360	-1325	-1312	-1608	-1605
Consumption	554	845	859	903	885	943	988	1001	1047	1098	1145	1210
European Union (15)												
Production	2552	2159	2509	2574	2576	2614	2679	2685	2385	2397	2409	2421
Imports	3200	4327	5175	5268	5101	5309	5517	5491	5884	6050	6143	6556
Exports	1345	1868	1897	1959	2031	2056	2113	2121	2073	2083	2093	2104
Net Imports	1855	2459	3278	3309	3059	3253	3401	3370	3811	3966	4049	4452
Consumption	4427	4709	5473	5334	5407	5613	5803	5781	5908	6037	6117	6503

	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Other Europe – 10 New EU Members												
Production	191	199	272	266	270	310	359	360	326	327	329	331
Imports	339	262	535	572	742	788	872	883	939	972	998	1071
Exports	102	123	266	271	286	328	396	399	394	400	403	406
Net Imports	177	139	269	301	457	460	476	484	545	572	595	665
Consumption	378	327	512	592	545	575	586	504	618	642	663	729
Other Europe												
Production	1622	1199	1713	1795	1821	1915	2063	2158	2132	2143	2233	2284
Imports	347	418	611	529	574	611	641	652	696	726	744	808
Exports	1247	1232	1893	1962	1629	1713	1859	1958	1944	1953	2041	2072
Net Imports	-899	-814	-1282	-1432	-1054	-1102	-1218	-1305	-1248	-1228	-1297	-1263
Consumption	650	576	780	705	754	798	828	834	863	891	910	988
CIS Countries excl. Baltic States												
Production	3523	3056	3637	3747	3767	3778	3807	3832	3723	3601	3657	3767
Imports	0	30	158	65	471	393	410	419	428	449	452	458
Exports	550	2701	3876	3557	3343	3210	3201	3203	3053	2883	2880	2861
Net Imports	-550	-2871	-3718	-3492	-2872	-2817	-2791	-2784	-2525	-2434	-2429	-2403
Consumption	2973	534	830	831	895	961	1016	1048	1098	1166	1227	1363
China												5545
Production	865	1676	2989	3425	4308	4755	4981	5206	5266	5392	5579	866
Imports	101	432	1157	693	245	137	206	28	222	317	330	713
Exports	65	191	209	409	517	576	610	644	658	680	711	153
Net Imports	35	241	948	284	-272	-440	-404	-616	-435	-364	-381	5698
Consumption	901	2017	3394	3845	4037	4315	4577	4590	4831	5029	5198	
Japan & Other Asia												
Production	673	793	856	850	873	1056	1154	1158	1157	1162	1168	1312
Imports	3679	4930	5250	4796	5074	5202	5371	5408	5344	5580	5770	6189
Exports	245	534	657	591	794	889	936	915	892	899	905	934
Net Imports	3435	4396	4594	4205	4280	4313	4434	4493	4451	4681	4865	5255
Consumption	3815	4841	5130	4556	4725	4925	5122	5181	5372	5584	5756	6256

	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Middle East												
Production	446	820	1185	1203	1239	1260	1376	1582	1689	1730	1872	1900
Imports	118	86	102	106	100	104	108	155	162	170	177	195
Exports	287	580	889	904	941	946	1052	1258	1353	1382	1515	1512
Net Imports	-169	-494	-788	-798	-842	-842	-944	-1103	-1191	-1212	-1338	-1317
Consumption	283	339	363	405	399	419	433	481	499	519	535	584
Africa												
Production	598	628	1176	1353	1386	1556	1822	1980	2003	2013	2023	2033
Imports	34	20	34	30	29	35	38	39	42	45	50	56
Exports	406	349	885	1024	1062	1198	1432	1584	1587	1576	1569	1533
Net Imports	-372	-329	-851	-994	-1032	-1163	-1395	-1545	-1545	-1531	-1520	-1477
Consumption	226	271	325	320	353	393	427	436	458	482	503	556
Australasia												
Production	1492	1566	2091	2106	2157	2181	2209	2237	2269	2284	2348	2377
Imports	9	18	10	13	15	16	17	17	17	17	18	19
Exports	1159	1202	1677	1778	1778	1812	1829	1857	1878	1882	1939	1935
Net Imports	-1150	-1185	-1667	-1765	-1765	-1796	-1813	-1840	-1861	-1865	-1922	-1916
Consumption	342	382	374	362	362	385	396	397	409	419	426	450
World												
Production	19364	19681	24636	24553	26042	27554	29034	29938	27441	28298	28892	31330
Imports	8957	12972	16197	15201	16458	16456	16845	16667	17491	18249	18701	20704
Exports	8549	12236	15829	16074	16401	16683	17411	17991	18101	18101	18741	18770
Net Imports	408	736	368	-873	57	-227	-567	-1324	-610	147	-40	1935
Consumption	19463	20709	25200	23758	25302	26484	27523	27668	28580	29521	30241	32590

Annex II (continued)

	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Canada											
Production	3030	3045	3410	3631	3649	3711	3778	3797	3815	3971	3991
Imports	306	318	322	324	325	337	349	353	353	354	364
Exports	2402	2391	2749	2969	2982	3023	3063	3075	3094	3249	3248
Net Imports	-2097	-2093	-2477	-2645	-2656	-2686	-2714	-2722	-2741	-2895	-2884
Consumption	934	972	983	986	993	1025	1064	1074	1074	1076	1107
USA + Mexico											
Production	3697	3715	3629	3647	3665	3683	3702	3720	3739	3758	3776
Imports	4211	4174	4290	4513	4809	4844	4788	4779	5001	5300	5328
Exports	574	583	583	600	620	631	641	652	672	695	709
Net Imports	3636	3592	3707	3913	4189	4213	4147	4127	4329	4605	4619
Consumption	7383	7357	7385	7610	7904	7946	7899	7897	8118	8412	8446
South & Central America											
Production	2929	338	3584	4065	4085	4283	4445	4467	4634	4700	4723
Imports	115	118	120	124	132	134	136	140	147	156	160
Exports	1821	2187	2420	2840	2776	2928	3060	3042	3128	3093	3061
Net Imports	-1706	-2069	-2299	-2715	-2644	-2704	-2924	-2902	-2981	-2938	-2900
Consumption	1248	1274	1310	1375	1467	1515	1548	1592	1681	1790	1852
European Union (15)											
Production	2433	2445	2457	2470	2482	2495	2507	2520	2535	2545	2558
Imports	6600	6572	6589	6788	7051	7087	7040	7038	7232	7138	7138
Exports	2114	2124	2135	2145	2156	2167	2177	2188	2199	2211	2222
Net Imports	4486	4448	4454	4643	4895	4920	4862	4850	5033	4928	4916
Consumption	6552	6534	6556	6737	6974	7015	6983	6990	5178	7052	7057

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Other Europe – 10 New EU Members											
Production	332	334	336	337	339	341	342	344	345	348	349
Imports	1096	1116	1138	1188	1249	1282	1304	1333	1392	1464	1503
Exports	410	414	418	422	425	429	433	438	442	445	449
Net Imports	686	702	720	767	824	853	871	895	950	1019	1054
Consumption	749	764	783	526	681	908	925	948	1000	1066	1099
Other Europe											
Production	2367	2496	2547	2559	2571	2776	2818	2832	2846	2860	2874
Imports	787	797	812	851	901	863	878	896	943	1003	1034
Exports	2106	2237	2287	2290	2291	2431	2477	2490	2495	2497	2508
Net Imports	-1320	-1440	-1475	-1490	-1390	-1569	-1599	-1594	-1552	-1494	-1475
Consumption	1011	1017	1028	1070	1125	1145	1151	1164	1211	1272	1296
CIS Countries excl. Baltic States											
Production	4036	4056	4077	4243	4265	4286	4407	4771	4795	4819	4843
Imports	475	491	509	542	561	605	624	647	687	736	767
Exports	3053	3063	3037	3126	3056	3015	3086	3390	3316	3222	3167
Net Imports	-2607	-2572	-2527	-2585	-2475	-2410	-2462	-2743	-2629	-2486	-2400
Consumption	1428	1483	1548	1656	1787	1873	1942	2023	2161	2327	2436
China											
Production	5782	6006	6134	6165	6223	6472	6528	6649	6682	6715	6786
Imports	817	691	667	905	1210	1155	1149	1112	1346	1671	1746
Exports	751	788	813	825	841	884	901	926	940	954	974
Net Imports	66	-97	-147	80	368	271	248	185	406	716	772
Consumption	5848	5909	5988	8245	6591	6744	6777	6834	7087	7431	7558
Japan & Other Asia											
Production	1480	1612	1710	1717	1726	1735	1743	2002	2061	2169	2278
Imports	6214	6246	6327	6671	7101	7303	7413	7442	7836	8331	8574
Exports	968	1030	1072	1080	1088	1096	1105	1235	1293	1401	1514
Net Imports	5246	5216	5255	5591	6013	6207	6309	6206	6543	6930	7061
Consumption	6411	6510	6643	6961	7360	7556	7668	7821	8192	8656	8889

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Middle East											
Production	2069	2395	2756	2847	2861	2897	3661	3879	3898	3918	3937
Imports	202	206	208	219	232	240	138	141	147	155	159
Exports	1676	1997	2347	2420	2410	2435	3087	3292	3283	3267	3259
Net Imports	-1474	-1791	-2139	-2201	-2178	-2195	-2949	-3151	-3136	-3112	-3110
Consumption	597	605	618	648	685	703	714	729	764	808	829
Africa											
Production	2109	2119	2130	2141	2151	2162	2173	2184	2195	2206	2217
Imports	59	62	65	70	75	79	83	87	93	101	106
Exports	1590	1586	1579	1557	1526	1512	1505	1495	1465	1425	1406
Net Imports	-1531	-1525	-1515	-1487	-1451	-1433	-1423	-1408	-1372	-1324	-1300
Consumption	578	595	615	654	701	729	750	776	823	882	917
Australasia											
Production	2509	2771	2902	3114	3129	3145	3161	3417	3435	3452	3469
Imports	19	19	19	20	21	21	21	21	22	23	23
Exports	2064	2328	2456	2654	2649	2658	2672	2929	2929	2924	2936
Net Imports	-2045	-2309	-2436	-2634	-2628	-2636	-2651	-2908	-2907	-2902	-2913
Consumption	464	463	465	480	502	509	510	510	527	550	556
World											
Production	33197	33494	33948	35357	37115	37115	37937	38830	39923	41443	42088
Imports	20901	20810	21067	22214	23688	23950	23923	23986	25198	26431	26903
Exports	19560	20726	21895	22928	22819	23209	24207	25153	25255	25383	25484
Net Imports	1342	82	-829	-713	869	741	-284	-1166	-57	1048	1440
Consumption	33201	33483	33922	35248	36970	37667	37930	38358	39807	41322	42042

Source: James F. King: Primary aluminium Flows. Spoutwell House, Spoutwell Lane, Cobridge, England. October 2002.