

Regional Consultation on
Road to Bali: South Asian Priorities for the Ninth WTO Ministerial

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WTO-NAMA Negotiations:
An Assessment of the State of Play

Presentation by
Professor Mustafizur Rahman
Executive Director, CPD

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SECTION I: WHY NAMA NEGOTIATIONS ARE IMPORTANT FOR SOUTH ASIA

- South Asian countries have significant interests in the NAMA negotiations from a number of perspectives:
 - From offensive interest perspectives
 - From defensive interest perspectives
- Overwhelming majority of South Asian exports belong to industrial goods category
- The same is true also for South Asian imports
- SA's Offensive Interests relate to: greater competitive strength through reduction in tariffs and **elimination of Non-Tariff Barriers (NTBs)** in export markets
- SA's Defensive Interests relate to: undertaking of tariff reduction commitments which are likely to have important implications for domestic protection, revenue earnings and economy-wide impacts
- NAMA negotiations are important for SA countries also because these negotiations are **linked to negotiations in other areas** (e.g. negotiations on agriculture as part of the single undertaking)

SECTION I: WHY NAMA NEGOTIATIONS ARE IMPORTANT FOR SOUTH ASIA

Export Structure of South Asia

Country	Total Export in 2012 (In million USD)	Share of Non-Agricultural Exports (%)
Afghanistan	-	-
Bangladesh	24,301.9	92.7
Bhutan	453.0	91.5
India	289,564.8	86.5
Maldives	83.3	100.0
Nepal	907.6	78.3
Pakistan	24,466.7	80.3
Sri Lanka	9,180.1	75.3
South Asia Total (Approx.)	348,957.3	86.2

Source: WITS Database.

Note: 1/ Latest export data available for Bhutan, Maldives and Nepal are for year 2011.

2/ Bangladesh data is for FY12 (July-June); EPB.

SECTION I: WHY NAMA NEGOTIATIONS ARE IMPORTANT FOR SOUTH ASIA

Import Structure of South Asia

Country	Total Import in 2012 (In million USD)	Share of Non-Agricultural Imports (%)
Afghanistan	-	-
Bangladesh	35,516.0	88.3
Bhutan	1,051.7	88.4
India	488,976.4	96.0
Maldives	1,554.5	79.8
Nepal	5,915.9	85.3
Pakistan	43,813.3	87.2
Sri Lanka	17,884.9	89.0
South Asia Total (Approx.)	594,712.7	94.5

Source: WITS Database.

Note 1/ Import data for Bhutan and Nepal are for 2011.
2/ Bangladesh data is for FY12 data, Bangladesh Bank.

SECTION I: WHY NAMA NEGOTIATIONS ARE IMPORTANT FOR SOUTH ASIA

- All four SA-LDCs are heavily dependent on export and import of manufactured goods
- For South Asian-Least Developed Countries (SA-LDCs) the interests as regards NAMA negotiations are nuanced:
 - A secured and predictable DF-QF market access that is commercially meaningful
 - Accelerated tariff reduction in markets that do not offer preferential access
 - Lower pace of reduction in markets that offer preferential access
 - Compensation for likely preference erosion
- Afghanistan and Bhutan are acceding LDCs which are having to take commitments in NAMA

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SECTION II: KEY ISSUES IN THE WTO-NAMA NEGOTIATIONS

Issues	Market Access Issues
Objectives of NAMA Negotiations	<ul style="list-style-type: none"> ▪ Dismantling of NTBs ▪ Tariffication of NTBs ▪ Reduction of industrial tariffs
Reducing Tariff Barriers	<ul style="list-style-type: none"> ▪ <i>Tariff escalation</i> ▪ <i>Tariff peaks</i> ▪ <i>Tariff dispersion in manufacturing products</i> ▪ <i>Complex and non-transparent tariffs (e.g. non-ad valorem tariffs)</i> ▪ <i>Tariff Rate Quota (TRQ)</i>
Eliminating Non-Tariff Barriers	<ul style="list-style-type: none"> ▪ <i>Export/Import Quota, Quantitative Restriction (QR)</i> ▪ <i>Voluntary Export Restraint (VER)</i> ▪ <i>Rules of Origin (RoO)</i> ▪ <i>Discriminatory Government Procurement Practices</i> ▪ <i>Anti-dumping and Countervailing Duties, Predatory pricing and price discrimination</i> ▪ <i>Sanitary and Phytosanitary Measures (SPSM)</i> ▪ <i>Technical Barriers to Trade (TBT)</i>

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SECTION III: EVOLUTION OF THE NAMA NEGOTIATIONS IN THE DDR

Milestones in NAMA Negotiations in the WTO

- The 2001 Doha Mandate
- July 2004 Framework Agreement
- HK NAMA Framework
- June 2006 NAMA Modalities Text
- December 2008 NAMA Modalities Text
- Current Negotiations in NAMA

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SECTION III: EVOLUTION OF THE NAMA NEGOTIATIONS IN THE DDR

DDR Mandate

- Negotiations shall aim, **by modalities to be agreed**, to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation
- **NTBs are to be tariffed and then reduced; non-tariff barriers**, in particular on products of export interest to developing countries **are to be reduced expeditiously**
- Negotiations shall take fully into account the special needs and interests of **developing and LDC participants, including through less than full reciprocity** in reduction commitments
 - In view of the above, the modalities to be agreed will include appropriate studies and capacity-building measures to assist LDCs to participate effectively in the negotiations
- Adoption of the framework for modalities for negotiations on non-agricultural products set out in Annex B of the Declaration
- **Commitment to the objective of duty-free, quota-free (DF-QF) market access** for products originating from LDCs
- Recognition that the integration of the LDCs into the multilateral **trading system requires meaningful market access**, support for the diversification of their production and export base, and trade-related technical assistance and capacity building

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SECTION III: EVOLUTION OF THE NAMA NEGOTIATIONS IN THE DDR

The Hong Kong Declaration Stipulated:

- **We adopt a Swiss Formula with coefficients at levels** which shall *inter alia*:
 - Reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs and tariff escalation, in particular on products of export interest to developing countries; and
 - Take fully into account the special needs and interests of developing countries, including through less than full reciprocity in reduction commitments

We instruct the Negotiating Group to finalise its structure and details as soon as possible

- **We reaffirm the importance of special and differential treatment and less than full reciprocity in reduction commitments**, including paragraph 8 of the NAMA Framework, as integral parts of the modalities. We instruct the Negotiating Group to finalize its details as soon as possible

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SECTION III: EVOLUTION OF THE NAMA NEGOTIATIONS IN THE DDR

- In furtherance of paragraph 7 of the NAMA Framework, we recognise that members are pursuing sectoral initiatives. To this end, we instruct the Negotiating Group to review proposals with a view to identifying those which could garner sufficient participation to be realized. Participation should be on a non-mandatory basis
- We take note of the progress made to convert non-ad valorem duties to ad valorem equivalents on the basis of an agreed methodology as contained in JOB(05)/166/Rev.1.
- As a supplement to paragraph 16 of the NAMA Framework, we recognise the challenges that may be faced by non-reciprocal preference beneficiary Members as a consequence of the MFN liberalization that will result from these negotiations. We instruct the Negotiating Group to intensify work on the assessment of the scope of the problem with a view to finding possible solutions

SECTION III: EVOLUTION OF THE NAMA NEGOTIATIONS IN THE DDR

Decision on Duty Free Quota Free (DF-QF) Market Access

- The pertinent part of the Hong Kong Declaration on *Measures in Favour of LDCs* in subparagraph 36 (a) read thus:
 - 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. In addition, these Members shall take steps to progressively achieve compliance with the obligations set out above, taking into account the impact on other developing countries at similar levels of development, and, as appropriate, by incrementally building on the initial list of covered products

SECTION III: EVOLUTION OF THE NAMA NEGOTIATIONS IN THE DDR

- July 2006 Framework Agreement required Negotiating Group to 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 LDC participants, including through *less than full reciprocity in reduction commitments*”
- Members proposed **several variations of the “Swiss Formula”** as the most appropriate to meet the mandated requirements:
 - LDCs were expected to bind their industrial tariffs but not required to take commitments
 - Developed countries wanted ‘real market access’ – final bound rate to be below present applied rates
 - Developing countries wanted a guarantee about *less than full reciprocity*

SECTION III: EVOLUTION OF THE NAMA NEGOTIATIONS IN THE DDR

Flexibilities

- The Framework Agreement allows developing countries 2 options as flexibilities
 - applying less than formula cuts to up to 10% of tariff lines; or
 - keeping as unbound or not applying formula cuts for up to 5% of tariff lines
- Proposals were made by developed countries to restrict the recourse to these flexibilities – either one or the other flexibility
- India, and other developing countries made it clear that they want both the flexibilities and that these are non-negotiable

SECTION III: EVOLUTION OF THE NAMA NEGOTIATIONS IN THE DDR

Swiss Formula as modality for Tariff Reduction

- The formula being considered in NAMA is a Swiss Formula or variations thereof
- First used in Tokyo Round
- Swiss Formula: $t_1 = (axt_0) / (a+t_0)$
- It is a Tariff dependent, non-linear formula
 - Higher the tariff, higher the cut
 - Higher the coefficient 'a', lower the cut; lower the coefficient, higher the cuts
 - All tariffs after formula cut < than coefficient 'a'

SECTION III: EVOLUTION OF THE NAMA NEGOTIATIONS IN THE DDR

Some Examples of Tariff Cuts Under the Swiss-Formula

$$(a) \frac{50 \times 10}{50 + 10} = \frac{500}{60} = 8.3$$

$$(b) \frac{20 \times 10}{20 + 10} = \frac{200}{30} = 6.6$$

- Higher the Coefficient, lower the cut; lower the coefficient, higher the cut

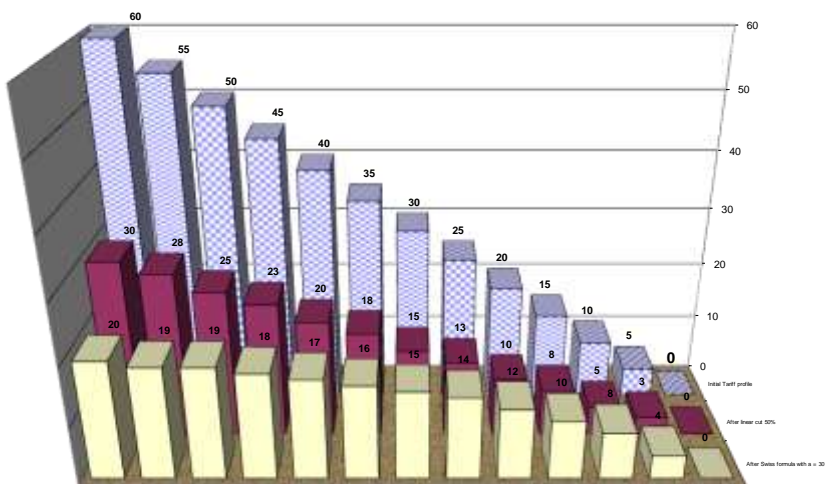
$$(c) \frac{50 \times 60}{50 + 60} = \frac{3000}{110} = 27.3$$

$$(d) \frac{50 \times 20}{50 + 20} = \frac{1000}{70} = 14.3$$

- Higher the tariff, higher the cut.

SECTION III: EVOLUTION OF THE NAMA NEGOTIATIONS IN THE DDR

Comparison – Linear cut vs Swiss formula



Higher the tariff, higher the cut

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SECTION IV: MODALITIES IN THE NAMA NEGOTIATIONS

NAMA Modalities of December 2008

- Tariff reductions for industrial products was to be made using a ‘simple Swiss’ formula with **separate coefficients for developed and developing country members**. (Higher coefficient, lower cut and lower coefficient, higher cut)
- **For developed members, coefficients to be the same, applicable to all of them**
- **For developing members, there will be a menu of options** that will apply according to the scale of the flexibilities they choose to use. The lower the coefficient, higher the flexibilities and vice versa

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SECTION IV: MODALITIES IN THE NAMA NEGOTIATIONS

- The modalities contain the following coefficients:
 - Coefficient of 8 for developed members
 - Coefficients of 20, 22 and 25 for developing members. Thus, not all developing countries applying the formula would apply the same coefficient. The use of different coefficients would depend on three new options:
 - A member choosing to apply **the lowest coefficient, 20**, would be entitled to make smaller or **no cuts in 14% of its most sensitive industrial tariff lines**, provided that these tariff lines do not exceed 16% the total value of its NAMA imports. These tariffs would be subject to cuts equal to half of the agreed formula reduction. As an alternative, the member can keep 6.5% of its tariff lines unbound or exclude them from tariff cuts, provided they do not exceed 7.5% of the total value of its NAMA imports
 - A member choosing to apply a **coefficient of 22** would be entitled to make smaller or no cuts in a smaller number of products: **up to 10%** of its most sensitive industrial tariff lines from the full effect of the formula, provided that these tariff lines do not exceed 10% of the total value of its NAMA imports. These tariffs would be subject to cuts equal to half of the agreed formula reduction. As an alternative, the member can keep 5% of its tariff lines unbound or exclude them from tariff cuts, provided they do not exceed 5% of the total value of its NAMA imports
 - A member choosing to apply **the highest coefficient, 25**, will have to apply it on all its products without exceptions

SECTION IV: MODALITIES IN THE NAMA NEGOTIATIONS

- The proposed coefficients would mean:
 - Maximum **tariff in developed countries would be below 8%**. This would mean that developed countries would have bound tariffs at an average of well below 3%, and tariff peaks below 8% even on their most sensitive products
 - **Majority of tariff lines for developing country members applying the formula would be less than 12-14%**, depending on the coefficient and the flexibilities used. In the developing countries applying the formula, **bound tariffs would be at an average of between 11 to 12%**, and only a **limited number of tariff lines** would have levels **above 15%**
 - Tariff reductions will be implemented gradually over a period of five years for developed members and ten years for developing members, starting 1 January of the year following the entry into force of the Doha results.
 - A so-called **anti-concentration clause**, to avoid excluding entire sectors from tariff cuts. **A minimum of 20% tariff lines or 9% of the value of imports in each tariff chapter would be subject to the full formula tariff reduction**

SECTION IV: MODALITIES IN THE NAMA NEGOTIATIONS

- The Chair's text notes that further work is still required in the so-called "**sectoral initiative**". Some members have been engaged in negotiations which would envisage undertaking deeper tariff reductions in some non-agricultural sectors. There are 14 sectors currently under consideration.
- As a result of a successful sector initiative, tariffs in that particular sector would be reduced or even brought down to zero.
- Such negotiations would require a "critical mass" of countries joining the initiative for it to take off.
- **The 32 poorest countries (Least-developed countries or LDCs) are exempt from tariff reductions**; there are special provisions for approximately 31 SVEs and for 12 developing countries with low levels of binding. As a result, relatively weaker developing economies will retain higher average tariffs and greater flexibility on how they structure their tariff schedules. But they will nevertheless contribute to the negotiations by significantly increasing the number of bindings and reducing "the water" (the difference between bound rates and those actually applied) and binding a high number of their tariffs.
- In addition, there are provisions for other developing members who do not enjoy preferential access and would be disproportionately affected by such a solution (Bangladesh, Cambodia, Nepal, Pakistan and Sri Lanka).

SECTION IV: MODALITIES IN THE NAMA NEGOTIATIONS

Present Status

- Negotiations in NAMA are following three routes:
 - Bilateral, where issue is country specific;
 - Small group, where the number of interested countries are limited; and
 - Horizontal or vertical negotiations with participation of all WTO members

The ongoing NAMA negotiations have centred around some Key Issues:

- The modalities to be adopted for reduction: Swiss formula and the coefficients; flexibilities for developing countries
- **Market openings vs. The principle of non-reciprocity**
- **The 'sectoral' discourse: Different Perspectives**
- **LDC Issues: commercially meaningful market access, preference erosion**
- **Non-Tariff Barriers (NTBs)**

The elephant in the room

- Balance between commitments and obligations in the NAMA and Agricultural market

SECTION IV: MODALITIES IN THE NAMA NEGOTIATIONS

NAMA and the Sectorals

- Sectorals are being discussed on the sidelines of the NAMA meetings
- Interested countries are participating to decide on:
 - Product coverage
 - Elimination or harmonisation
 - Phasing
 - Critical mass
- Present proposals include, Gems and Jewellery; footwear; chemicals; environmental goods; electrical and electronic products; raw materials etc.
- Consultations with Industry

SECTION V: CONCERNS OF LDCs AS REGARDS NAMA NEGOTIATIONS

Concerns of LDCs with regard to DF-QF proposal relate to:

- Upfront submission of the tariff lines under the 97% inclusion list
- A timeline for 97% inclusion of the 3% exclusion list
- Inclusion of items of export interest in the 97% inclusion list to implement the DF-QF in a meaningful manner to ensure enhanced market access
- Take appropriate measures as regards likely 'preference erosion' emanating from NAMA negotiations.
- Ensure that LDCs are not in a disadvantageous position in view of Annex-2 and Annex-3
- Address intra-LDC conflicting perspectives as regards DF-QF proposal

Reduction of MFN tariffs under the current NAMA negotiations is likely to have adverse implications for the LDCs in the form of preference erosion

- The existing GSP schemes offered by the Developed Countries provide *competitive edge* to the products of LDCs
- LDCs also enjoy preferential treatment on a non-reciprocal basis in various RTAs

SECTION V: CONCERNS OF LDCs AS REGARDS NAMA NEGOTIATIONS

- Since LDCs face tariff peaks for many key exports in the markets of developed countries, tariff reduction in NAMA is going to result in considerable preference erosion in preference receiving countries

Table : Preference Erosion in Markets of Canada and Japan: Range for Selected AP-LDCs

Country	Average Tariffs Facing LDCs and Range of Preference Erosion							
	Canada				Japan			
	MFN Average Tariff (%)	Tariff after Applying NAMA Coefficient (8)	Range of Reduction (%)	Reduction as percentage of Base MFN tariffs	MFN Average Tariff (%)	Tariff after Applying NAMA Coefficient (8)	Range of Reduction (%)	Reduction as percentage of Base MFN tariffs
Bangladesh	21.7	5.85	15.85	73.06	7.3	3.82	3.48	47.71
Bhutan	21.7	5.85	15.85	73.06	7.3	3.82	3.48	47.71
Maldives	11.9	4.78	7.12	59.80	5.8	3.36	2.44	42.03
Myanmar	19.5	5.67	13.83	70.91	1.1	0.97	0.13	12.09
Nepal	18.7	5.60	13.10	70.04	7.7	3.92	3.78	49.04
Kiribati	4.4	2.84	1.56	35.48	7.1	3.76	3.34	47.02

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SECTION V: CONCERNS OF LDCs AS REGARDS NAMA NEGOTIATIONS

- In case of the USA, the implications of NAMA negotiations are different for South Asian and AP-LDCs and the African LDCs. Since African LDCs receive preferential access under AGOA, NAMA is likely to result in significant preference erosion for these countries in the US market
- For Bangladesh and other SA-LDCs, NAMA negotiations would result in greater market access since they do not receive preferential treatment for most of their exports.

Table: NAMA Negotiation and Preference Erosion in the US Market

Country	Average Tariff Facing LDCs and Preference Erosion			
	US			
	MFN Average Tariff (%)	Tariff after Applying NAMA Coefficient (8)	Range of Reduction (%)	Reduction as percentage of Base MFN tariffs
Bangladesh	12.1	4.8	7.3	60.2
Bhutan	12.1	4.8	7.3	60.2
Maldives	14.6	5.2	9.4	64.6
Myanmar	12.1	4.8	7.3	60.2
Nepal	11.1	4.6	6.5	58.1

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SECTION V: CONCERNS OF LDCs AS REGARDS NAMA NEGOTIATIONS

- Solutions were suggested in the form of –
 - Affected tariff lines to be excluded
 - Lower tariff reduction to be offered
 - Longer phasing to be allowed
- Developing countries have generally expressed the opinion that since preferences are given by developed countries, the onus is on them to resolve the matter without affecting market access of other developing countries.
- However, many LDCs that are members of RTAs which have developing country members, will suffer preference erosion in developing country markets

SECTION V: CONCERNS OF LDCs AS REGARDS NAMA NEGOTIATIONS

Implications of Annex-2 and Annex-3 for Bangladesh

- In the revised NAMA draft EU and USA have put 57 and 29 items respectively for slower reduction (in 9 equal installments with 2 years grace period in the beginning, instead of 6 installments)
- With a Swiss coefficient of 8, the higher the rate of tariff the deeper will be the tariff reduction, and consequently, the average annual tariff cuts will be higher in those cases
 - tariffs on apparels generally face *tariff peaks* in developed countries, so that the depth of tariff cuts will be significant for apparel products

Estimates of Final Tariff Rate and Per Year Reduction Rate Applying the Swiss Formula with a Coefficient of 8

Tariff Rate (%)	Coefficient	New Tariff Rate (%)	Tariff Reduction (%)	Per Year Tariff Reduction	Per Year Tariff Reduction
				(6 installments)	(9 installmenst)
12.0	8	4.8	7.2	1.2	0.8

Source: Estimates based on NAMA Draft Modalities and TARIC database.

- With a current base tariff of 12.0% for apparels in the EU, the tariffs will come down to 4.8% i.e.; the reduction will be to the tune of 7.2%.
 - If the reduction is carried out in 6 installments the average yearly tariff cut would be 1.2%;
 - if it is done in 9 installments (or 11 years, with a *grace* of 2 years in the beginning) the average yearly tariff cut will be about 0.8%.
 - Although, the tariff cut itself will be deep enough, the difference between the annual rates of reduction under the two regimes (6 installments and 9 installments) are not significant, only to the tune of 0.4% each year. Since LDCs including Bangladesh, receive preferential treatment in the EU a slower pace of reduction is likely to result in slower pace of preference erosion.

SECTION V: CONCERNS OF LDCS AS REGARDS NAMA NEGOTIATIONS

Estimates of Final Tariff Rate and Per Year Reduction Rate Applying the Swiss Formula with a Coefficient of 8

Tariff Rate (%)	Coefficient	New Tariff Rate (%)	Tariff Reduction	Per Year Tariff Reduction	Per Year Tariff Reduction
				(6 installments)	(9 installments)
8.1	8	4.02	4.08	0.68	0.45
16	8	5.33	10.67	1.78	1.19
32	8	6.40	25.60	4.27	2.84

Source: Estimates based on NAMA Draft Modalities and USITC.

- The situation in USA is somewhat different, since tariffs on items in Annex-3 vary widely, between 8 – 32%
 - The tariff peak of 32% will come down sharply to 6.4% i.e.; by about 25.6 percentage points which is about one-fifth of the pre-reduction level
 - Thus, if carried out in 6 installments this will mean an average tariff cut of 4.27% per year
 - Whereas if done in 9 installments the average cut will be about 2.84% per year
 - A difference of 1.42% each year is observed

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SECTION V: CONCERNS OF LDCS AS REGARDS NAMA NEGOTIATIONS

Updated Work Programme for LDCs

- An updated work programme for LDCs, adopted on 28 June 2013 by the WTO Sub Committee on LDCs, mainstreamed the United Nations' Istanbul Programme of Action for LDCs for 2011-20 into the WTO mandate. The programme also incorporated the streamlined accession process for LDCs adopted in 2012 and introduced periodic reviews of the work programme
- The LDCs work programme deals with issues such as market access for LDCs, trade-related technical assistance and capacity-building initiatives, agencies assisting with the diversification of LDCs' exports and other issues relating to LDC participation in the multilateral trading system

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SECTION VI: CURRENT DEVELOPMENTS IN THE NAMA AND STICKING POINTS

*The Sticking Points***Developed Members Argue that:**

- Tariffs cuts achieved through formula would be insufficient to meet the expectation of level of ambition of the DDR on industrial tariffs. Developing countries have bound their tariffs at high levels. **The formula only provides for limited cuts in applied tariffs in emerging countries**
- Given the already low level of developed country industrial tariffs, and the application of the formula reductions with no exceptions (for the developed countries), they would lose all leverage to obtain future industrial tariff reductions from emerging economies. **Doha Round was the last opportunity towards a harmonisation of tariffs** with emerging economies
- Applying the formula the tariff for developing countries would average 11-12% and only a few tariff lines would be above 15%
- Short of the above, **reduction of tariffs to zero, through sectorals, becomes an imperative**

SECTION VI: CURRENT DEVELOPMENTS IN THE NAMA AND STICKING POINTS

Developing Members Argue That

- Formula delivers a **significant level** of ambition.
- Developing members have undertaken unilateral tariff reductions since the UR and there is a value in binding them in the DDR.
- For the first time in history of MTS, developing countries are systematically cutting their tariffs, including some of their applied tariffs.
- The flexibilities are sought to be further constrained and squeezed by two recent proposals by developed countries – now sanctioned by the NAMA draft - an **“anti-concentration clause”** (i.e., in choosing flexibilities, countries cannot focus too much on particular sectors); and compulsory participation (by some selected developing countries) in what was mandated as a “voluntary” sectoral approach (in which tariffs in whole sectors have to be eliminated or brought to very low levels)
- This is worsened by the extra constraint that the tariff lines selected cannot exceed a low percentage (**5% for exempted products or 10% for products with more lenient cuts**) of the total value of the country’s NAMA imports
- As to sectorals, these are a means to improve the level of ambition, but such negotiations must be faithful to the mandate of the Doha Round, be balanced and proportionate. Emerging economies will have to undertake disproportionate efforts when eliminating tariffs on chemicals, industrial machinery and electric and electronic products, considering the current very low level of tariffs applied by developed countries

SECTION VI: CURRENT DEVELOPMENTS IN THE NAMA AND STICKING POINTS

Sectorals

- NAMA modalities also envisaged 'sectorals' – negotiations to be carried out as regards particular sectors with aims to attain cuts that go beyond the formula, to zero, but also to less than to zero cuts.
- 'Sectoral' negotiations are being pursued by 30 WTO members applying the formula (the participation being non-mandatory). Bilateral and plurilateral talks are going on to explore whether it is possible to reach critical minimum is possible. But here also specifics of the treatment and how sensitivities on specific tariff lines would be accommodated. 14 sectors were identified. Countries have shown interest in: chemicals, industrial machinery, electronics and electrical products, enhanced healthcare, forest products, raw materials, jems and jewellery.
- Some members have indicated preference for the 'product basket approach' as a possible architecture for sectoral tariff cuts. However, views differ as to number of baskets to be used, on how products are to be assigned to each basket as well as treatment to be accorded to products which in each basket. Offer-request-trade offs still remain unclear.

SECTION VI: CURRENT DEVELOPMENTS IN THE NAMA AND STICKING POINTS

- Some are suggesting use of Swiss coefficient of 4, instead of 8, for developed countries, and 8, instead of 20-22, for developing countries
- Differences in perspectives: Some developed members are looking at it as a means to 'rebalance' disparity of contribution, for emerging countries to 'catch up' with developed countries regarding the level of market opening. To the contrary, developing members look at sectoral only as a supplementary to Swiss formula cuts which should determine the level of ambition. Some have drawn attention to the 'non-mandatory' nature of sectorals.
- India, China and Brazil have indicated that they were not seeking further market access through sectorals. Each indicated specific sensitivities over these sectors, with chemicals being of particular difficulty and electric and electronics to a lesser extent. However, they also indicated a number of sectors where they could envisage participation, depending on the specifics of the treatment

SECTION VII: CONCLUDING REMARKS

Report by the DG, TNC on 21 April 2011

- "I believe we are confronted with a clear political gap which, as things stand, under the NAMA framework currently on the table, and from what I have heard in my consultations, is not bridgeable today".

Report by the Chairman, NAMA on 18 July 2012

- "We are facing a logjam in tariff negotiations. Several attempts have been made by Members to break the stalemate but to no avail".

Report by Chairman, Nama on 18 April 2013

- "While many Members who came to my consultations showed an interest in the NAMA negotiations, their interest was often somewhat abstract. No Member asked to work on the NAMA core-modalities at this stage. In fact, the main message I got from my consultations was: Don't rock the boat to Bali".

SECTION VII: CONCLUDING REMARKS

Report of NAMA Chairman Ambassador Remigi Winzap presented on 18 April 2013

- While many Members who coming to the consultations showed an interest in the NAMA negotiations, their interest was often somewhat abstract. No Member asked to work on the NAMA core-modalities at this stage. In fact, the main message I got from my consultations was: "Don't rock the boat to Bali".
- Another reason put forward by Members for not taking up tariffs was that for them the level of ambition in NAMA was intrinsically tied to that of agriculture. So unless the discussions started on the market access pillar in agriculture, it would be difficult for any discussion on NAMA tariffs to take place.
- Concerning non-tariff barriers (NTBs), the views were more nuanced. For some Members, a discussion on non-tariff barriers in isolation would not be useful because while it was important to address NTBs, there needed to be first an unambiguous engagement on tariffs.
- In terms of NTB proposals which could be addressed: the following proposals were mentioned: Horizontal Mechanism (HM), Textile Labelling, Transparency and Chemicals.

SECTION VII: CONCLUDING REMARKS

- So based on my consultations, it would appear that at this point in time, **there is no delegation which I would characterize as an active "demandeur" in NAMA**. At the same time, there were some Members who stood ready to carry out technical work on certain issues
- Regarding re-engagement in NAMA following Bali, Members indicated that such engagement depended on several things including an outcome in Bali, an increased dynamism of the overall negotiation. It was also recognized that if there was traction in other market access areas, there would be an automatic spill over in NAMA.
- To deliver anything on NAMA in the short-term seems difficult.
- If we succeed in Bali, then NAMA should again come to the forefront. Therefore, we have to incorporate this longer term vision proactively.
- I will be attentive to the Bali process and I will come back to the membership when I feel that there is the right momentum to work on integrating NAMA in a post-Bali agenda.

SECTION VII: CONCLUDING REMARKS

Bali MC-9

- The Ministers meeting in Bali for the MC-9 have an opportunity to give the political signal to break the current gridlock in NAMA. Much will depend on the balance on offer between NAMA and Agriculture.
- For LDCs, further clarification about implementation modality of the DF-QF decision, including the LDC package is a key concern and interest.
- South Asian Members, emerging, developing and LDCs, inspite of some conflicts of interests, also have a lot of common grounds on which to build a common position in view of the MC-9.
- South Asian member countries should make a special effort to project their commonality of interests and support each other during the upcoming MC-9.

**Thank You
for
Your Attention**