

PART III

**DETAILED ANALYSIS OF ANNEX B TO THE GENERAL COUNCIL DECISION JULY 2004
“MODALITIES FOR NEGOTIATIONS ON MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS”**

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Annex B to the July Decision by the WTO General Council	Analytical comments and explanations
I. PARAGRAPH 1 AND SCOPE OF THE NEGOTIATIONS	
<p>1. This Framework contains the initial elements for future work on modalities by the Negotiating Group on Market Access. Additional negotiations are required to reach agreement on the specifics of some of these elements. These relate to the formula, the issues concerning the treatment of unbound tariffs in indent two of paragraph 5, the flexibilities for developing-country participants, the issue of participation in the sectorial tariff component and the preferences. In order to finalize the modalities, the Negotiating Group is instructed to address these issues expeditiously in a manner consistent with the mandate of paragraph 16 of the Doha Ministerial Declaration and the overall balance therein.</p>	<p>Paragraph 1 is an essential paragraph of Annex B. It reflects the fact that many developing countries were opposed to the Annex being adopted as the sole basis for the next phase of negotiations. Indeed, the present text (the so called "Derbez text") had already been rejected in the Cancun Ministerial Conference, and in its present form, it still contains many provisions that do not reflect the priorities of most developing countries.</p> <p>Moreover, as a general comment, it can be said that the adoption of the Annex and this first paragraph has not made the next stage of</p>

negotiations on NAMA clearer. Indeed, much of the way forward will depend on the construction of this paragraph.

Firstly, it has been said that the negotiations in NAMA were subject to an overall balance within the Doha Work Programme, and particularly, that progress in Annex B on NAMA should evolve together with progress in Annex A in Agriculture. It seems that that balance has not been respected, since Annex B contains much more detailed provisions than those of Annex A.

Secondly, developing countries agreed to the adoption of Annex B following a suggestion by the Chairman that it could be accompanied by a "vehicle", that is, an instrument stating that the Annex was not a consensus document. Instead, the language of Paragraph 1 can lead to much confusion and diverging interpretations.

Indeed, the paragraph states correctly that the Annex contains only "*initial elements*" and that "*additional negotiations are required*", but it goes on to say that divergences concern the "*specifics of some of these elements*".

Two difficulties appear from that language. The first one is that a list of elements needing additional negotiations is given in the paragraph. Developing countries will have to determine whether their difficulties regard only the listed elements or whether there are other controversial elements in the Annex but not listed in Paragraph 1. Examples of elements that were not explicitly cited in Paragraph 1 are the use of supplementary reduction approaches (Paragraph 12), and the treatment of LDCs. Similarly, the paragraph does not make clear whether other new elements can be imported into negotiations (from either previous or future proposals), or whether the Annex deals with all possible areas of negotiations.

The second difficulty related to the language of this paragraph is that it appears that only "*specifics*" will be subject to negotiations. In

	<p>other words, within a provision, only the details are to be discussed, but not its general format. For instance, did members reach an agreement that a non-linear formula will be applied and that only its details (numbers, coefficients, exceptions) will be discussed now? Or are other alternative approaches still under discussion? On the sectoral approach, will members only discuss participation to it or is the whole approach and the selected sectors likely to be modified? It would appear from discussions prior to the July General Council that many of the provisions of the Annex were entirely, and not only partly, contested.</p> <p>Developing country negotiators should keep in mind that the broader the construction of the framework, the greater the latitude they will enjoy during the next stage of negotiations. If the spirit of Paragraph 1 is to be respected, then it should permeate all the other provisions of the Annex. Nevertheless, it is also realistic to suppose that many of the elements of the Annex will in fact not be much altered, but only refined. In that case, it would be pragmatic to understand the implications of these provisions and prepare more offensive responses for the various areas of negotiations. Ideally, since it is developing countries that will make most of the concessions, a text containing their position and what is acceptable to them should be the starting point of negotiations, and not a text which reflects the level of ambition of developed countries.</p>
<p>2. We reaffirm that negotiations on market access for non-agricultural products shall aim 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. We also reaffirm the importance of special and differential treatment and less than full reciprocity in reduction commitments as integral parts of the modalities.</p>	<p>Paragraph 2 recalls paragraph 16 of the Doha Ministerial Declaration and reaffirms the resulting mandate on NAMA. The Doha Work Programme is very clear regarding NAMA negotiations and should be kept in mind. Any agreement which does not cover sectors of interest to developing countries and which does not take effectively into account the difficulties that further tariff liberalisation represent for them including through less than full reciprocity would fall short from fully discharging the mandate. The July Framework Agreement does not supersede or replace the Doha mandate, it only <i>implements</i> it.</p>
<p>3. We acknowledge the substantial work undertaken by the</p>	<p>Negotiators should make sure that this paragraph does not conflict</p>

<p>Negotiating Group on Market Access and the progress towards achieving an agreement on negotiating modalities. We take note of the constructive dialogue on the Chair's Draft Elements of Modalities (TN/MA/W/35/Rev.1) and confirm our intention to use this document as a reference for the future work of the Negotiating Group. We instruct the Negotiating Group to continue its work, as mandated by paragraph 16 of the Doha Ministerial Declaration with its corresponding references to the relevant provisions of Article XXVIII <i>bis</i> of GATT 1994 and to the provisions cited in paragraph 50 of the Doha Ministerial Declaration, on the basis set out below.</p>	<p>with Paragraph 1. The text is <i>a</i> valuable <i>reference</i> for future work, but should by no means constitute the sole basis for negotiations. The Doha mandate is broad enough to include many of developing countries' priorities in the NAMA negotiations, including elements contained in developing countries' past submissions.</p>
<p>II. FORMULA</p>	
<p>4. We recognize that a formula approach is key to reducing tariffs, and reducing or eliminating tariff peaks, high tariffs, and tariff escalation. We agree that the 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, including through less than full reciprocity in reduction commitments.</p>	<p>Notwithstanding the adoption of this Paragraph, all members had not converged on the advantages of modalities based on a non-linear formula. That lack of agreement was recognised in Paragraph 1, which states that elements concerning the formula should be further negotiated ("<i>These relate to the formula</i>"). Thus, there should not be difficulties in further negotiating modalities for a formula.</p> <p>While a non-linear formula deals efficiently with high tariffs as well as with tariff peaks and tariff escalation (harmonising effect), it would also imply that developing countries make the bulk of the contribution towards multilateral tariff cuts in quantitative terms since their average tariffs are higher than those of developed countries.</p> <p>Such an outcome is blatantly against the spirit of paragraph 16 of the Doha Declaration, and nullifies the effects of the principle of "less than full reciprocity" recognised in favour of developing countries. The effective operationalisation of that principle should in fact allow developing countries to undertake lesser reduction commitments than developed economies. Many developing countries have indeed continuously raised concerns about the devastating effect that deep tariff cuts could have on their incipient industrialisation and</p>

	<p>economic diversification processes.</p> <p>Members should initially keep in mind that there can be other alternative contributions by developing and least developed countries, such as an increase in members' binding coverage (for those whose coverage is still not 100%, of course) or a reduction of average rates.</p> <p>The inclusion of this paragraph reinforces the need to correct the overall internal balance of the NAMA negotiations by ensuring that developing countries' needs are taken into account under other aspects of the negotiations.</p> <p>It should furthermore be a reminder of the importance of reaching an overall balanced round, especially as far as the negotiations in Agriculture are concerned.</p>
<p>5. We further agree on the following elements regarding the formula:</p> <ul style="list-style-type: none"> - product coverage shall be comprehensive without <i>a priori</i> exclusions; - tariff reductions or elimination shall commence from the bound rates after full implementation of current concessions; however, for unbound tariff lines, the basis for commencing the tariff reductions shall be [two] times the MFN applied rate in the base year; - the base year for MFN applied tariff rates shall be 2001 (applicable rates on 14 November); - credit shall be given for autonomous liberalization by developing countries provided that the tariff lines were bound on an MFN basis in the WTO since the conclusion of the Uruguay Round; - all non-<i>ad valorem</i> duties shall be converted to <i>ad valorem</i> equivalents on the basis of a methodology to be determined and 	<p>Paragraph 5 has both positive and negative implications for developing countries.</p> <p>While correctly recalling that, according to the Doha mandate, product coverage should be comprehensive, it does not make clear that participation of developing countries in a possible sectoral approach will be voluntary. On the other hand, it does not allude to participation criteria which make participation compulsory, such as the US "<i>critical mass</i>" criteria.</p> <p>In any case, sector coverage should take account of, and possibly be limited to, products of particular interest to developing countries.</p> <p>The paragraph also correctly states that the initial level of reductions should be the level of bound tariffs. In that regard, it is useful to recall that tariff reductions to a level above the applied rate level should still remain a valuable and valid contribution to the negotiations.</p>

<p>bound in <i>ad valorem</i> terms;</p> <ul style="list-style-type: none"> - negotiations shall commence on the basis of the HS96 or HS2002 nomenclature, with the results of the negotiations to be finalized in HS2002 nomenclature; - the reference period for import data shall be 1999-2001. 	<p>Concerning taret 2 (the only part of this paragraph being specifically mentioned in paragraph 1), the Annex does not provide a solution for the treatment of unbound tariffs. With that respect, it is important that unbound tariffs be negotiated in a manner that is consistent with WTO past experience and the Doha mandate. The choice of binding tariffs should be voluntary, negotiations cannot concern unbound tariffs. When negotiating unbound tariffs, the mere fact of binding them should be a valid contribution.</p> <p>The phrase in Paragraph 16 of the DMD "<i>product coverage shall be comprehensive and without a priori exclusions</i>" does not imply that all products must be negotiated. It is intended to avoid whole sectors being excluded <i>ab initio</i> (and in that sense should be read in connection with the obligation to negotiate sectors of particular interest to developing countries).</p> <p>Only if and when developing countries choose to bind their tariff lines, can there be reduction commitments. In any case, these efforts should not be made by reference to overall applied rates (over which WTO law does not apply).</p> <p>A reference to a level twice developing countries' overall applied rate will imply very low new bound rates since the applied rates are usually quite low (29%). The difference between bound and applied rates has proved to be an important instrument of developing countries' industrial policies providing manoeuvre space.</p> <p>If countries do choose to undertake reductions, these can instead be made by reference to caps (ceilings), following past experience in Agriculture during the Uruguay Round.</p> <p>In connection to Paragraph 1, this whole provision should remain negotiable (elements relating to the formula), and not confined to the specific mention to taret 2. This is one area where Paragraph 1 has to be read extensively, so that negotiating alternatives remain available</p>
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	<p>to developing countries.</p> <p>Another point which remains unclear in the present paragraph is how credit will be given for autonomous liberalisation (tired 4). The proviso is conditional (to rates being bound at an MFN basis) and it does not guarantee that members concerned will be exempted from having to make further reduction commitments. If members have previously undertaken autonomous liberalisation, this should in itself be taken for their contribution, providing an incentive for other countries to follow that path, instead of penalising participants for past reductions.</p> <p>Finally, a methodology for the calculation of Ad-Valorem Equivalent (AVEs) has still to be negotiated.</p>
<p>III. FLEXIBILITIES AND SECTORAL APPROACH</p>	
<p>6. We furthermore agree that, as an exception, participants with a binding coverage of non-agricultural tariff lines of less than [35] percent would be exempt from making tariff reductions through the formula. Instead, we expect them to bind [100] percent of non-agricultural tariff lines at an average level that does not exceed the overall average of bound tariffs for all developing countries after full implementation of current concessions.</p>	<p>Paragraph 6, together with paragraph 8 provide for differential treatment for the benefit of developing countries ("<i>flexibilities</i>"). It is important to recall in this respect that paragraph 16 of the Doha Declaration requires negotiations to take fully into account the "<i>special needs and interests</i>" of developing countries. In that context, it seems clear that S&D should be at the heart of negotiations, and not be treated as a marginal matter, or "<i>as an exception</i>". All developing countries that need special treatment should be able to participate in schemes.</p> <p>I</p> <p>n order to fully discharge the mandate in this regard, it is fundamental to device flexibilities that are effective in protecting the interests of all developing countries. Therefore, all those developing countries wishing to benefit from this flexibility should be allowed to do so, regardless of any condition concerning their binding coverage. Thus, the percentages under this paragraph must be renegotiated.</p> <p>In addition, the paragraph is also ineffective for countries that have</p>

	<p>already a very high or 100% binding coverage, as is the case for many developing countries. Other types of flexibilities should be devised for developing country members under this group.</p> <p>Moreover, paragraph 6 remains ineffective as an S&D provision. The paragraph undoubtedly introduces differentiated treatment, but, in its present format, that treatment does not yield tangible benefits for developing countries. The second sentence introduces the requirement that the totality (100%) of tariffs be bound and in addition, it sets a maximum average level at which tariffs should be bound (average for all developing countries).</p> <p>For this S&D provision to be meaningful, the binding of tariffs should in itself be treated as a trade concession and should not be combined with mandatory tariff caps. The level of newly bound tariffs should be left to be decided by developing countries or should, at most, be subject to ceilings disconnected with their average bound levels, as was done for agriculture during the Uruguay Round.</p> <p>Finally, unlike what the present paragraph states, modalities must make absolutely clear that developing countries increasing their binding coverage will not be required to undertake tariff reductions either through the formula or through the sectoral or supplementary approaches.</p>
<p>7. We recognize that a sectorial tariff component, aiming at elimination or harmonization is another key element to achieving the objectives of paragraph 16 of the Doha Ministerial Declaration with regard to the reduction or elimination of tariffs, in particular on products of export interest to developing countries. We recognize that participation by all participants will be important to that effect. We therefore instruct the Negotiating Group to pursue its discussions on such a component, with a view to defining product coverage, participation, and adequate provisions of flexibility for developing-country participants.</p>	<p>This paragraph is highly contentious and has been strongly opposed by many developing countries. In particular, it is thought that the sectoral approach could be used to achieve deeper tariff cuts than would otherwise be achieved through the formula approach on sectors considered sensitive for developing countries (as opposed to sectors of "<i>particular interest</i>").</p> <p>Since developing countries are already agreeing to grant concessions either by increasing their binding coverage, and/or by applying a formula on tariffs, they should not be compelled to participate in any mandatory sectoral approach. Participation in such a scheme, if it is</p>

	<p>indeed pursued, should remain voluntary for developing countries and there should not be any presumption of participation or any requirement of a minimum number of participants to attain a "critical mass".</p> <p>Moreover, a sectoral approach should <u>only</u> concern those sectors of interest to developing countries that are subject to tariff discrimination and non-tariff barriers in developed countries. Such an approach should be comprehensive and meaningful, that is, while concentrating on the elimination of tariff peaks and escalation, it should go beyond the treatment of tariffs and address the important issue of non-tariff barriers that affect most commonly the exports of developing countries. The selection of these sectors has to take into account the concerns of individual developing countries.</p> <p>Moreover, any discussions on sectoral approach should take into account possible detrimental effects for developing countries presently benefiting from non-reciprocal preference arrangements. For these sectors, longer implementation periods, compensation mechanisms and improved preferential market access should be discussed as possible ways to mitigate the effects of preference erosion and adjustment costs. This aspect should be an integral part of any possible sectoral negotiation.</p>
<p>8. We agree that developing-country participants shall have longer implementation periods for tariff reductions. In addition, they shall be given the following flexibility:</p> <p style="padding-left: 40px;">a) applying less than formula cuts to up to [10] percent of the tariff 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 imports; or</p> <p style="padding-left: 40px;">b) keeping, as an exception, tariff lines unbound, or not applying formula cuts for up to [5] percent of tariff lines provided they do not exceed [5] percent of the total value of a Member's imports.</p>	<p>Paragraph 8 provides differentiated treatment for members that have a binding coverage above the level set in Paragraph 6.</p> <p>It is important to recall that the Doha mandate calls for <i>at least</i> two intertwined, but different, ways of treating the interests of developing countries. The first one is through special and differential treatment (broadly defined) and the second one is through less than full reciprocity. While the former is more general and leaves open an array of possible flexibilities (such as longer implementation periods), the latter provides a very specific mandate: reduction efforts by developing countries must remain commensurate with their level of development and industrialisation.</p>

We furthermore agree that this flexibility could not be used to exclude entire HS Chapters.

This paragraph does not deal adequately with the special needs of developing countries and should therefore be strengthened.

It introduces the possibility of leaving a maximum percentage of tariffs unbound or applying less than formula cuts to a maximum percentage of tariffs.

There are several possible alternatives concerning this paragraph. Firstly, working on paragraph 6, so that it is redrafted with a substantial increase in the maximum binding coverage. This would increase the number of developing country members that could fall under its provisions. In addition, the percentage of the new binding coverage in paragraph 6 could also be reviewed, enabling countries to leave a margin of tariffs unbound.

In such a case, Paragraph 6 and 8 could be merged into a single provision allowing 1) to leave a certain percentage of tariffs unbound (excluding a certain amount of lines from liberalisation), 2) to increase binding coverage but without undertaking mandatory reduction commitments on the newly bound duties, and 3) to apply less than formula cuts to an established percentage of bound tariffs. Countries that have bound 100% of their tariffs could benefit from an exclusion from liberalisation on some items.

The unification of both paragraphs has the advantage of treating S&D and less than full reciprocity in a more consistent and strengthened way.

Alternatively, this paragraph needs to be renegotiated so as to increase the percentage levels in it and to remove the restrictive conditions it imposes, which limit its efficacy and scope. Developing countries should have greater latitude to decide which sectors should remain unbound or which sectors should benefit from lesser cuts, irrespective of the proportion these sectors represent in the value of

	<p>members' total imports.</p> <p>For less developed countries, tariffs are often the sole or the main instrument available in order to implement industrial policies and it has proved to be an efficient instrument in the industrialisation processes of many countries. That well recognised and valuable policy latitude should not be lost in the mandated negotiations.</p> <p>Moreover, the protection of that latitude is ensured in the paragraph 16 of the Doha Ministerial Declaration ("<i>interests of developing and least developed countries</i>") and in its reference to Article XXVIII bis of GATT 1994.</p> <p>Paragraph 3(b) of that article recognises explicitly the "<i>needs of less developed countries for a more flexible use of tariff protection to assist their economic development</i>". That article is clear enough and reference to it in the Doha Declaration proves that developing countries agreed to reduce tariffs in order to foster their trade flows, but have not agreed to liquidate their incipient industry or to abandon any possibility of future industrialisation.</p> <p>Finally, the last sentence concerning the exclusion of whole chapters from this flexibility should also be negotiated rather than being excluded from the outset.</p>
<p>9. We agree that least-developed country participants shall not be required to apply the formula nor participate in the sectorial approach, however, as part of their contribution to this round of negotiations, they are expected to substantially increase their level of binding commitments.</p>	<p>Paragraph 9 and 10 deal with the treatment of least developed countries in the negotiations.</p> <p>The first paragraph exempts LDCs from making tariff cuts under the formula and the sectorial approaches, although it does not make absolutely clear that no reduction at all will be required from them.</p> <p>Concerning the increase of the level of binding commitments, LDCs should proceed on a voluntary basis, and not be expected to make increases in any pre-established ways.</p>

<p>10. Furthermore, in recognition of the need to enhance the integration of least-developed countries into the multilateral trading system and support the diversification of their production and export base, we call upon developed-country participants and other participants who so decide, to grant on an autonomous basis duty-free and quota-free market access for non-agricultural products originating from least-developed countries by the year [...].</p>	<p>LDCs attach great importance to increasing their participation in world trade and as a result seek meaningful provisions that could help them improve or better use their market access opportunities.</p> <p>Consequently, LDCs have expressed their interest that duty and quota-free market access be granted on a binding basis, and not on an autonomous one.</p> <p>Both developed countries and those developing countries who so desire could improve market access opportunities for LDCs.</p> <p>Besides, there are many non-tariff barriers that hinder the full utilisation of export opportunities by LDCs. These concern detrimental rules of origin, labelling requirements, and problems related to SPS, TBT and Implementation Issues among many others. All this issues should be addressed in the Negotiating Group on NAMA, in the best interest of LDCs.</p>
<p>11. We recognize that newly acceded Members shall have recourse to special provisions for tariff reductions in order to take into account their extensive market access commitments undertaken as part of their accession and that staged tariff reductions are still being implemented in many cases. We instruct the Negotiating Group to further elaborate on such provisions.</p>	<p>Criteria for newly acceded members could comprise not the year in which an accession treaty was signed, but the last year of implementation of schedules instead. That would significantly increase the number of countries falling under this paragraph. That criterion could also be used to negotiate concessions and S&D provisions relating to other paragraphs. It is indeed normal that those developing countries which are still implementing past commitments should not be required to undertake further commitments.</p>
<p>12. We agree that pending agreement on core modalities for tariffs, the possibilities of supplementary modalities such as zero-for-zero sector elimination, sectorial harmonization, and request & offer, should be kept open.</p>	<p>Developing countries should not be subject to supplementary tariff reduction approaches. It is important that this paragraph is only applied subject to the provisions of paragraphs 6, 8, and 9.</p>
<p>13. In addition, we ask developed-country participants and other participants who so decide to consider the elimination of low duties.</p>	
<p>IV. NON-TARIFF BARRIERS</p>	
<p>14. We recognize that NTBs are an integral and equally important</p>	<p>Non-Tariff Barriers (NTB) have today developed into one of the</p>

part of these negotiations and instruct participants to intensify their work on NTBs. In particular, we encourage all participants to make notifications on NTBs by 31 October 2004 and to proceed with identification, examination, categorization, and ultimately negotiations on NTBs. We take note that the modalities for addressing NTBs in these negotiations could include request/offer, horizontal, or vertical approaches; and should fully take into account the principle of special and differential treatment for developing and least-developed country participants.

main, if not the most important, hurdle to exports from developing countries. The number, complexity and importance of NTBs has been growing steadily with the reduction of tariffs in OECD countries and their identification and quantification by developing countries is very complex, if possible at all. However, they must be addressed as part of the NAMA negotiations and developing country delegates should bear their importance in mind when negotiating other elements, such as the formula. It would be desirable to link progress – or the finalisation – of a formula to the adoption of clear modalities and a work programme to tackle NTBs.

Paragraph 14 reflects the fact that barely any progress has been made as far as NTBs are concerned, since most of the attention has concentrated on the formula and a few other issues. The pace of negotiations and level of ambition in this area should be at least the same as in other areas of Annex B. Developing country negotiators should also take advantage of the fact that no text has still been chosen as a basis for the negotiations of NTBs, and thus that all alternatives are still possible.

Moreover, contrary to what has been suggested in many proposals, NTBs should be exclusively dealt with in the Negotiating Group on NAMA, and not dispersed in other negotiating committees, where they would lose momentum, irrespective of the Agreements they concern. Developing countries most often do not have the personnel and the expertise to cover further additional issues in more meetings, and other negotiating groups such as the regular negotiating committees already have a full and complex agenda of their own. Once NTBs affecting developing countries have been identified, they can be discussed in the Negotiating Group on NAMA and expertise can be imported from the relevant other committees whenever that is necessary.

Many developing countries and especially LDCs have difficulties in identifying NTBs affecting their exports. It would therefore be useful

	<p>to ask the Secretariat to identify the NTBs that most typically hinder developing countries and LDCs.</p> <p>In that regard, it is also important that all types of NTBs be discussed, without a priori exclusions, just as all sectors are being negotiated. The fact that a WTO Agreement does not have a negotiating mandate should not exclude certain barriers from being discussed. For those Agreements with a negotiating mandate, negotiations must be undertaken within the NAMA talks.</p> <p>It is also vital that, if NTBs are discussed by reference to the sectors where they appear most often (vertical approach), that those negotiations are not linked to an overall sectoral approach, comprising further tariff reductions. In that case, it is also important that the chosen sectors are indeed sectors of interest to developing countries.</p>
<p>15. We recognize that appropriate studies and capacity building measures shall be an integral part of the modalities to be agreed. We also recognize the work that has already been undertaken in these areas and ask participants to continue to identify such issues to improve participation in the negotiations.</p>	
<p>V. TRADE PREFERENCES</p>	
<p>16. We recognize the challenges that may be faced by non-reciprocal preference beneficiary Members and those Members that are at present highly dependent on tariff revenue as a result of these negotiations on non-agricultural products. We instruct the Negotiating Group to take into consideration, in the course of its work, the particular needs that may arise for the Members concerned.</p>	<p>The issue of how to compensate and protect countries that will face detrimental effects from a generalised tariff reduction (preference erosion) is a subject that has led to a lot of discussions in the Negotiating Group on NAMA.</p> <p>In the next stage of negotiations, developing countries will have to propose ways in which they can be compensated against the erosion of their preferences. It will then become very important to find common denominators that can suit the priorities of the majority of developing countries, that is, both preference receiving countries affected and countries which do not benefit from preferences.</p>

	<p>Maintaining consistent claims and coordinating country positions will be very important in order to face a more offensive position of developed countries at this new stage of negotiations.</p> <p>Preference receiving countries should be able to benefit from some type of effective compensation. Developing countries do not oppose trade liberalisation, but should be allowed to implement tariff reductions over extended periods of time. Under no circumstance should these periods be shorter than the programmed phasing out of export subsidies and domestic support under the Negotiations in Agriculture.</p> <p>Implementation and / or transition periods, coupled with programmes aiming at economic diversification, technical assistance and capacity building can become the initial point for negotiations. In that respect, an integrated programme, involving a comprehensive number of other international organisations, can be devised.</p> <p>Another possible approach to deal with preferences is to identify the sectors where non-reciprocal preferences are most common and either to stage their liberalisation or, where it is possible, to grant deeper concessions to present beneficiaries.</p>
<p>17. We furthermore encourage the Negotiating Group to work closely with the Committee on Trade and Environment in Special Session with a view to addressing the issue of non-agricultural environmental goods covered in paragraph 31 (iii) of the Doha Ministerial Declaration.</p>	



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