Analytical Note
SC/AN/TDP/MA/9
Original: English

COMMENTS TO THE SECOND REVISION OF THE OF WTO NAMA DRAFT MODALITIES

TN/MA/W/103/Rev.1 of May 2008

SYNOPSIS

This note contains preliminary comments to the second revision of the Draft modalities for WTO NAMA negotiations, released on 20 May 2008 by the Chairman of the Negotiating Group on Market Access (TN/MA/W/103/Rev.1). After undertaking an overall assessment of the revised NAMA draft modalities text, this note comments on selected specific sections thereof, particularly with respect to developing countries' concerns and interests in these negotiations.

June 2008
Geneva, Switzerland

This South Centre Analytical Note was prepared by the Trade for Development Programme

COMMENTS TO THE SECOND REVISION OF THE OF WTO NAMA DRAFT MODALITIES

TABLE OF CONTENTS

COMMENTS TO THE SECOND REVISION OF THE OF WTO NAMA DRAFT MODALITIES

I. INTRODUCTION

1. On 19 May 2008, the Chairman of the WTO Negotiating Group on Market Access, Ambassador Don Stephenson of Canada, released a second draft of his proposed modalities for WTO NAMA negotiations[1]. As is customary now, the text was released together with the revised draft modalities text of WTO Agricultural negotiations. This revised draft text constitutes, like the previous versions of the NAMA modalities (July 2007 and February 2008), a proposal from the Chairman to facilitate negotiations, but it has not been formally endorsed by WTO members. It has, in fact, been the object of intense technical discussions during the week of 26 May and is expected to be revised before being submitted to senior officials for finalisation.

2. This note comments on the main revisions to the NAMA modalities paper. After commenting generally on the approach and structure of the revised text (II), this note overviews selected sections thereof (III-IX), particularly with respect to revisions or changes introduced vis-à-vis the two previous editions. For a full analysis of the NAMA modalities, please refer to the comments prepared by the South Centre to the two previous versions of the draft modalities.[2] A table at the end of this note summarises the treatment of WTO Members with respect to tariff reduction modalities (Annex).

II. GENERAL COMMENTS ON THE TEXT

3. Despite the absence of a clear endorsement, the proposed revised modalities are definitely a fundamental guiding paper in so far as it constitutes the framework on which senior officials will base their trade-offs and compromises to finalise the core areas of the Doha Round of negotiations. This explains the importance that all delegations attach to having modalities language that lock in their preferred approach or offer sufficient manoeuvring space for subsequent bargains.

4. In that regard, the revisions proposed by the Chairman are likely to provide comfort to many delegations since the relatively few revisions aim at reflecting different WTO members' proposals. However, precisely because the revised text reflects different and sometimes diverging options, it will displease some members who may think it offers too much uncertainty for the continuation of discussions and thus limited visibility of the final outcome.

5. Nevertheless, while it is true that the precise outcome in many areas remains

[1] WTO Document TN/MA/W/103/Rev.1 of 20 May 2008

[2] Comments to the Chairman's Draft NAMA Modalities, South Centre (July 2007) and Comments to the Chairman's Revised Draft Modalities for WTO NAMA negotiations, South Centre (February 2008). Available at: http://www.southcentre.org

uncertain, it should be underscored that the revisions do not alter substantially the level of ambition of NAMA negotiations. Despite comments to the contrary by developed country industry lobbies, the overall level architecture of the text and even the marginal variations in coefficients means that the ambition remains unchanged. There is no indication that the entire text should be deemed to be between brackets (i.e. under negotiation). In this sense, there is a progressive but clear confirmation that the current structure and architecture are final.

6. As a result of its uncertainties, the current revised text is much more difficult to be negotiated. For most of the controversial elements of the modalities, indeed, the positions of different groups are reflected in a series of brackets, offering options - but not compromise language. Brackets in the core areas of the modalities reflect extremely polarised positions. In this sense, the revised text provides little guidance regarding what could be "landing zones".

7. While the approach of adding brackets with Members' proposals is consistent with a "Member-driven" negotiating process, the lack of compromise language or at least "pointers" makes the continuation of the process more complex. This is all the more true given the number and degree of divergences which continue to oppose WTO Members in NAMA. For this is the reason, some delegations have commented that the current NAMA modalities text should have been proposed in July 2007, not now.

8. In this sense, the revised modalities confirm a trend that had already been noted with regard to its February 2008 version, namely, a more "hands-off" chairmanship of the negotiating process. Not only does the modalities text contain wider ranges of options, reflecting the polarisation of Members' views, but its structure has also been revised, by eliminating the column with the Chair's personal comments. That column had been useful in so far as, irrespective of the equity of comments included, it provided useful supplementary information regarding the degree of convergence with respect to several negotiating areas.

9. The Chairman has indeed reiterated to delegations that they should negotiate among themselves, not with the Chairman. This instruction culminated with the Chairman's decision to suspend formal NAMA negotiations since 2 June until further notice. As a result, the process has continued in a diffuse and informal format, particularly among a core group of about twelve only. This small group has been referred to as the G-12 (although precise numbers vary) and is now being convened by the delegation of the United States. The only developing countries currently taking part to these discussions are Brazil, China, India, and South Africa. Nonetheless, the countries taking part in these core group consultations are doing so on their own account, and do not represent groups of countries. The agenda of this group, who officially does not negotiate, but only brainstorms on different aspects of the modalities, includes most of the core areas (the architecture of the formula and flexibilities, sectorals, and RAMs).

10. As much as there can be truth in the fact that negotiations should happen among Members and not with the Chairman, a more diffuse negotiating process

does deteriorate the transparency and inclusiveness of the process. It particularly alienates smaller countries' delegations.

11. Moreover, while there is an understanding that both NAMA and Agriculture texts will be assessed by senior officials within the overall context of the WTO Doha Round (within the *horizontal process*), it is not clear how to take (or not) the current texts to that process. Arguably, there will be an attempt to reduce the number of open questions in the NAMA modalities, with a view to presenting a paper with a reduced number of brackets to capital-based high level officials or ministers. However, how much the modalities text should be cleaned is not clear. Neither is it clear whether improvements can be made at the technical level or whether decisions should now come from a more senior or political level.

12. In sum, there is at present a serious lack of visibility regarding the way forward for NAMA negotiations. While the NAMA process usually mirrors the main steps taken in the WTO Agricultural negotiations, there is no certainty that this could be the case now. For a start, the Chairman communicated that he would only reconvene formal meetings when Members had "anything new" to report. This raises the question of who these Members are, when they should react and what constitutes new elements. If members are unable to propose compromise language for each of the controversial elements in the modalities, there could be a greater justification for the Chairman, or perhaps, Pascal Lamy, the Director General of the WTO, to submit their own compromise text. This would perhaps be the most feared scenario in so far as it places (smaller) Members in a reactive position. Pressure seems to be growing in that direction, nevertheless.

III. TARIFF REDUCTION MODALITIES (FORMULA, COEFFICIENTS, FLEXIBILITIES)

13. The core area of tariff reductions was revised particularly with respect to the flexibilities. However, the importance of such revisions is relative, as options would no alter substantially the average reductions Members would undertake. An important element is that the revisions introduce an explicit, quantifiable link between the coefficients in the formula and the flexibilities. This link had been long fought by some developing countries (mostly NAMA 11 delegations) but seems to be inevitable given the intransigence of developed country members to raise the proposed figures for the formula coefficients.

14. The new options for a "sliding scale" between the coefficient and the flexibilities blur de hierarchy of contributions. In other words, it has become more difficult, perhaps impossible, to foresee each Members' average tariff reductions and hence to compare the contributions of each member to the modalities.

A. Developed countries

15. The May 2008 revised NAMA draft modalities enlarged very slightly the range for the Swiss Formula coefficient to be applied by the developed countries,

bringing the lower figure in the range from 8 down to 7. This lower figure seems indeed to be the lowest coefficient developed countries are willing to accept lest facing the opposition of their sensitive productive sectors (particularly textiles). Nonetheless, even with a slightly broader range, the difference in the application of either figure is negligible, as can be seen from the table below.

Table 1: Average tariff reductions by major developed countries, February 2008 revised modalities (%)

	Current Bound average	*New Bound average After Swiss* **(7)**	*Average Reduction*	*New Bound average After Swiss* **(9)**	*Average Reduction*
US					
Peak	48	6.11	87.3	7.58	84.21
Simple Average	3.20	2.20	31.37	2.36%	26.23
EU					
Peak	26	5.52	78.8	6.69	74.29
Simple Average	3.90	2.50	35.8	2.72	30.23
Japan					
Peak	26	5.52	78.8	6.92	76.92
Simple Average	3.90	2.50	35.8	1.83	20.35

16. However, as also seen from these examples, the coefficients are very effective in bringing down developed country tariff peaks, triggering sometimes very steep reductions. As a result, some products of interest to developing countries which are subject to high MFN tariffs in developed country markets (mostly fish products and apparel and clothing) will be subject to strong reductions. It should be noted, however, that on some of these tariff lines, reductions could be moderated or delayed by the modalities (to be agreed) on preference erosion.

B. Developing countries subject to the Formula

17. Only 27 developing countries and 4 Recently Acceded Members (RAMs) will be subject to the tariff reduction formula (see the summary table at the end of this note).

18. The range of coefficients for developing countries in the May 2008 revised text has also been slightly enlarged: moving from 19 to 23 to 19 to 26. This new range seems to indicate the highest coefficient developed countries are willing to consider (not necessarily to accept) and, similarly, the lowest coefficient developing countries are willing to consider (but not necessarily to accept). Because of the structure of the Swiss formula, the differences in the application of the figures in either extreme of this range are very marginal. NAMA 11 countries would make, on average, reductions of 60% with the lowest end coefficient (19) and reductions of 54% with the higher coefficient proposed (26) (see table below).

<u>Table 2</u>: Impact of the Swiss Formula coefficients on average bound rates, NAMA 11, February 2008 revised modalities (%)

WTO Member	MFN Applied Average	Simple Bound Average	Swiss 19	Reduction	Swiss 26	Reduction
Argentina	12.60	31.80	11.89	62.60	14.30	55.02
Brazil	12.60	30.80	11.75	61.85	14.10	54.23
Egypt	12.20	27.70	11.27	59.31	13.41	51.58
India	16.40	34.30	12.23	64.35	14.79	56.88
Indonesia	6.80	35.60	12.39	65.20	15.03	57.79
Philippines	5.80	23.40	10.49	55.19	12.32	47.37
South Africa	7.90	15.70	8.60	45.24	9.79	37.65
Tunisia	21.00	40.50	12.93	68.07	15.83	60.90
Venezuela	12.70	33.90	12.18	64.08	14.71	56.59
Group Average	*12.00*	*30.41*	*11.52*	*60.66*	14.02	53.91

19. The most significant difference between both ends of the range, perhaps, is that a coefficient of 19 would not only entirely or generally eliminate developing countries' tariff overhang (water between bound and MFN applied rates) but would also reduce applied rates. A coefficient of 26 would severely reduce or eliminate water, but would preserve to a larger extent developing countries' MFN applied tariff rates. However, any analysis regarding final average rates after the modalities would have to factor the utilisation of flexibilities, which, given their current nature and structure, is almost impossible.

20. A noteworthy element of the current revision is that the modalities continue to require developing countries to undertake, on average, much larger tariff reductions than developed countries. This means that even with the currently broadened ranges for the coefficients, the principle of Less than Full Reciprocity in reduction commitments would be violated as shown in the table below. Tariff reductions by NAMA 11 countries would continue to be, on average, almost the double (54%) of those made by the three major developed countries (30.6%). This is all the more true since under this scenario (utilisation of a coefficient of 26), developing countries would not have access to any of the flexibilities of paragraph 7 of the modalities.

<u>Table 4</u>: Less than full reciprocity – Comparison of formula effects on the NAMA-11 and major developed countries, extreme coefficient ranges in February 2008 revised modalities (%)

Average Tariff reductions	*MFN Average*	*Bound Average*	*Swiss 19*	*Reduction*
NAMA-11 countries	*15.03*	*30.41*	14.02	53.91
Developed countries (EU,	*3.63*	*3.13*	2.14	*30.63*

Japan, US)				

21. With respect to the flexibilities, the May 2008 revised text reintroduces figures for paragraph 7. The chairman had in fact been strongly criticised by both developed and developing countries for leaving empty brackets in the paragraph concerning flexibilities in his February 2008 modalities text. The revised figures (paragraph 7(b)) are actually exactly the same as those of the July 2007 and indeed the July 2004 texts (10 and 5: i.e. 10% of tariff lines that could be subject to less than formula cuts and 5% of tariff lines that could remain unbound or be exempted from cuts). However, recourse to these flexibilities is currently linked to the utilisation of a coefficient of 21 to 23 (to be negotiated) in the formula. The re is indeed a new sliding scale proposal, with two new options for the flexibilities, both linked to specific coefficients:

22. Paragraph 7(a):

(i) less than formula cuts for up to [12-14] percent of non-agricultural national tariff lines provided that the cuts are no less than half the formula cuts and that these tariff lines do not exceed [12-19] percent of the total value of a Member's non-agricultural imports; or
(ii) keeping [6-7] percent of non-agricultural national tariff lines unbound or exempted from cuts provided they do not exceed [6-9] percent of the total value of a Member's non-agricultural imports.

23. And Paragraph 7(c): no flexibilities at all (i.e. application of the formula on all non-agricultural tariff lines) in exchange for the utilisation of a higher coefficient in the formula (between 23 and 26 to be negotiated).

24. This explicit link between the actual figures and utilisation of the flexibilities and the value of the coefficient represent a severe loss of negotiating ground for developing countries. The flexibilities operate as a cushion to protect most sensitive sectors from the full impact of the formula; they are not an element that substantially alters the level of ambition of modalities. Given the restrictions regarding their utilisation, the flexibilities can only have a circumscribed scope. As a result, the choice of coefficients for the formula would impact all other sectors and products which cannot be shielded from the formula.

25. It should be recognised, nevertheless, that the utilisation of the flexibilities could have an impact on the interests of other Members with a very specific exporting interest. This is precisely why some developed countries make pressure to further circumscribe the utilisation of these flexibilities both by limiting their scope (number of lines and volume of trade) and by avoiding the protection of entire sectors (HS chapters and tariff lines, through the "anti-concentration" clause). Confrontation in this regard is reflected through an attempt to restrict the utilisation of flexibilities in paragraph 7(f) of the modalities.

26. Given the rigidity of this architecture, in fact, it should not surprise that

Venezuela (7(e)), and South Africa (7(d)) have sought additional flexibilities in the modalities. Support for these requests, nevertheless, is not universal as shown by the continued brackets in the May 2008 revised text.

27. Finally, an interesting but confusing addition in the revised text concerns the possibility for developing countries to utilise a higher coefficient in the formula in exchange for their participation in sectoral tariff reductions (paragraph 7(i)). While the intent of this option is clear, i.e. to provide incentives for the participation of major developing countries in specific sectoral negotiations, it is unclear how it would operate. First, there would have to be a balance between a specific coefficient (or mark up) for the formula and the participation in sectoral initiatives. How many sectoral initiatives would a developing country need to join before the credits of this paragraph could be utilised? Would participation in a single sectoral agreement suffice? How would these credits affect the design of "appropriate S&D and flexibilities" for developing countries participating in each sectoral initiatives? Finally, since the list of sectoral initiatives would only be known after the establishment of modalities, when would the link between sectorals and the coefficient be made?

IV. SMALL AND VULNERABLE ECONOMIES

28. The revised modalities confirmed the tariff reduction approach for SVEs proposed in the February 2008 draft modalities. The ranges for reductions in each of the three bands continue to be the same (see table below). An important difference, though, was the introduction of maximum average reductions ("caps") for the two higher bands, as had been requested by the SVE proponents. Nonetheless, while not explicit in the text, there are accounts that the inclusion of such cups remains very controversial among Members.

Band	Current Simple Bound Average	Bind all Non-Agricultural tariff lines at a new average of
Band 1	above 50%	22% to 32% Or a maximum of 40% reductions
Band 2	between 30% and 49.9%	18% to 28% Or a maximum of 30% reductions
Band 3	between 0 and 29.9%	14% to 20% in addition, undertake minimum cuts of [5-10%] on [90-95%] of all tariff lines

29. The difficulty in finalising the treatment of SVEs lines continues to be little predictability regarding the level of ambition for larger developing countries and hence a lack of incentive for SVEs to lock in their level of ambition in the modalities.

30. Finally, there two additional revisions of this section of the modalities worth commenting. The first concerns the request for special consideration in the

modalities submitted by Bolivia, which was included between brackets, following the same approach used for other country requests for additional flexibilities (South Africa and Venezuela). An important difference, nevertheless, is that the revised text is silent regarding what that treatment should or could be. It only mentions an important parameter, which is that the treatment "shall substantially preserve [Bolivia's] bound tariff rates".

31. The second revision concern implementation periods, which now are of 8 to 10 years (9-11 equal rate reductions) whereas the February 2008 version mentioned only one figure (9 equal rate reductions). However, the exact period is still subject to negotiations as is the case of developing countries subject to the formula (brackets). The text does however not include the option for the SVEs to back-load the implementation of the modalities (as has been included, as an option to be negotiated, for the countries of paragraph 8 (countries with a low level of binding coverage or the former paragraph 6).

V. MEMBERS WITH A LOW LEVEL OF BINDING COVERAGE

32. Members with a low level of binding coverage (up to 35% of lines bound at the WTO) have, for some time already, been recognised separate treatment in the modalities. The novelty in the May 2008 revision of the modalities consists in proposing a differentiated (banded) contribution for the different members of the group depending on their current level of binding coverage. The inclusion of a banded approach is an acknowledgement of the overall architecture which had been proposed by the Members concerned by this paragraph.

33. This new approach would modulate the effort made by each WTO developing country member concerned by this paragraph to her respective situation at present. That is, members, within the group, with a lower binding coverage would need to bind a lower proportion of tariff lines than others members that have a higher binding coverage already. However, the text reflects that there continues to be divergence over the approach since one of the values for binding coverage in the three tiers is identical (i.e. 90%). In other words, there is persistent pressure for the acceptance of a 90% binding coverage by all countries in this group.

34. Since the acceptance of the architecture of this paragraph is not final yet, some would find surprising that there are no brackets around the value of the final bound average rate (28.5%) to be met by this group. This would have signalled the intrinsic relationship that there is between the value retained for binding coverage and the value of the final bound average rate (a higher coverage would call for a proportional increase in the final average tariff rate).

VI. NEWLY ACCEDED MEMBERS

35. The revised modalities confirm that Recently Acceded Members (RAMs) will be have differentiated obligations under NAMA. There are indeed three sub-groups for purposes of tariff reduction modalities. While one group undertakes

no tariff reductions, beyond those related to the conditions of their accession to the WTO, other two groups should reduce their tariffs by applying the formula or under the third, lower band applicable to the SVEs (see the Annex):

Sub-Group 1 makes no commitments under NAMA[3]:

- Implements only accession commitments as per the terms of individual accession packages. Ukraine was added to the list of countries falling under this group.

Sub-Group 2 applies the tariff reduction formula[4]:

- A Grace period before undertaking reductions of [2-3] years on each tariff line (after the implementation of accession concessions). However, there is now revised language aiming at limiting the availability of the grace period only to lines on which con cessions were still being implemented in January 2003. This option would limit the scope of this flexibility for RAMs; and,
- An additional implementation period of [2-5] years beyond the [8-10] years provided for developing countries. The revised ranges for the extended implementation period have thus become larger (2-5 instead of 1-4).

Sub-Group 3 reduces tariffs as per Tier 3 of the SVEs modalities[5]:

- Grace period before undertaking reductions: 3 years (no brackets) on each tariff line (after the implementation of accession concessions)
- Implementation: [8-10] years

VII. NON-TARIFF BARRIERS (NTBS)

36. The language regarding NTBs has not really seen significant revisions. Nevertheless, the change in the structure of the text, i.e. the elimination of the Chairman's comments in a second column, does have an impact on the reading of the modalities for NTBs. In fact, while proposals that are being discussed are enumerated in the modalities text, the absence of comments gives the impression (for an uninformed reader) that all enumerated proposals enjoy equal support by the membership.

37. At the very least, the following four proposals enjoyed limited or very limited support according to the Chairman's February 2008 comments:

a. Decision on the Elimination of Non-Tariff Barriers Imposed as Unilateral Trade Measures;
b. Revised Submission on Export Taxes;
c. Protocol on Transparency in Export Licensing to the General Agreement on Tariffs and Trade 1994;
d. Ministerial Decision on Trade in Remanufactured Goods

[3] Albania, Armenia, Macedonia (FYROM), Kyrgyz Republic, Moldova, Saudi Arabia, Tonga, and Viet Nam.
[4] China, Croatia, Oman and Chinese Taipei.
[5] Ecuador, Georgia, Jordan, Mongolia, and Panama.

38. While it is true that all proposals were enumerate between brackets, it is well acknowledged that some enjoy much greater support or resistance than others. The Chairman includes – in the Annex 5 only – a caveat specifying that the inclusion of a textual proposal in the draft modalities does not indicate it has sufficient support ("*The inclusion of a proposal in this Annex does not presume a consensus around it*", at page 18).

39. Finally, another confusing element regarding the finalisation of NTB negotiations concern the sequencing proposed. It is proposed that text-based negotiations on NTBs be finalised five months after the establishment of modalities (paragraphs 25(a) to 25(c)). This would mean that by the time modalities are adopted, members would still not know which proposals would be discussed and on what terms (their text would still be subject to discussions). Ideally, there should be a clarification of which proposals would be discussed before the establishment of modalities, which necessitates a clarification of paragraph 24.

VIII. SECTORAL NEGOTIATIONS

40. Given the controversy regarding the overall ambition in NAMA and difficulties in translating that ambition through the elements related to the tariff reduction formula, sectoral negotiations have gradually become a fundamental aspect of the modalities. In fact, the number of tariff lines for which sectoral tariff reductions have been proposed is now very substantial, to the point of becoming a concern for some members (for instance, those with a stake in preference erosion).

41. In the revise text, a new sectoral initiative, which had not been enumerated in the February 2008 version of the modalities, is proposed, namely for industrial machinery.

42. A problematic element in the text (as for NTBs) also concerns the continuation of negotiations in this regard and the sequencing of next steps. According to Para 12(c), the final decision regarding whether to pursue or not each sectoral initiative would only be known after the adoption of modalities (3 months after the establishment of modalities), during the preparation of draft schedules. This is so because proponents and those willing to join will only have the comprehensive list of participants to an initiative (critical mass) at that stage. Hence, a comprehensive picture of the overall ambition in NAMA would not emerge before after the finalisation and adoption of the modalities.

43. This could make it difficult to operationalise a trade off between the participation of some members in the sectoral initiatives and a lower coefficient for developing countries in the formula. This could also make the negotiation of language regarding preference erosion more difficult (preference products, it was proposed, should not be subject to these initiatives). Finally, this would make difficult the operationalisation of a credit system in the formula for participation in the sectoral negotiations (see section III) above).

IX. PREFERENCE EROSION

44. Regarding the "non-trade" solution to preference erosion, the revised text calls preference granting developed countries also invited to provide technical and financial assistance to preference dependent developing countries (no brackets). The revision invites, in addition, members in a position to do so to also assist to preference dependent developing countries (still in brackets, however).

45. With respect to assistance, the stringency of the language remains to be negotiated. While the February 2008 draft text "urged" members to assist preference dependent developing countries, the revised text contains an option (in brackets) whereby assistance "shall" be provided. Members now have to negotiate final language in that respect.

46. A new mechanism, housed in the CTD, is also proposed to monitor the provision of assistance to preference dependent countries. This proposal however remains controversial as shown by the presence of brackets in that regard.

47. Regarding the "trade" aspect of the solution to preference erosion, there continues to be significant divergence of views as shown in the lack of revisions and existence of brackets in the extended timeframe for implementation of concessions by preference-granting developed countries. The list of preference sensitive products (Annexes 2 and 3) remains identical, but the entire Annexes were bracketed.

X. CONCLUSION

48. Given the pressure to conclude the Round and to avoid weakening the already fragile negotiating process, delegations will face enormous pressure to compromise. In this respect, the architecture of the present NAMA modalities offer little ground for manoeuvring and possible improvements to the text lie on very fine lines, mostly on the figures proposed.

49. However, the extremely polarised views reflected in the current revised modalities text will also require greater creativity and engagement in order to reach new, compromise language or at least a narrowing down of options. It is not clear whether this can happen at the technical level or it would necessitate the intervention of ambassadors or capital-level senior officials. Greater visibility in the modalities for WTO negotiations on agricultural trade could arguably contribute to a better negotiating climate in NAMA, but is unlikely to suffice.

50. The role of large developing countries over the weeks ahead, particularly those participating in small group discussions or in the horizontal process, will have a determinant impact generally on the solidarity of developing countries, and, more specifically, on the ability of smaller delegations to protect their interests in the modalities.

ANNEX: SUMMARY OF TARIFF REDUCTION MODALITIES IN WTO NAMA NEGOTIATIONS

DEVELOPED COUNTRIES (10)	
Criteria: self-designation	**Treatment in the modalities**
1. Australia	▪ Application of the Swiss Formula with coefficients of [7-9] ▪ Implementation: [4-5] years (subject to the modalities regarding preference erosion in the case of the EC and the USA)
2. Canada	
3. EC	
4. Iceland	
5. Japan	
6. Liechtenstein	
7. New Zealand	
8. Norway	
9. Switzerland	
10. USA	
DEVELOPING COUNTRIES applying the formula (27)	
Criteria: self-designation	**Treatment in the modalities**
1. Argentina	▪ Application of the Swiss Formula with coefficients of [19-23] depending on the type of flexibilities utilised […] or ▪ Application of the Swiss Formula with coefficients of [23-26] if the flexibilities are not utilised ▪ Reductions applied to unbound tariffs lines will start at a marked-up base rate ▪ Less than formula cuts or a total exemption from formula reductions would be authorised subject to some limitations (flexibilities) ⇒ Members of Customs Unions could have specific conditions in the utilisation of the flexibilities ⇒ South Africa, in order to protect the more vulnerable economies which are members of the SACU, could have larger flexibilities ⇒ Venezuela could be exempted from applying the formula and apply linear cuts instead. ▪ <u>Implementation</u>: [8-10] years
2. Bahrain, Kingdom of	
3. Brazil	
4. Chile	
5. Colombia	
6. Costa Rica	
7. Egypt	
8. Hong Kong, China	
9. India	
10. Indonesia	
11. Israel	
12. Korea, Rep. of	

13. Kuwait	
14. Malaysia	
15. Mexico	
16. Morocco	
17. Pakistan	
18. Peru	
19. Philippines	
20. Qatar	
21. Singapore	
22. South Africa	
23. Thailand	
24. Tunisia	
25. Turkey	
26. United Arab Emirates	
27. Venezuela, B. Rep. of	
SMALL AND VULNERABLE ECONOMIES (26[6])	
Criteria: self-designation	**Treatment in the modalities**
(Current Bound average tariff rate)	Differentiated in 3 bands
1. Barbados (72.9%)	**TIER 1** (current bound AVG of 50% or above) ▪ Bind all tariff lines at an average rate of [22-32%] or reduce their bound average by 40%, whichever results in lower reductions ▪ <u>Implementation</u>: [8-10] years
2. Saint Kitts and Nevis (70.8%)	
3. Saint Vincent and the Grenadines (54.4%)	
4. Saint Lucia (53.9%)	
5. Belize (51.5%)	
6. Antigua and Barbuda (51.4%)	
7. Trinidad and Tobago (50.5%)	
8. Dominica (50.0%)	
9. Grenada (50.0%)	
10. Guyana (50.0%)	
11. Fiji (*special arrangement*) (40.0%)	
12. Jamaica (42.5%)	**TIER 2** (Current bound AVG of 30-49.9%)

[6] 48 WTO Members have a share of global Non-Agricultural trade below 0.1%. Once developed countries, LDCs, Paragraph 6 countries and RAMs are excluded from that list, there are 26 WTO developing country Members who qualify for treatment as SVE.

13. Nicaragua (41.5%) 14. Guatemala (40.8%) 15. Bolivia (40.0%) 16. El Salvador (35.7%) 17. Dominican Republic (34.2%) 18. Paraguay (33.6%) 19. Honduras (32.6%) 20. Uruguay (31.3%) 21. Papua New Guinea (30.0%)	▪ Bind all tariff lines at an average rate of [18-28%] or reduce their bound average by 30%, whichever results in lower reductions ▪ Implementation: [8-10] years
22. Brunei Darussalam (24.5%) 23. Botswana (15.8%) 24. Namibia (15.8%) 25. Swaziland (15.8%) 26. Gabon (15.5%)	**TIER 3** (current bound AVG of 29.9% or below) ▪ Bind all tariff lines at an average rate of [14-20%] ▪ Apply minimum reductions of [5-10%] to [90-95%] of all tariff lines ▪ Implementation: [8-10] years
RECENTLY ACCEDED MEMBERS (17)	
Criteria: All Members which have acceded after the establishment of the WTO[7]	**Treatment in the modalities**
(date of accession)	Different for 3 Sub-Groups
1. Albania 2. Armenia 3. FYROM, Macedonia 4. Kyrgyz Republic 5. Moldova 6. Saudi Arabia 7. Tonga 8. Ukraine 9. Viet Nam	**Sub-Group 1:** ▪ Do not undertake reductions beyond their accession commitments
10. China, last year of implementation of accession commitments: 2010 11. Croatia, last year of implementation: 2005	**Sub-Group 2**: ▪ Undertake tariff reductions through the Formula for developing countries ▪ Grace period before undertaking reductions: [2-3] years on each tariff line

[7] Council Decision discussions reported in the Chairman's Introduction to the 2007 Draft NAMA Draft Modalities (Job(07)/126).

12. Oman, last year of implementation: 2009 13. Chinese Taipei, last year of implementation: 2011	▪ Implementation: [2-5] years in addition to the [8-10] years provided for developing countries
14. Ecuador, current Bound average tariff rate: 21.1% 15. Panama, current Bound average: 22.9% 16. Georgia, current Bound average: 6.5% 17. Jordan, current Bound average: 15.2% 18. Mongolia, current Bound average: 17.3%	**Sub-Group 3:** ▪ Undertake tariff reductions according to Tier 3 of SVEs modalities: Bind all tariff lines at an average rate of [14-20%] and apply minimum reductions of [5-10%] to [90-95%] of all tariff lines ▪ Grace period before undertaking reductions: 3 years on each tariff line ▪ Implementation: [8-10] years
PARAGRAPH 6 COUNTRIES (12)	
Criteria: Members with a binding coverage of less than 35%	**Treatment in the modalities**
1. Cameroon (binding coverage: 0.1%) 2. Ghana (1.2%) 3. Kenya (1.6%) 4. Congo (3.1%) 5. Mauritius (5.2%) 6. Nigeria (6.7%) 7. Zimbabwe (8.9%)	**TIER 1** ▪ Bind [70-90%] of all the non-agricultural tariff lines at an average rate of 28.5% ▪ Implementation: [8] years
8. Macao, China (14.6%) 9. Suriname (15.1%) 10. Cuba (20.3%) 11. Côte d'Ivoire (22.9%)	**TIER 2** ▪ Bind [75-90%] of all the non-agricultural tariff lines at an average rate of 28.5% ▪ Implementation: [8-10] years
12. Sri Lanka (28.3%)	**TIER 3** ▪ Bind [80-90%] of all the non-agricultural tariff lines at an average rate of 28.5% ▪ Implementation: [8-10] years
LEAST DEVELOPED COUNTRIES (32)	
Criteria: UN official definition	**Treatment in the modalities**
1. Angola (binding coverage: 100%) 2. Bangladesh (3.1%) 3. Benin (30.1%) 4. Burkina Faso (29.9%) 5. Burundi (9.9%) 6. Cambodia (100% by 2013)	▪ Increase binding coverage on a voluntary basis

7.	Central African Rep. (56.8%)	
8.	Chad (0.2%)	
9.	Congo, DR (100%)	
10.	Djibouti (100%)	
11.	The Gambia (%)	
12.	Guinea (29.5%)	
13.	Guinea Bissau (97.3%)	
14.	Haiti (87.6%)	
15.	Lesotho (100%)	
16.	Madagascar (18.9 %)	
17.	Malawi (14.9%)	
18.	Maldives (96.6%)	
19.	Mali (31.6%)	
20.	Mauritania (30%)	
21.	Mozambique (0.4 %)	
22.	Myanmar (4.7%)	
23.	Nepal (99.4% by 2013)	
24.	Niger %96.2%)	
25.	Rwanda (100%)	
26.	Senegal (100%)	
27.	Sierra Leone (100%)	
28.	Solomon Islands (100%)	
29.	Tanzania (0.1%)	
30.	Togo (0.6%)	
31.	Uganda (2.9%)	
32.	Zambia (4.0%)	

Sources: As mandated by current revised draft modalities, document TN/MA/S/4/Rev.1/Corr.1 for Bound tariffs rates and for Binding coverage and document TN/MA/S/18 for Share of world trade.

SOUTH CENTRE

Analytical Note
SC/AN/TDP/MA/9
Original: English

READERSHIP SURVEY QUESTIONNAIRE

Comments to the Second Revision of the of WTO NAMA Draft Modalities

An important objective of the South Centre is to provide concise and timely analytical inputs on selected key issues under ongoing negotiation in the WTO and other related multilateral fora such as WIPO. Our publications are among the ways through which we try to achieve this objective.

In order to improve the quality and usefulness of South Centre publications, we would like to know your views, comments, and suggestions regarding this publication.

Your name and address (optional): ____

What is your main area of work?
[ ] Academic or research
[ ] Government
[ ] International organization
[ ] Media
[ ] Non-governmental organization
[ ] Other (please specify)

How useful was this publication for you? [Check one]
[ ] Very useful [ ] Of some use [ ] Little use [ ] Not useful
*Why?*____

What is your assessment of the contents of this publication? [Check one]
[ ] Excellent [ ] Very Good [ ] Adequate [ ] Poor

Other comments: ____
____
____
____

Would you like to be on our electronic and/or hardcopy mailing lists? [ ] Yes [ ] No
If yes, please indicate:

[ ] **Electronic** – please indicate your name and email address:
[ ] **Hardcopy** – please indicate your name and mailing address:

<u>**Personal Information Privacy Notice**</u>: Your personal contact details will be kept confidential and will not be disseminated to third parties. The South Centre will use the contact details you provide solely for the purpose of sending you copies of our electronic and/or hardcopy publications should you wish us to do so. You may unsubscribe from our electronic and/or hardcopy mailing lists at anytime.

Please return this form by e-mail, fax or post to:
South Centre Feedback
Chemin du Champ d'Anier 17
1211 Geneva 19 - Switzerland
E-mail: south@southcentre.org
Fax: +41 22 798 8531

Chemin du Champ d'Anier 17
Case postale 228, 1211 Geneva 19
Switzerland

Telephone : (41 22) 791 8050
Fax : (41 22) 798 8531
Email : south@southcentre.org

Website:
http://www.southcentre.org