Centre for WTO Studies
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NAMA Negotiations: Progress in Doha Round and Key Unresolved Issues

Trade liberalisation under GATT

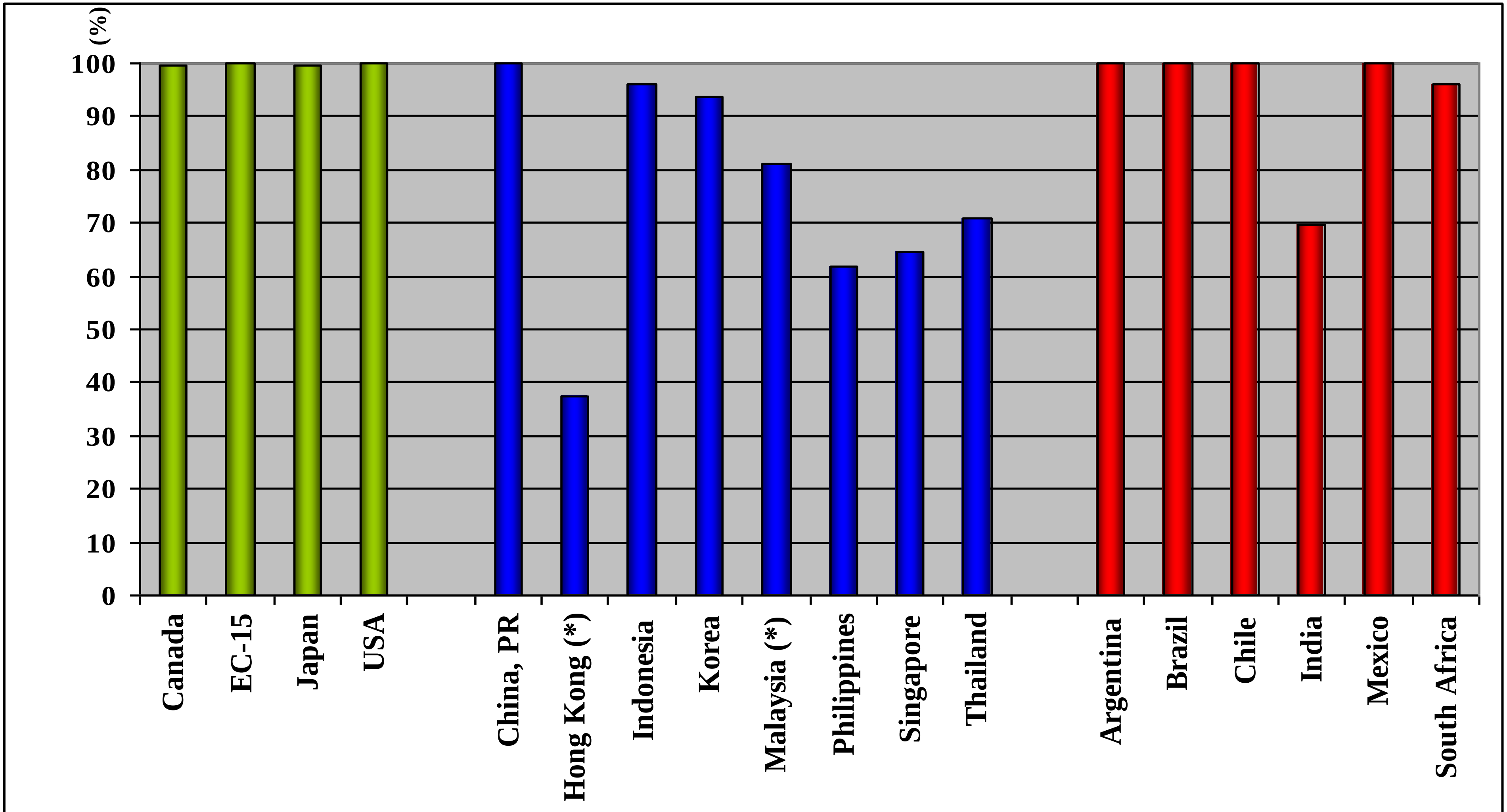
- Binding tariffs
- Expanding scope of products with bound tariffs
- Progressively reducing bound tariffs
- A tariff binding is a ceiling level or the maximum tariff that may be applied by a Member.

Uruguay Round Achievements on Tariffs

- **For developed countries, tariff averages were reduced from 6.3% to 3.8%.**

- **For developing countries, tariff binding was the main form of their concession. <u>Binding coverage</u> increased from 21% to 73%.**

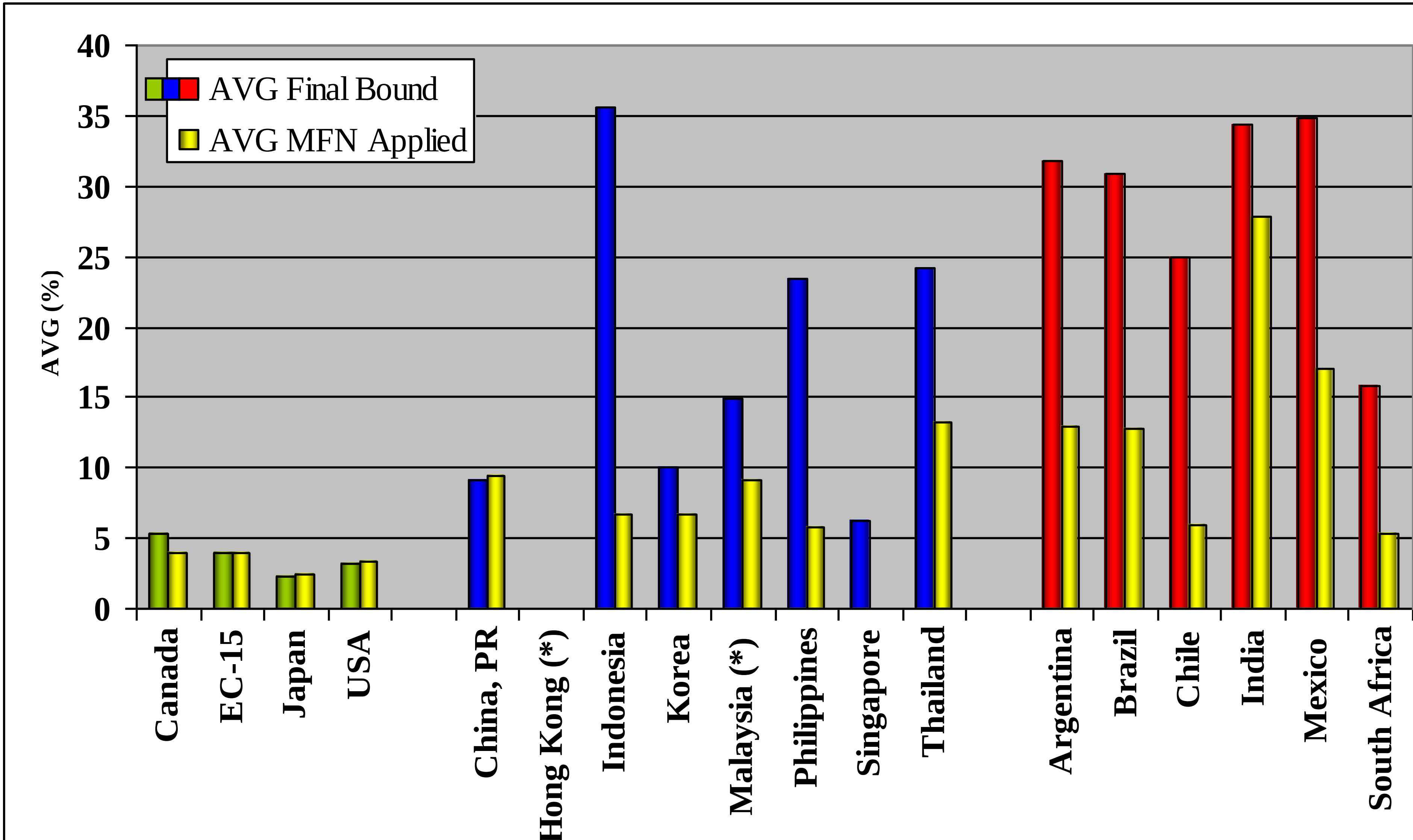
Binding Coverage: *Share of bound NAMA lines*



Source: WTO Secretariat.

(*) Binding coverage could be overestimated due to partial bindings. See TN/MA/S/14.

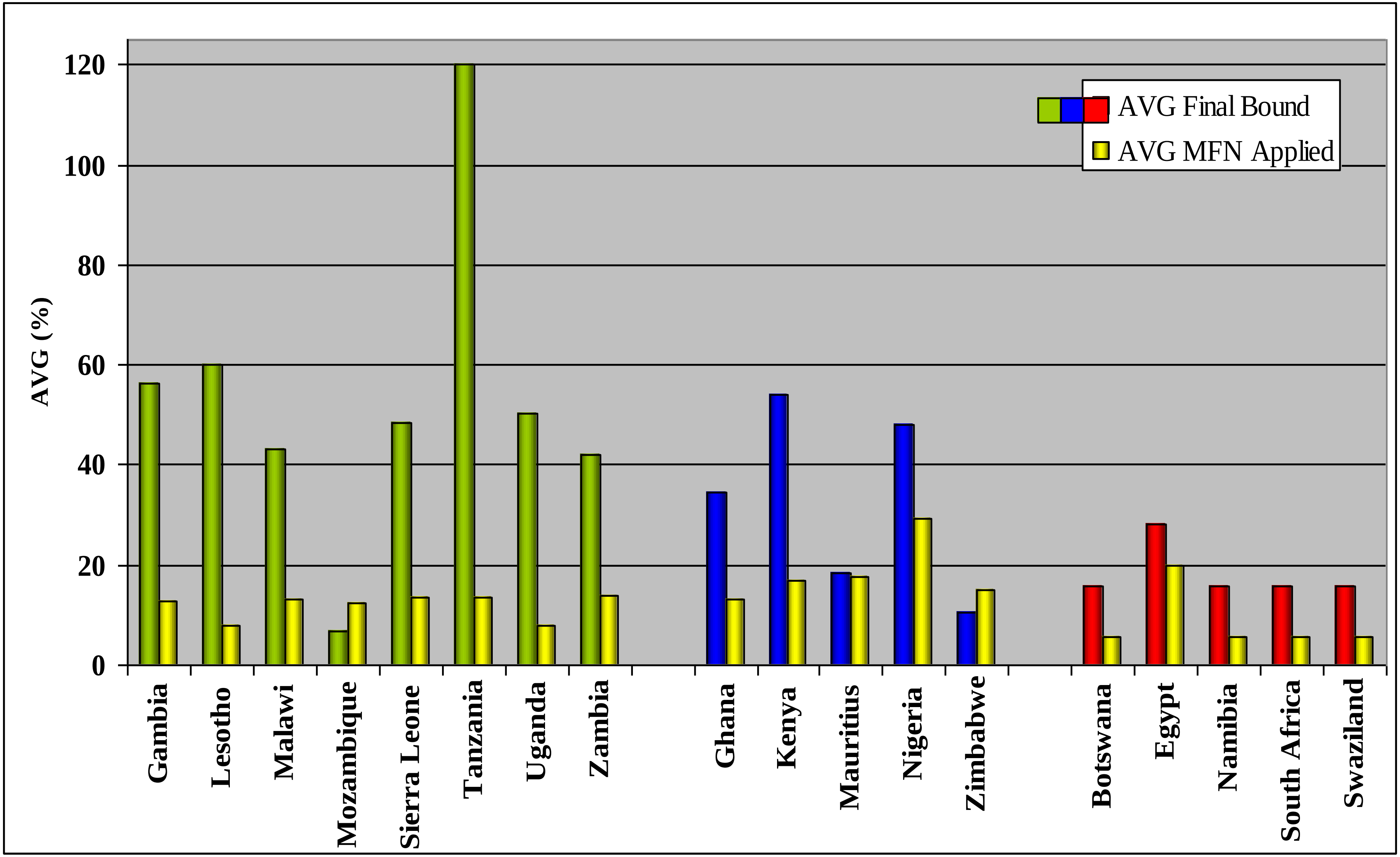
Bound vs. Applied rates: Average of non-agricultural tariff lines



Source: WTO Secretariat based on CTS for the bound rates and IDB and UNCTAD for the MFN applied rates.

(*) Binding coverage could be overestimated due to partial bindings. See TN/MA/S/14.

Bound vs. Applied Rates Average of Non-Agricultural Tariff Lines



Source: WTO Secretariat based on CTS for the bound rates and IDB and UNCTAD for the MFN applied rates.

NAMA mandate

“to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries”

“The negotiations shall take fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments”

2004 GC Decision

- 2004 GC Decision: “Negotiating Group should continue its work on a non-linear formula applied on a line-by-line basis which shall take fully into account the special needs and interests of developing and least-developed country participants”
- HK Declaration: “We adopt a Swiss Formula with coefficients...”

Modalities December 2008: Rev 3

The following formula shall apply on a line-by-line basis:

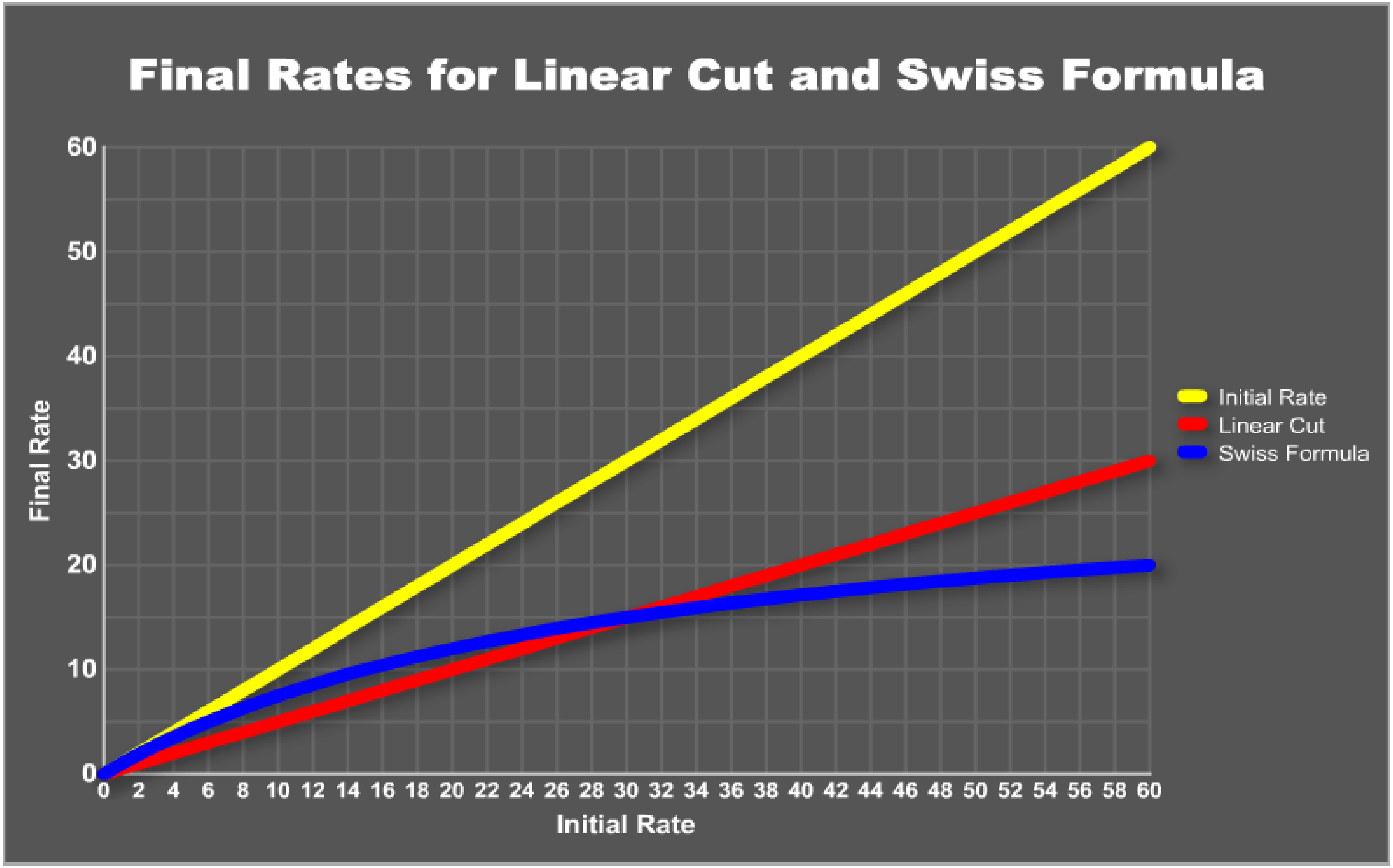
$$t_1 = \frac{\{a \text{ or } (x \text{ or } y \text{ or } z)\} \times t_0}{\{a \text{ or } (x \text{ or } y \text{ or } z)\} + t_0}$$

where,

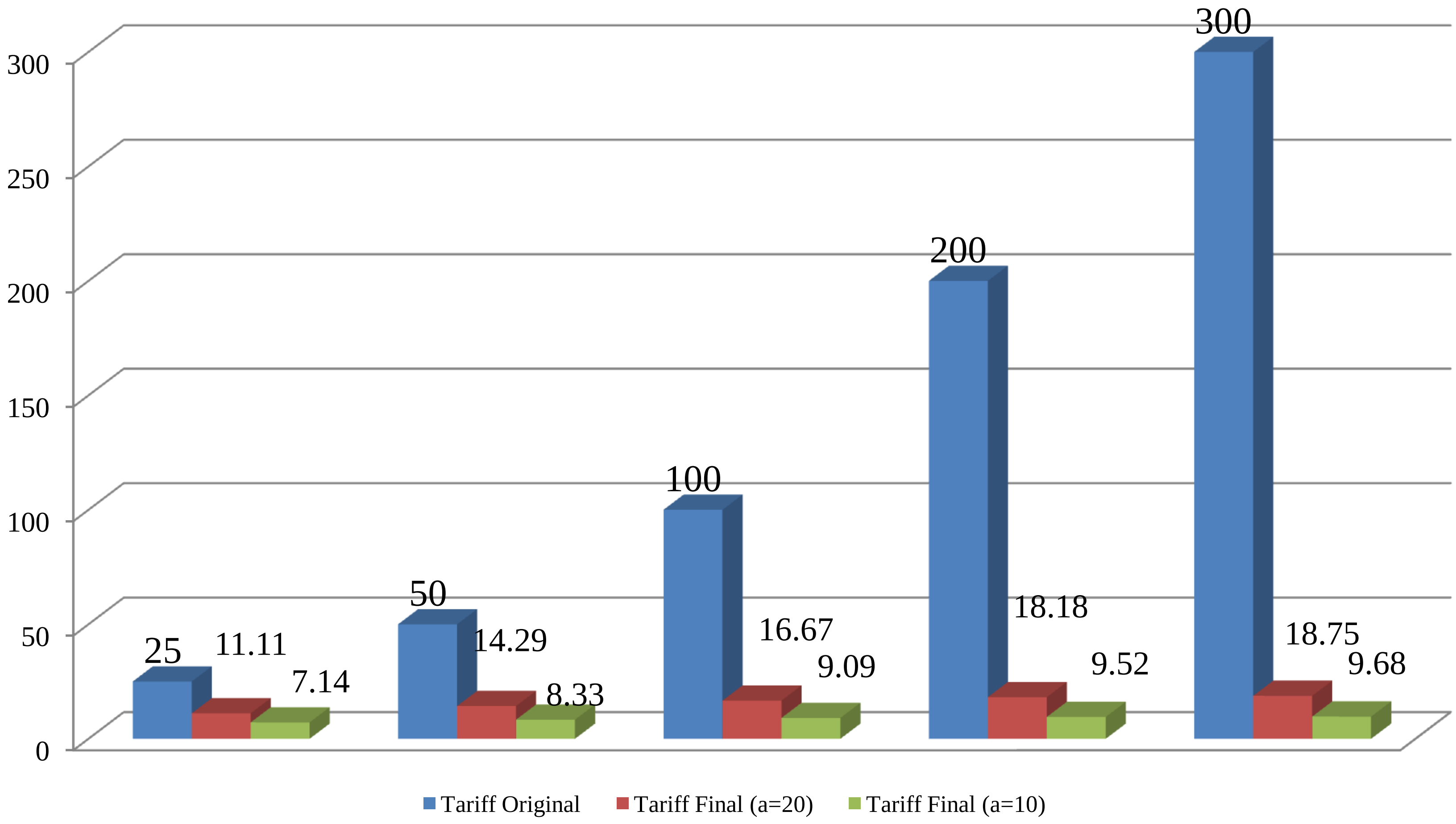
- t_1 = Final bound rate of duty
- t_0 = Base rate of duty
- a = 8 = Coefficient for developed Members
- x = 20, y = 22, z = 25 (to be chosen as provided in paragraph 7) = Coefficients for developing Members.

Implementation period: developed countries 5 years and developing countries 10 years

Comparison of Linear and Swiss Formula



Impact of Swiss cuts



Flexibilities for developing countries: Coefficient 20

less than formula cuts for up to 14 percent of NAMA lines provided that the cuts are no less than half the formula cuts and that these tariff lines do not exceed 16 percent of the total value of a Member's NAMA imports;

Or

Keeping upto 6.5 tariff lines unbound or insulated from formula cuts, provided their trade value does not exceed 7.5 % of NAMA imports

Flexibilities for developing countries: Coefficient 22

less than formula cuts for up to 10 percent of NAMA lines provided that the cuts are no less than half the formula cuts and that these tariff lines do not exceed 10 percent of the total value of a Member's NAMA imports;

Or

Keeping upto 5 tariff lines unbound or insulated from formula cuts, provided their trade value does not exceed 5 % of NAMA imports

Flexibilities for developing countries: Coefficient 25

No flexibilities available

Flexibilities: anti-concentration clause

full formula tariff reductions shall apply to a minimum of either **20 percent** of national tariff lines or **9 percent of the value of imports** of the Member in each HS Chapter

Flexibilities: Low binding coverage(<35%)

- Cameroon; Congo; Côte d'Ivoire; Cuba; Ghana; Kenya; Macao, China; Mauritius; Nigeria; Sri Lanka; Suriname; and Zimbabwe exempt from reduction commitments, but need to bind below 30%:
  - <15 percent shall bind 75 %of NAMA lines
  - >15 percent shall bind 80 %of NAMA lines

SVEs (<0.1% share in NAMA trade)

- Countries with bound average >50% - bind all NAMA lines below an average of 30%
- Countries with bound average <50% but >30% - bind all NAMA lines below an average of 27%
- Countries with bound average <30% but >20% - bind all NAMA lines below an average of 18%
- Countries with bound average <20% - on 95% tariff lines a minimum of 5% cut or bind at the overall average resulting from the line-by-line reduction
- Exception for Bolivia

Flexibilities for LDCs

- LDCs shall be exempt from tariff reductions. However, LDCs are expected to substantially increase their level of tariff binding commitments.

Impact of Swiss cuts

Member	Average Bound	New Bound
United States	3.20	2.29
EU	3.90	2.62
Brazil	30.80	13.80
China	9.10	6.67
Colombia	35.40	14.65
Costa Rica	42.90	15.80
Croatia	5.50	4.51
Egypt	28.47	13.31
India	41.88	15.65
Malaysia	17.89	10.43
Nigeria	50.76	16.75

Sectorals

- Hong Kong Ministerial instructed Members to identify sectoral initiatives which could garner sufficient participation.
- The discussions have focused on the following elements:
- ➢ defining the critical mass
- ➢ scope of product coverage
- ➢ the implementation period for tariff reduction or elimination
- ➢ special and differential treatment for developing country participants
- Non-mandatory participation

Sectoral initiative: 14 sectors proposed

- Automotive and related parts; Bicycles and related parts; Chemicals; Electronics/Electrical products; Fish and Fish products; Forestry products; Gems and Jewellery products; Raw materials; Sports equipment; Healthcare, pharmaceutical and medical devices; Hand tools; Toys; Textiles, clothing and footwear; and Industrial machinery

Sectorals: S&D

- The Chairman’s text has provided the following flexibilities:
  - “zero for X”
  - Partial product coverage by participating at “sub-sectoral level”
  - Longer implementation period

Sectorals: a road block?

- Developed countries want tariff elimination in products in 3 sectors
- Although mandate specifies voluntary participation, pressure on emerging economies to participate on a mandatory basis.
- Could jeopardise industrialisation efforts of developing countries

Historical evolution of per capita income and tariffs: Lessons for NAMA negotiations

Country/Year		Per Capita Income (at 1990$)	Average Applied Tarrifs (%)
US	1820	1257	35-45
	1875	2445	40-50
	1913	5301	44
	1950	9561	14
	1980	18577	7
Germany	1913	3648	13
	1950	3881	26
	1980	14113	8.3
UK	1913	5150	0
	1950	6907	23
	1980	12928	8.3

DFQF Hong Kong

- We agree that developed-country Members shall, and developing-country Members declaring themselves in a position to do so should:

(i) Provide duty-free and quota-free market access on a lasting basis, for all products originating from all LDCs by 2008 or no later than the start of the implementation period in a manner that ensures stability, security and predictability.

(ii) Members facing difficulties at this time to provide market access as set out above shall provide duty-free and quota-free market access for at least 97 per cent of products originating from LDCs, defined at the tariff line level, by 2008 or no later than the start of the implementation period.

DFQF : Bali

- Developed-country Members that do not yet provide duty-free and quota-free market access for at least 97% of products originating from LDCs, defined at the tariff line level, shall **seek to improve** their existing duty-free and quota-free coverage for such products, so as to provide increasingly greater market access to LDCs, prior to the next Ministerial Conference

Other Issues

- Work programme on remanufactured goods
- Tariff elimination for Environmental Goods

“to ensure that there is a comparably high level of ambition in market access for Agriculture and NAMA. This ambition is to be achieved in a balanced and proportionate manner consistent with the principle of special and differential treatment”

THANK YOU