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From the Director's Desk

Prabir Sengupta

NEGOTIATIONS on non-agricultural market access (NAMA), centred primarily on tariff reductions, are currently underway at the WTO. The objective is to finalize the modalities for tariff reductions early so as to realize the gains accruing from the sector.

The proposal jointly initiated by Argentina, Brazil and India (ABI) to arrive at a tariff reduction formula in the ongoing NAMA negotiations speaks of the concerns of developing countries. Provisions such as 'less than full reciprocity in reduction commitments' and 'special & differential treatment' for developing countries already endorsed in the July Framework are guiding principles of this proposal. This initiative has come at a time when the need for clarity on potential gains from NAMA assumes significance. The issues that require immediate attention are increased market access for developing countries and the challenges they would face in adjustments to faster and greater trade liberalization. To that extent, the July Framework, Annex-B dealing with NAMA has specified that "developing country members shall have longer implementation periods for tariff reductions" as well as flexibilities in tariff cuts and in keeping a share of tariff lines unbound.

Developed countries are currently persuading developing countries to accept a simple Swiss or non-linear formula, which would result in steep tariff reductions aimed at harmonizing tariffs of all WTO members. They claim that a small differential would be adequate to address the principles of 'less than full reciprocity' and 'special & differential treatment' for developing countries. However, developing countries argue that harmonization of tariffs is not an objective of the Doha Round. Besides, it has not been envisaged as part of the mandate and was not included in the July Framework as one of the necessary features of the formula. Developing countries rather feel that harmonizing the customs tariffs amongst countries with differing industrial/economic structures and with varying societal needs will not yield the development objective of the Round.

Developing countries insist that a modified formula endorsing the principles of 'less than full reciprocity' and 'special & differential treatment' for developing countries is necessary. Besides, early reduction and elimination of NTBs also need to be attempted seriously. Post Hong Kong, negotiations among all member countries clearly bring out that a balanced approach between tariff and non-tariff measures would be a favourable way forward.

Non-Agricultural Market Access Negotiations

An Analysis of the Negotiating Dynamics

Murali Kallummal*

Trade off between the Agreement on Agriculture and the Non-Agricultural Market Access (NAMA) issues has been central to the post Hong Kong negotiations. Elements like, usage of paragraph '8' flexibilities, less than full reciprocity, a balanced development friendly framework, are some of the widely debated dimensions of NAMA. The issue of NAMA is extremely critical from the developing countries' perspective. Negotiations are continuously witnessing deadlock. Efforts are still on to arrive at a consensus so that issue of market access on NAMA can find some movement. The paper tries to throw up the issues in detail and analyzes various formulae that are on table to establish some modalities.

1. Introduction

NEGOTIATIONS on market access for non-agricultural products represent one of the key dimensions of the on-going multilateral trade negotiations under the WTO. Issue of Non-Agricultural Market Access (NAMA) holds paramount importance like agriculture and services for all member countries of WTO. Developing countries in particular are taking proactive interest in pushing for modalities which would be beneficial for them and not just allowing developing countries to take complete advantage of their domestic market.

While negotiating for market access on NAMA, developing countries are facing enormous challenges in terms of finalizing tariffs, tariff escalations and the non-tariff barriers. An important facet of their negotiations has been therefore to have the policy space necessary for advancing their market access while at the same time effecting the tariff reductions.

It is important to note that the objectives set for the current round of negotiations by the developing countries are quite in keeping with the mandate for the current round of negotiations which are agreed to at the conclusion of the Doha Ministerial Conference in 2001. The mandate provided for reduction "or as appropriate" elimination of "tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers (NTB),[1] in particular on products of export interest to developing countries". It was further provided that the "negotiations shall take fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments …"

The Negotiating Group on Market Access (NGMA) established for the conduct of the negotiations on market access issues for non-agricultural products set out a tentative timetable for the negotiations. According to this timetable, a possible outline of modalities for the negotiations was to be agreed to by the end of March 2003 and an agreement on those modalities was to be finalized by 31 May 2003.[2] These deadlines and several others, including the end-April 2006 that was set by the Hong Kong Ministerial Conference, for finalizing the modalities are since past, but WTO Members have not been able to resolve their major differences on what should be the essential elements guiding market

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access for non-agricultural products.

This paper attempts to capture the negotiating dynamics that the NAMA process has seen since the negotiations were initiated in the first half of 2002. The focus of the discussions would be on the negotiating proposals that were presented by some of the more active countries participating in the negotiations. The negotiating proposals try to provide details of wide variety of aspirations of the participating countries on each of the key elements of the negotiating mandate.

The NAMA (see, for definition, Annex Table 1) negotiations can be broadly divided into three phases. The *first* ended with the failed Ministerial Conference in Cancun held in 2003; the *second* was the two years - plus period between the Cancun and the Hong Kong Ministerial Conferences in 2005 while the *third*, is the post-Hong Kong phase. The discussion below follows these three broad phases.

2. The Pre-Cancun Process

As indicated above, the NAMA negotiations were aimed at reduction of tariffs, reducing or eliminating tariff peaks, high tariffs, and tariff escalation and increasing the binding commitments. There are a number of approaches to achieve tariff reduction and harmonization, many of which have been suggested by the participants during the course of negotiations. These proposals broadly be divided into two types of formulae. The *first* type of formula reduces the prevailing tariff rates by the same percentage regardless of the initial tariff rate, and is known as the "*tariff independent"* formula. The *second* type of formula is called "*tariff dependent"*, since the percentage reduction in tariff rates depends on the initial tariff rate subject to negotiations. The latter is alternatively called the harmonization formula or the "Swiss formula", since it has the effect of reducing the dispersion of the applicable tariff rates.[3]

Under the NGMA, a number of proposals have been tabled by countries with specified parameters and coefficients.[4] The proposals from a group of countries made up of China, South Korea, India, Japan, Canada, the US, and the EU had clearly laid out positions on the parameters. Among the members who supported a tariff dependent harmonizing formula, the proposals by the European Communities and South Korea used a "tariff band" approach, which proposes different *linear cuts (tariff independent)* for different ranges or intervals of the tariff profile. On the contrary, India proposed a *simple linear cut* on the individual bound tariff line of each member, with a higher percentage cut for developed countries. In addition to the linear cut, any tariff in excess of three times the national average tariff shall be reduced to no more than three times the national average, after applying the initial linear cut. Following a near similar approach, Japan proposed that each member set a target level of a *trade-weighted* tariff average according to a formula and that each member reduce its trade-weighted tariff average to that target level. According to this approach, each member would have retained the flexibility on ways to realize the target tariff level. The US proposed *non-linear (tariff dependent)* reduction formula, a variant of the Swiss formula[5] was proposed by China. However, the later proposal had a member specific coefficient (see Annex Table 2). The most ambitious of these early proposals in terms of tariff liberalization was the joint proposal by Canada, European Communities, and United States which suggested the use of a "simple, ambitious, non-linear, harmonizing, single coefficient". In recognition of the special and differential treatment for developing countries, a higher coefficient was proposed. Another striking feature of this submission was that, it had asked for "sectoral initiatives"[6] in particular product for export interest of developing countries, textiles and apparel to begin with and then extend it to further sectors.

The single most important issue for the NGMA was to find consensus for a single approach (formula) that provided equity, flexibility and simplicity, together with effectiveness. So, as a prelude to the final modalities, the then Chairman submitted a draft titled "Elements of Modalities for Negotiations on Non-Agricultural Products", under his own responsibility.[7] The "Girard Proposal" included a tariff reduction formula which was in the nature of a modified "Swiss formula". The basis for tariff reduction proposed by Girard was the average of the final bound tariffs of the WTO member countries, which was to be weighed by a "negotiated" coefficient "B". Thus, instead of using a unique negotiated coefficient as would have been the case with the "Swiss formula", the Girard formula gave due importance to the policy dimension of the WTO member countries as reflected through their bound tariffs, besides having the level of ambition in reducing tariffs expressed through "B".

A key element of the Girard modalities was the "Sectoral" tariff elimination approach on products of particular export interest to developing countries and LDCs. Seven sectors were proposed for this purpose: Electronics & Electrical Goods; Fish & Fish Products; Footwear; Leather Goods; Motor Vehicle Parts & Components; Stones, Gems & Precious Metals; and Textiles & Clothing. Although some developing countries, including India, showed an initial interest in tariff elimination in at least some of the sectors identified by the NAMA Chairman, yet in the subsequent phases, they showed considerable reluctance to accept this proposal.

Work on the disciplining of NTBs was initiated during an early phase of the negotiations. Recognizing the importance of NTBs in the context of the Doha mandate, the Chair of the negotiating group on NAMA requested the members in 2002 to notify the NTBs which their exporters were facing in various markets.[8] This issue was further discussed in the NAMA negotiating group in March 2003 in which a decision was taken to encourage the members to submit their notifications indicating NTBs their exports faced. Till May 2006, 20 countries had participated in the process of identifying NTBs.

But the key issue pertaining to the NTBs that is yet not decided is the manner of dealing with this issue. A later section deals with this aspect of the NAMA negotiations in greater detail.

3. "July Framework": Putting the Negotiations Back on Track

Although the Cancun Ministerial Conference did not provide any concrete results, the process leading up to the Conference did pay an important part in the shaping of the negotiating dynamics in NAMA. The draft elements for the modalities that were produced in preparation for the Conference sought to give a clear direction to the tariff reduction approach. It was stated that the all "non-agricultural tariffs shall be reduced on a *line-by-line basis* using the formula" (emphasis added). There was a clear indication thus that the approach suggesting average cuts in tariffs of non-agricultural products was losing favour with the WTO members. This fact was confirmed in the "July framework" that was adopted essentially to put the Doha negotiations back on track.[9] The "July framework" directed the Negotiating Group to "continue its work on a non-linear formula applied on a line-by-line basis".

Besides the tariff reduction formula, the "July framework" contained several key decisions. These were:

(i) The product coverage was to be "comprehensive without *a priori* exclusions";

(ii) Tariff reductions were to be effected from the bound rates;

(iii) For unbound tariffs a mark-up was to be applied;

(iv) Credit to be given for autonomous liberalization by developing countries;

(v) Conversion of non-ad valorem tariffs to ad valorem equivalents; and

(vi) Sectorial tariff component – a key element to achieving the objectives of the Doha Round.

Perhaps the most important aspect for the developing countries was covered in Paragraph 8 of the "July framework" pertaining to the three flexibilities that they could enjoy. These were: (i) longer period of implementation, (ii) applying less than formula cuts to some tariff lines, and (iii) keeping, as an exception, some tariff lines unbound.

Since the adoption of the "July framework", a large number of negotiating proposals have been tabled. Among the more significant have been the four proposals submitted by developing countries, which include the joint proposals of Argentina, Brazil and India (the so-called ABI proposal), the Caribbean countries (Antigua & Barbuda, Barbados, Jamaica and Trinidad & Tobago) and the Chile, Colombia and Mexico proposal. Besides the above-mentioned, Pakistan had also tabled a well argued proposal. Among the developed countries, Norway, United States (US) and the European Communities (EC) had tabled their proposals.

The ABI proposal included a tariff reduction formula which used as the coefficient the average level of final bound levels and multiplied by a 'B' coefficient (reflecting levels of ambition). The merits of this approach were enunciated as the following: (i) it is based on the current tariff profile; (ii) it has an element of progressivity in national tariffs; (iii) it allows for less than full reciprocity in reduction commitments; and (iv) its liberalizing effect can be adjusted by variations in the coefficient 'B'.

The Caribbean proposal had coefficient for each member based on the average of current bound rates for each member 'Ta' multiplied by a factor of (B+C). In this approach, 'B' is the value to be negotiated by participants and 'C' is the credits to be accorded to developing countries. Credits are given for following trade related aspects like substantial tariff binding coverage, autonomous liberalization, revenue dependence, adjustment costs due to preference erosion, etc.

The CCM proposal is with a single coefficient for the developed countries and limited number of coefficients for developing countries. It also suggested that "levels" should be part of negotiations process.

Pakistan proposed a simple Swiss formula with two coefficients, one each for the developed and the developing countries. The selection of the two coefficients, viz. 6 and 30, was justified, according to Pakistan, because they roughly corresponded to the average of the final bound rates for the developed and the developing countries respectively.

The US supported a Swiss formula with two coefficients, with higher coefficients for developing countries provided they do not use "paragraph 8 flexibilities",[10] creating a situation for developing countries to opt between the two. The EC proposal gave options for developing countries to use "paragraph 8 flexibilities". The lesser the use of paragraph 8, the higher would be the coefficient, and lesser the formula cut. However, it proposed only one coefficient for all members. The Norwegian proposal is for having two coefficients for developed and developing countries. A system of credit was initiated that would have very "limited" application for the developed countries and for developing countries. This was also to be based on the usage of paragraph 8 flexibilities.

4. Hong Kong Ministerial Conference and After

By the time the Hong Kong Ministerial Conference was convened, the preference for the "Swiss formula" among a large cross-section of the WTO membership was becoming quite evident. This was reflected in the Hong Kong Ministerial Declaration which indicated that there was an agreement among the WTO members to adopt "a Swiss formula with coefficients", which, among other things, "would take fully into account the special needs and interests of developing countries, including through less than full reciprocity in reduction commitments". However, according to India the language adopted in respect of the tariff reduction approach preserved "all the proposals on the table, including the one submitted by Argentina, Brazil and India (ABI)".[11]

India's interpretation of the Hong Kong Ministerial text made it apparent that there remain some differences among the WTO members on the approach to tariff reductions. These differences have been articulated by the Chairman of the NAMA, Don Stephenson in the draft modalities that he has submitted on 22 June. As regards the formula for tariff reductions, the Stephenson draft states that "there are two Swiss formula options on the table", "the simple Swiss formula with two coefficients (one for developed and one for developing country members) and the so-called ABI formula". More importantly, however, the Chairman adds that "there is broader and stronger support for the simple Swiss formula with two coefficients and that the discussions should focus on this structure as the more likely to attract a consensus". This statement by the NAMA Chairman has raised serious doubts about the future of the ABI formula.

The vexed issue of "Sectoral" tariff elimination was almost put on a parallel track by the Hong Kong Declaration. It was stated that participation of the countries in the work on "Sectoral" tariff elimination should be on a non-mandatory basis

An important development in the negotiations on non-agricultural market access (NAMA) is the formation of the NAMA-11 group of developing countries[12] before the Hong Kong Ministerial Conference. These countries have emphasized the need to "achieve fair, balanced and development friendly modalities in NAMA".[13]

The issues raised by the NAMA-11 group imply that they are faced with two sets of challenges. In the *first* place, they would have to ensure that the modalities that are agreed on must reflect the ambitions that they have set for themselves. The critical element in this regard is the choice of an appropriate tariff reduction formula that provides developing countries the policy space for pursuing their development objectives. *Secondly*, these countries would have to negotiate adequate levels of flexibilities so as to reflect the broad consensus that seems to have emerged on the Paragraph 8 flexibilities.

The proposal by the NAMA-11[14] group of developing countries reflected the groups' desire to achieve fair, balanced and development-friendly modalities while framing NAMA modalities. One of the salient features of the NAMA-11 proposal is the comparably high level of ambition in both NAMA and agriculture. There are seven interrelated elements, which the NAMA-11 wishes to underline for the negotiations:

- The development objectives of the Round should be at the centre of the negotiations. in reducing tariffs, the need for policy space to advance the industrial development of developing countries should be respected.
- Given the low tariff averages in developed countries "enhanced market access" for developing countries can only be assured by the elimination of tariff peaks, high tariffs and tariff escalation in developed countries.
- The principles of less than full reciprocity and special and differential treatment should be respected.
- The practice in the WTO, as was also agreed in the July 2004 Framework Agreement, is to reduce tariffs from bound rates and this should not be undermined in this round.
- The flexibilities needed by developing countries to manage their adjustment process must be fully provided for in the modalities.
- "(t)here should be a comparably high level of ambition in market access for Agriculture and NAMA".
- In accordance with the objectives of a development round, we should ensure that all developing countries gain from the Doha round.

It is evident that over the last couple of years, NGMA negotiations have progressed substantially on tariff issues, at least in terms of Ministerial Declarations. However, the subtle changes that have been made to the broad contours of negotiations between the NAMA Framework in 2004 to the present Ministerial Declaration may prove detrimental to especially those developing countries, which had solely relied on tariffs and quantitative restrictions (QRs) (under the Article XII) as the central pillars of their trade policies. Further, there is a large imbalance in NAMA negotiations as it currently takes place in not addressing the concerns on two fronts: the question of Ad Valorem Equivalents (AVEs) for the purpose of binding tariffs; and the question of NTBs[15] that were being neglected in the process of achieving faster results on tariff reduction schedules. Such barriers, which may include price and quantity effects on trade and production, may have a significant impact on exporting countries.

The direct conflict between tariffs and non-tariff measures in the context of overall market access conditions has been unavoidable given the short deadlines in the present Round, unlike the UR that took eight years to come an Agreement. Further, "better results" have been achieved under sectoral market access approaches like the Information Technology Agreement (ITA) with regard to tariff reduction commitments. Some progress on NTBs was also achieved in the ITA. Such successes with the sectoral approach may drive the whole process of non-agricultural negotiations to go the sectoral way.

5. Approaches to Disciplining the NTBs

The NTB Work Programme began at the end of 2000 and had three phases.[16] In November 2000, the committee launched an "NTB Work Programme" to identify NTBs and assess their impact on IT trade. Phase one was the identification of NTB to IT products[17] as identified in the submissions by the participants. Phase two consisted of an analysis of the NTBs, including the economic impact of the specific NTBs identified. Phase three was when the committee would draw conclusions and perhaps make decisions on what to do on the outcome of the NTB Work Programme. By the year 2003, the committee has reached a stage of finalizing the comments on what type of conformity assessment procedure is to be adopted.

It took the WTO nearly three years to complete just one such NTB study. The programme has received at least twenty-five submissions identifying different types of NTBs.[18] Many of the issues raised concern standards/conformity assessment issues (6 in number), but there are others concerning customs procedures, transparency, and government procurement, etc. The Committee had wanted to see how a Pilot Project could work with respect to one NTB and then see how it could be applied to others as the work proceeded. The whole exercise has clearly laid out a template for similar work in other sectors.

At the same time, the US autos industry worked with partner industry associations from interested countries to develop support for an autos NTB initiative. The Global Automotive Dialogue (GAID), involving the auto industries of Brazil, Canada, the EU, India, Korea, Japan, and the United States, was formed and began working with their respective governments to provide advice on autos NTB issues. As of now, sectoral (vertical) approach on NTBs is way behind in terms of providing a balanced framework however, this approach is the easy way forward. However, the disciplining of NTBs has not seen any substantial progress beyond the negotiating table. Meanwhile, the European Community (EC) is proposing the establishment of "horizontal NTB mechanisms" in the WTO for the timely and cost effective resolution of non-tariff barriers in the NAMA negotiations.[19] This seeks to deal with NTBs at an aggregate level across all the sectors, which may not be a purposeful way of dealing with them. NAMA-11 is the other group to have come up with a similar proposal. The group needed a new standing, flexible and expedient mechanism cutting the red tape, which is solution-based rather than rights-based, which would further trade, rather than adversarial outcomes which hinder trade.[20] Only when it came to the Textiles/Clothing and Footwear sector, EC wanted a sectoral approach for small and medium sector (SMEs) to tackle their problem of NTBs.[21]

Many participants have criticized the NAMA negotiations for being one sided and have highlighted the need for adopting a balanced approach – i.e., by simultaneously addressing tariffs (including non-ad-valorem tariff) and NTBs. The demand for such an approach has been increasing lately, as the autonomous tariff liberalization drive by way of bilateral and regional agreements has led to substantial reduction in tariffs, while the barriers erected by NTBs like Technical Barriers to Trade (TBT) have continued to grow.[22]

6. The Way Ahead

We have seen that NGMA negotiations have progressed substantially on tariff issues over the last couple of years, at least in terms of Ministerial Declarations. However, the flipside to these negotiations is in not addressing market access concerns holistically and the very little progress that has been made in a number of NTBs like tariff rate quotas (TRQs), quantitative restrictions (QRs), non-ad valorem tariffs, etc.[23] The discussions under the work programme on NTBs do address some of the concerns expressed by the participants on the issue of a balanced treatment of tariffs and NTBs with regard to market access conditions. However, the evidence available from the sectoral treatment of market access under the ITA supports the understanding that without addressing NTBs, market access negotiations cannot move forward in any meaningful manner.[24] Experiences from W-46 also substantiate this point, that NTBs are bigger challenge for the NGMA. This is because tariffs are the only trade policy instruments which seem to be protecting a large section of developing countries. Thus, if the IT model

ANNEX TABLE 1

DEFINITION OF NON-AGRICULTURAL PRODUCTS AS PER HS 1992 AND 2002 NOMENCLATURES

HS 1992	*HS 2002*
Chapter: 03,	**Chapter**: 03,
Headings : 05.09, 15.04, 16.03-16.05,	**Headings** : 05.09, 15.04, 16.03-16.05,
Subheading : 2301.20, and	**Subheading**: 2301.20,
Chapters: 25 to 97,	**Chapters**: 25 to 97,
except the following HS Headings or Subheadings:	***except the following HS Headings or Subheadings:***
2905.43	2905.43
2905.44	2905.44
33.01	2905.45
35.01 to 35.05	33.01
3809.10	35.01 to 35.05
3823.60	3809.10
41.01 to 41.03	38.23
43.01	3824.60
50.01 to 50.03	41.01 to 41.03
51.01 to 51.03	43.01
52.01 to 52.03	50.01 to 50.03
53.01	51.01 to 51.03
53.02	52.01 to 52.03
	53.01
	53.02

Note: The HS 2002 definition of non-agricultural goods is similar to that of HS 1996. As a result of the HS 1996 changes, the subheading 3302.10 in the HS 1996 nomenclature contains both agriculture and non-agricultural products. Likewise, as a result of the HS 2002 changes, the subheadings 2939.11, 3822.00 and headings 41.01 to 41.03 in the HS 2002 nomenclature also contain both agricultural and non-agricultural products. As a working definition and for the sake of simplicity only, in this document (and also in all IDB software applications), the subheadings 2939.11, 3302.10 and 3822.00 have been treated as non-agricultural products; on the other hand, headings 41.01 to 41.03 continue to be treated as agricultural products in the HS 2002 nomenclature.

Source: WTO document number TN/MA/S/14, January 25, 2005.

ANNEX TABLE 2

DESCRIPTION OF FORMULA TO BE USED IN THE NEGOTIATIONS

Formula	***Explanation***
Swiss Formula	A harmonizing formula that is effective at reducing tariff peaks and tariff escalations $T_1 = (A \times T_0)/(A + T_0)$ Where 'A' is a maximum coefficient, which needs consensus and this can only be arrived at through negotiations.
Chairman's Formula, also known as modified Swiss formula (Girard Formula)	A harmonization formula with a coefficient, B, that can be varied to reflect different initial tariff levels. $T_1 = (B \times t_a \times T_0)/(B \times t_a + T_0)$ Where 't_a' is a national average of the base rates, 'T_0' is the initial tariff rate and 'T_1' the final rate
Capping Formula	$T_1 = (A \times T_0)$ An across the board uniform reduction in average bound tariff levels with a capping mechanism of three times the average national applied rate. Where (1-a) is the per cent tariff reduction.

Source: Fernandez de Cardoba, Santiago and David Vanzetti, 2005, *"Coping with Trade Reform: Implications of the WTO Industrial Tariff Negotiations for Developing Countries"* Draft, 14 January, p. 15.

of "zero to zero" tariff reduction approach is taken for other sectors also without addressing the NTB concerns, developing countries would be providing market access without gaining the same. The negotiation process from Doha Declaration to HKMD has only witnessed a gradual dilution of "flexibilities" in favour of developed countries.

Thus, even after a decade under the WTO, the modalities for enhancing market access (liberalization) remain the core agenda in non-agriculture goods (NAMA) negotiations, just as in agriculture (AoA). It is clear that if sectoral approaches are adopted for tariffs alone, the question of addressing market barriers created by NTBs may continue to be the biggest stumbling block unless a balanced approach is adopted in the NAMA. If the July 2006 outcomes go the sectoral way, then immediate attention needs to be on the definition of "critical mass". In each sector how much of a market share would be considered as the mark-up for defining critical mass and that would then determine the future course under the NGMA.

NOTES

1 There is some confusion on the definition of NTBs itself, we need to arrive at mutually acceptable definition for all Members. Here we are not using the OECD definition of NTBs, which constitute only: Import Prohibition and Quotas; Non-automatic Import Licensing; Customs Fees and Charges in Imports; Export Duties; Export Restrictions, as identified by the OECD Publication *"Looking Beyond Tariffs: The Role of*

Non-Tariff Barriers in World Trade" 2005. Our definition is a broad one which includes Sanitary and Phytosanitary Measures (SPS), Technical Barriers to Trade (TBT), Rules of Origin (RoO) and all other measures other than tariffs.

[2] See WTO document TN/MA/3.

[3] See WTO document TN/MA/S/3

[4] See WTO documents TN/MA/6/ Rev.1 & TN/MA/18

[5] This formula was initially proposed by Switzerland in the Tokyo Round and later used by some of the developed countries to reduce tariffs.

[6] Sectoral initiatives are to eliminate or harmonize tariffs and reduction or elimination of NTBs in a particular sector; in this case it happens to be Textiles and Clothing.

[7] Based on the formal and informal discussions under the NGMA, May 16, 2003.

[8] See WTO document TN/MA/W/ 25.

[9] See WTO document WT/L/579.

[10] To quote the text….[W]e agree that developing-country participants shall have longer implementation periods for tariff reductions. In addition, they shall be given the following flexibility: (a) applying less than formula cuts to up to [10] per cent 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] per cent of the total value of a Member's imports; or (b) keeping, as an exception, tariff lines unbound, or not applying formula cuts for up to [5] per cent of tariff lines provided they do not exceed [5] per cent of the total value of a Member's imports. We furthermore agree that this flexibility could not be used to exclude entire HS Chapters……

[11] "India Scores - Strategy of Grand Alliance of Developing Countries Pays Off", PIB Press Release, 18 December 2005.

[12] At present, the group has 10 members: Argentina, Venezuela, Brazil, Egypt, India, Indonesia, Namibia, the Philippines, South Africa and Tunisia.

[13] Submission made on 30 March 2006.

[14] The group consists of developing countries like Argentina, Bolivarian Republic of Venezuela, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa and Tunisia. See document, TN/ MA/W/68, 30 March 2006.

[15] While the choice of the sectors is open for discussion, in all probability it would be influenced by the list under the "Girard Proposal".

[16] See WTO document G/IT/19, 10 October 2005.

[17] In comparison to the elimination of tariffs achieved under the ITA, tariffs elimination process has already reached the final stages (2005) and accordingly the developing country members have completely eliminated tariffs on nearly 220 tariff lines.

[18] See WTO documents G/IT/SPEC/ Q2/11/Rev.1, 14 April 2003.

[19] See WTO Document TN/MA/W/ 11/Add.8, 1 May 2006.

[20] NAMA-11 called for a radically new approach in line with dispute settlement under-standing (DSU) – a body with very similar approach with respect to NTBs. It is different from the existing DSU and will have shorter deadlines. An outcome should be sought no longer than 60 working days of the appointment of the facilitator. International Standards are developed by ISO (214) technical committees (TC) and sub-committees (SC) by a six-step process: Stage 1: Proposal stage; Stage 2: Preparatory stage; Stage 3: Committee stage; Stage 4: Enquiry stage; Stage 5: Approval stage; and Stage 6: Publication stage. ISO standards those categorized as "Under Development Stage" are 4,078 and another 15,230 standards which are at the Published stage. To add to this is standards published from other international bodies like, CODEX, OIE, WHO, FAO and IPPC. All these organizations follow similar process from Proposal to final Publication stage. Doing a simple reality check, this is too simplistic an approach which NAMA-11 can suggest at this critical juncture. See document TN/MA/W/68/Add.1, 8 May 2006.

[21] See WTO document TN/MA/W/ 11/Add.7, 27 April 2006.

[22] Biswajit Dhar and Murali Kallummal (2004), "WTO and Technical Barriers to Trade: Creating Barriers Against Furthering Market Access", *Focus WTO*, IIFT, New Delhi, July-August.

[23] Although the issue is not major obstacle in the non-agricultural sector with shares less than 5 per cent of national lines.

[24] This is evident given that even as the IT sector has already achieved zero tariffs, market access remains a significant issue with a proliferation of NTBs within the sector.

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NEWS
(NATIONAL/INTERNATIONAL)

WTO Impasse: India Unhappy with Draft Text on NAMA

INDIA is disappointed with the draft modalities text on agriculture and non-agriculture market access (NAMA) put up by the World Trade Organization (WTO). While officials say that the text merely reflects the 'wide divergence' of views existing between members, in some parts it appears to be tilting in favour of developed countries.

The draft text, which will be discussed in the mini-ministerial meeting of the WTO beginning next Thursday, is mainly a representation of the points of view held by major stakeholders in the negotiations. However, suggestions in the draft that members seemed to be preferring a 'simple Swiss formula' for tariff reduction in industrial goods (which could result in steep reduction commitments for India), has not gone down well with the Indian industry.

FICCI stated that a simple Swiss formula was unacceptable as it could result in the Indian industry having to undertake steep tariff reduction commitments which would be higher than those undertaken by developed countries. It also criticized attempts made by the NAMA Chairman to link the flexibilities given to developing countries under Paragraph 8 of the Doha mandate with the formula for tariff reduction.

CII expressed its opposition to the inclusion of the issue of sectoral negotiations in the text. It said that it does not support negotiations for tariff elimination or larger tariff cuts for specific industrial sectors and added that such discussions, even on a non-mandatory basis, should follow a decision on the formula to be adopted.

In its joint proposal to the WTO (together with Brazil and Argentina), India had stated that the reduction coefficient in the formula should incorporate the average existing levels of tariff levels of individual countries so that developing countries are not unduly penalized for their high level of existing tariffs. The Ministry officials said that all these issues existed within brackets (issues which are yet to be negotiated) and India would comment on them at the mini-ministerial meeting. "The Commerce Minister will take up all these issues at next week's meeting," the official said. The meeting, which will discuss the formulae for reduction of subsidies and tariffs, is crucial as it could decide the fate of millions of Indian farmers and the Indian industry.

(*The Economic Times*, 26 June 2006)

WTO Draft Paper on Agriculture & NAMA Prepared

THE much-awaited draft text of modalities for negotiating liberalization of trade in agriculture and industrial goods (non-agriculture market access) has been put together by the World Trade Organization (WTO). The Geneva-based organization's Director General Pascal Lamy said on Thursday that WTO members should work around the proposed framework and come up with definite numbers in the mini-ministerial scheduled for next week in order to avoid a "traffic jam"' next month.

In a tele-conference with select media representatives from round the world (ET being the only one from India), Mr. Lamy said that although trade ministers had started giving positive signs of engagement on the tricky issues of agricultural subsidies and industrial and agricultural tariffs, the real test lies in the week ahead. "The challenge will begin when ministers start discussions on numbers and working disciplines," he said.

About 40 trade ministers from across the globe, including India, the EU and the US, are meeting in Geneva next week for a four-day meet beginning June 29 in an attempt to thrash out a deal in agriculture and NAMA.

Mr. Lamy pointed out that if an agreement on the negotiating modalities is not reached at the meeting, then other important issues like services, fishery subsidies and antidumping, which are to be taken up in July-end, will suffer. If members cannot reach an agreement on agriculture and NAMA now, it would not become any easier in the following 30 days, he reasoned. The ongoing Doha round of negotiations is scheduled to be wrapped up by the end of 2006. There is a general apprehension that if things get pushed beyond that, then negotiations can get tougher since the USTR's fast-track authority is scheduled to expire in July 2007.

India, which is one of the proactive negotiators in both NAMA and agriculture, wants developed countries to cut down agriculture subsidies substantially before it takes on reduction commitments in tariffs. India is also insisting on special dispensation under the special & differential treatment provision of the Doha mandate, which Mr. Lamy says should be preserved.

(*The Economic Times*, 23 June 2006)

China Slashes Auto Import Duties after WTO Complaint

CHINA will cut import duties on automobiles and car parts in July 2006 after the US, European Union and Canada lodged a complaint in March with the WTO.

China said it will reduce the tariffs on auto parts to 10 per cent on 1 July, from a current range as high as 16.4 per cent. The US, EU and Canada complained that the duties discriminate against imports, violating WTO commitments China made in 2001 and forcing car-makers such as General Motors and Volkswagen AG to source parts from Chinese suppliers.

''This completes our obligations in relation to auto and auto parts as written in our accession agreement to the WTO,'' the Chinese Finance Ministry said in a statement on its website announcing the duty changes.

In April 2005, China began a system of levying tariffs on auto parts based on the amount of imports in the complete vehicle. If the cars are made up of 60 per cent or less in imports, the parts face a maximum duty of 14 per cent. If the auto has more than that, then the parts face retroactively — a duty of about 28 per cent, the tariff of a complete vehicle. The decision is ''a welcome move by China and is in keeping with its WTO obligations,'' said Peter Power, a European Commission spokesman in Brussels.

''However, the move does not address the issue in our WTO complaint, namely that auto parts should not be subjected to the same high tariffs as new cars. We will continue to press for a solution to this issue.''

Compulsory negotiations between the governments through the WTO have now elapsed, meaning the US or EU may decide to call for the Geneva-based arbiter to rule on the dispute.

China's imports of US-made auto components rose 13 per cent to $558 million last year, the Chinese Commerce Ministry said on 16 Feb. ''We appreciate if they lower the tariffs,'' Jochen Schaefers, a Daimler Chrysler AG spokesman, said. ''We support the Chinese government's decisions.''

(*The Financial Express*, 16 June 2006)

WTO Won't Reach Trade Accord This Year : Survey

THE World Trade Organization (WTO) won't conclude a global agreement to scale back tariffs and open borders this year, according to a survey of negotiators carried out by the University of Adelaide. WTO Director General, Pascal Lamy has said the talks, now in their fifth year, must lead to an agreement this month on how to cut farm subsidies and import duties as well as industrial tariffs. The organization's 149 governments must wrap up the rest of the talks this year before the Bush administration's negotiating mandate from Congress expires.

The poll by Andrew Stoler, Executive Director of Institute for International Business, Economics and Law at the university, said 71 per cent of the 100 officials questioned in Geneva and "key" capitals ''think it unlikely that it will be possible to conclude'' a deal in 2006. Mr. Stoler is a Former Deputy Director-General at the WTO and was the main negotiator for the US on a variety of topics during the Uruguay Round of trade talks. ''Failing to meet negotiating targets can only go on for so long,'' said Mr. Stoler, pointing to missed deadlines in April this year and Hong Kong last December. ''It does not take rocket science to appreciate that the WTO's ongoing Doha Round is in trouble. The question is, how much trouble?''

Mr. Stoler's survey found that 67 per cent of officials in Geneva were more pessimistic about the chances of reaching an ''ambitious'' deal and agreed that they should look for a ''lower common denominator outcome.''

That compares with 27 per cent of capital-based negotiators, ''leaving us with the impression that survey participants in capitals may not believe that a less ambitious result from the round would be politically saleable,'' Mr. Stoler said.

(*The Financial Express*, 15 June 2006)

NAMA, Farm Talks to Pick Up Speed

NEGOTIATIONS on agriculture and non-agricultural market access at the World Trade Organization (WTO) are expected to pick up pace this month with a draft text expected by 19 June followed by a mini-ministerial meeting of 28 trade ministers in Geneva on 29 June.

Government officials said Commerce and Industry Minister, Shri Kamal Nath was expected to attend the meeting, which could be followed by a meeting of the trade negotiating committee, provided there was a breakthrough.

WTO Director-General Pascal Lamy had recently asked WTO countries to work towards a June-end deadline for finalizing modalities of agriculture and non-agricultural market access (NAMA).

All member countries are now awaiting the draft texts to be prepared by the chairmen of the negotiations for agriculture and NAMA. Officials said, India was watching the developments and would take a stand only after studying the draft text.

Negotiations on agriculture are stuck over the rigid positions taken by the United States and the European Union. Both blame developing countries like India and Brazil for not offering sufficient market access to them in exchange for concessions in agriculture. WTO countries were to decide on the issue by 30 April this year, but missed the deadline as there was no consensus.

(*Business Standard*, 6 June 2006)

WTO and South Asia: Strategizing Beyond Hong Kong

CENTAD and UNDP-Colombo organized a two-day regional consultation on "WTO and South Asia: Strategizing beyond Hong Kong" in New Delhi on 20-21 April 2006 to deliberate on the current state of negotiations and to provide inputs to ensure that development is enshrined in future negotiations.

Over 100 leading South Asian trade experts, policy think tanks and civil society representatives including 50 participants from Bangladesh, Pakistan, Sri Lanka and Nepal congregated in New Delhi to voice their concerns on the current state of trade negotiations at the WTO. Delegates expressed their disappointment on negotiations in critical issues relating to agriculture, industrial market access and services. They also expressed their concern about the consultative nature of the trade negotiations.

The main theme of the conference was distributed over six technical sessions: Agriculture, NAMA, Services, Development Dimensions, Trade Policy Formulation, and The Road Ahead

The session on NAMA focused on the following key questions:

- How can South Asian countries ensure flexibility in tariff reductions in NAMA?
- How serious is the issue of preference erosion for South Asian countries? What are the solutions to this problem?
- Will the current negotiations tackle the issue of tariff escalation and tariff peaks?
- How can non-tariff barriers be tackled within the Doha Round?

The NAMA session gave the state of play in negotiations and a summary of the three formulae for tariff negotiations that were on the table: the Argentina-Brazil-India (ABI) formula, the Caribbean formula and a Swiss formula with coefficients in plural.

Speakers said that developing countries should negotiate for a milder tariff reduction methodology to cut their tariffs and a stricter methodology to cut tariff rates of developed countries to tackle the problem of tariff escalation and peaks especially for products of interest to developing countries. At the same time, developing countries must have "adequate policy space" to use industrial tariffs for their development purposes.

The ABI approach and the Caribbean approach, which take into account the existing tariff structures of individual countries, were considered more apposite to fulfil the mandate of Paragraph 14 of the Hong Kong Declaration. However, the current state of play indicated that developing countries are not pushing for the same. One of the speakers urged staunch opposition to the pure Swiss formula with coefficients in plural and keeping the Paragraph 8 flexibilities reiterated in Hong Kong as a stand-alone provision independent of the tariff reduction formula.

NTBs were identified as the most challenging and the least discussed area in WTO. Participants felt that NTBs are not only agreement specific but also product and country specific. They felt that NTBs should not be linked to tariffs. There was consensus on the need to devise a way to classify NTBs and formulate a guiding principle for implementation. The optimal balance between NAMA and agriculture had to be achieved during negotiations.

India was accused of following a dual policy as it took milder steps in multilateral trade agreements and strong ones in WTO.

Preference erosion was recognized as vital for LDCs, in particular for Bangladesh. The estimated losses due to preference erosion for Bangladesh amounted to US$222 million. The adverse implication for LDCs in the form of preference erosion was a source of discomfort for participants. Some suggested that policy measures on preference erosion should include adjustment financing, targeted support for affected products, etc. For a solution on NAMA issues, the chair implored the LDCs to rectify the internal causes and to enhance participation of delegates from respective countries.

The key points of the presentations in the NAMA session were as follows:

Tariffs and Flexibilities in NAMA and South Asia

- The strategy of developing countries should be to attain adequate policy space.
- Developing countries should negotiate for a milder tariff reduction methodology for cutting their tariffs and a stricter methodology to cut tariff rates of developed countries to tackle the problem of tariff escalation and peaks.
- Developing countries must adopt the ABI or the Caribbean formula for tariff reduction and oppose the adoption of the pure Swiss formula with coefficients in plural.
- Developing countries must keep the flexibilities a stand-alone provision.

Non-Tariff Barriers: What are the Bottlenecks?

- NTBs are the most challenging area.
- The issue of NTBs is the least discussed in WTO.
- There is an urgent need to device a way to classify the NTBs, which are not only agreement specific but also product and country specific.
- The evolving nature of NTBs called for guidelines on the time of implementation.
- The suggestion of linking tariff with NTBs was not appreciated.

Preference Erosion and LDCs: Is it a Lost Cause?

- Existing GSP (Generalized System of Preferences) schemes offered by developed countries provide a competitive edge to the products of LDCs.
- Preference erosion is vital for LDCs, particularly for Bangladesh; estimated losses due to preference erosion for Bangladesh amounted to US$222 million. Suggested policy measures on preference erosion included adjustment financing, targeted support for affected products, etc.

(*Centad News*, June 2006)

India Proposes NTB Resolution Mechanism

ANTICIPATING a spurt in non-tariff barriers from developed countries once tariffs are brought down further under the WTO regime, India and ten other developing countries have proposed the establishment of an "NTB-resolution mechanism" in the WTO. The proposed mechanism would supplement the presently available means to resolve NTBs at the WTO.

NTBs refer to any measure other than a tariff, which act as a barrier to trade. This includes internal measures that may discriminate or unnecessarily restrict access to markets like stringent quality norms.

In a submission to the WTO, the group of eleven developing countries (NAMA-11) which includes India, Brazil, Argentina, Egypt, Philippines, South Africa and Venezuela pointed out that the existing system for resolving NTBs through dispute settlement mechanism was inappropriate, costly and time-consuming.

The group stressed that there was a need for a new, standing, flexible and expedient mechanism that is solution-based rather than rights based and that would offer creative and pragmatic results, which would create more trade, rather than having adversarial outcomes which would hinder trade.

According to the proposal, the NTB resolution mechanism would be guided by the principle of good faith and conciliatory negotiations where every member would make an effort to resolve the NTB at hand, under the guidance of a mutually agreed "expert facilitator".

Members would be required to engage with the intention of arriving at a solution to the NTB. It would be informal, low-key and less adversarial than the dispute settlement undertaking (DSU). The fundamental premise for the mechanism is that there are many NTBs and related issues that can be resolved by trade experts on a case-by-case basis, without going into the legality of the measure.

Such a mechanism will consider primarily the adverse trade impact of such NTB, and not necessarily its legality, and attempt to resolve it on a mediatory or facilitative platform.

The NTB resolution mechanism would have clear and short deadlines. An outcome should be sought within no longer than 60 working days of the appointment of the facilitator. The procedure would be flexible and the facilitator will be free to choose the preferred method. Flexibility would also apply to the solutions sought.

While participating in the procedure will be mandatory, implementation of the recommended solution will not be so. This is important as a mandatory implementation requirement will affect the legal rights of the members concerned. Instead, any party unwilling to implement the recommended solution will be required to state its reasons in the relevant WTO body/committee, to which the original request for launching of the NTB resolutions mechanism was made.

Members will retain their right to approach the dispute settlement board.

(*The Financial Express*, 18 May 2006)

Blame Game Begins after Missed April Deadline

THE war of words and sabre rattling by the four negotiating trade powers in the WTO — the US, EU, Brazil and India— is intensifying after it was decided unanimously by members not to have ministerial level meeting on 30 April. However, WTO Director General, Mr. Pascal Lamy has said the new deadline for finalizing the modalities for negotiations in agriculture and industrial goods should be before July 2006.

Though the May mini-ministerial is off, US Trade Representative Rob Portman has expressed his unhappiness that the ministerial has been called off. It is, therefore, presumed that the US minister's visit will be an inducement for the other trade representatives to meet in Geneva again — what the other member countries wanted to avoid.

The Commerce Minister Shri Kamal Nath told the press in Geneva that one cannot have a global trade deal that is against the cardinal principles and mandate of the Doha Round. He stressed that "If in India's case 650 million subsistence farmers are sought to be put on a suicide track, well forget it. If

300 million people who live on less than $1 a day are being pushed to 50 cents a day, well we should forget it again."

Replying to EU Trade Commissioner Peter Mandelson's claim that India should give greater market access, Shri Nath specified that with increasing trade, and imports into India rising by 30-35 per cent annually, he could not see what more market access was expected from India.

Focusing on NAMA, Shri Nath insisted that WTO members should specify the percentage reductions of tariffs they are willing to make in the NAMA negotiations. Since three months, he has yet to get an answer to his questions from Mr. Portman and Mr. Mandelson as to how much percentage reductions they are willing to give in NAMA. "The basic question from which to derive in NAMA is that the formula is only the mechanism to translate intent into figures. Formulae and coefficients cannot become a camouflage for percentage reduction commitments," explained Shri Nath.

The US President, Mr. Bush a fortnight ago suddenly withdrew the popular and flexible Rob Portman as USTR before the modalities deadline and at the most critical stage of the negotiation.

Replacing Mr. Portman by Deputy US Trade Representative has cast doubts on White House's priority on the success of the trade talks, and its focus on domestic US issues while putting the trade talks on the back burner, in the US Congressmen are threatening the developing countries to conclude the Doha Round by end of 2006. While in the US, Republican Charles Grassley has threatened developing countries which benefit from Generalized System of Preferences that they will lose that trade preference if there is no agreement on the Doha Round, blaming India and Brazil for holding up a deal.

(*The Economic Times*, 28 April 2006)

WTO Talks on Industrial Goods May Backslide

WTO talks aimed at cutting import duties on industrial goods ranging from computers to car parts may backslide because governments aren't serious about negotiating, the chairman of the discussions said.

Both the industrial talks and discussions on cutting farmers' subsidies and commodity import duties must wrap up in June for a final agreement to be possible by the end of the year, WTO Director-General Pascal Lamy has said. Governments so far have "refused to engage in a substantive manner" on industrial goods, said Canada's WTO Ambassador, Don Stephenson.

Negotiators meeting in Geneva this month "seemed to be at risk of going backward," Mr. Stephenson, who leads the talks on machinery and consumer goods, said in a 20-page report published on the WTO's website. ''On the core issues, which will define the level of ambition'' of the talks, ''no movement can be reported,'' said Mr. Stephenson.

Mr. Lamy said the WTO's 149 members won't meet an 30 April deadline to work out how to pare farm subsidies and import tariffs on agricultural and industrial products.

(*The Financial Express*, 28 April 2006)

Trade Talk Gets Tough

IF the WTO Director-General Pascal Lamy came to New Delhi to soften up policymakers and prise open the Indian market for non-agricultural goods, he must have been disappointed. The *quid pro quo* he was trying to push through is iniquitous, to say the least. Developing countries such as India are being persuaded to adopt a flexible approach on industrial tariffs (read, reduce import tariffs) in return for developed economies agreeing to cut their humungous agricultural subsidy, and allow greater market access for agri-produce from the former. Some of the influential WTO members are trying every trick to ensure that major developing economies fall in line to meet the April 30 deadline.

Not that there is anything sacrosanct about the deadline. Global trade negotiations have seen so many missed and reset. April 30, 2006 may just be one more. Importantly, emerging economies — India, Brazil, Russia, for example — with large populations and rising incomes are increasingly perceived as major markets for industrial goods. Market access has, therefore, become an overriding issue. Even if developed nations cut subsidies and open up their markets, India is unlikely to benefit because of its own burgeoning internal demand and modest output levels, with limited growth prospects. It does not need rocket science to visualize who set Mr. Lamy's mandate. The Commerce Minister, Shri Kamal Nath, is absolutely right in asserting that emerging economies should not be asked to pay the price for the successful conclusion of the Doha Development Agenda, as the Round was launched to reduce global trade imbalances in favour of developing countries. If the past is any guide, developed countries are most unlikely to effect any meaningful cut in farm support, which on current reckoning is about $320 billion a year, equivalent to 1.3 per cent of OECD countries' GDP. They would at best switch funds from one coloured box to the other.

While this cat-and-mouse game plays out, there is apprehension that India is losing precious time in not seriously addressing the structural issues that affect the agricultural sector. Like every country, India too faces the tough task of having to reconcile domestic compulsions with international obligations. However, this dilemma has been there for several years now; and with passage of time, some problems get worse and entrenched. Even while keeping the international trade dialogue going, policymakers have to design growth-oriented policies and set themselves a timeframe within which agriculture should break out of its present mire, become more cost-efficient and post a healthy 4 per cent per annum growth.

(*The Hindu Business Line*, 11 April 2006)

World Bank for Monetary Fines to Settle WTO Rows

THE WTO dispute settlement mechanism needs to focus on monetary fines in preference to the current practice of imposing retaliatory tariffs. This view was expressed in a working paper of the World Bank on '*Tariff Retaliation versus Financial Compensation in the Enforcement of International Trade Agreements*.'

According to the policy research working paper prepared by Nuno Limao and Kamal Saggi, "monetary fines are more efficient than tariffs in terms of granting compensation to injured parties when there are violations in equilibrium."

Presently, the WTO's dispute settlement mechanism allows members to raise tariffs in response to other members. The problem with the current system is that smaller countries cannot effectively retaliate by imposing retaliatory tariffs. Also, many developing countries do not have the real ability to retaliate against violations by bigger countries. The system can only be used effectively by those who have sufficient market power in the world markets.

The paper further pointed out that "tariffs are an inefficient form of compensation, because the welfare gain they generate for an injured is always less than the welfare cost imposed on the country that committed the original violation."

As far as fine is concerned, the paper said it would be difficult to enforce such a system in the absence of a supra-national authority. While an injured country could implement retaliatory tariffs without any cooperation from a violating country, the fines could not be imposed in a similar manner. This could not be done unless the violating country agreed to pay the fine, it said.

This problem, the paper said, could be resolved by adopting a system under which each country posted a bond of a given amount prior to trading, with a third party with the understanding that it would be used to pay a fine in the event of a trade violation. These bonds, the World Bank paper said, could improve the enforcement relative to a system based on retaliatory tariffs if they were held by a third party. As an alternative, the paper suggested, the bond could be deposited in an escrow account to be redeemed in case of trade violation.

(*The Financial Express*, 11 April 2006)

The Give and Take of Tariff Cuts

THE developed countries' proposal for tariff cuts in industrial goods (under the non-agriculture market access negotiations) would result in developing countries undertaking higher commitments at WTO than their developed counterparts.

According to an ICRIER paper, this would lead to "more than full reciprocity" for developing countries instead of the mandated "less than full reciprocal" treatment promised in the mandate of the ongoing negotiations.

There has been a convergence on the use of a simple Swiss formula for tariff cuts, with dual non-linear coefficients, one for developed countries and the other for developing and least developed countries.

The developed world has proposed coefficients of ‘5’ and ‘10’ respectively for developed and developing countries. This, according to ICRIER, would give developed countries ample space to protect their peak tariffs maintained on products of interest to developing countries like textiles and leather.

Developing countries would have to bring down their bound tariffs by 70 per cent which would require them to cut their existing applied tariffs substantially.

The developing country proposal of fixing coefficients at ‘8’ and ‘20’ without carveouts, on the other hand, would imply a 55 per cent cut on India and allow it to maintain its average tariffs at 17 per cent.

The paper pointed out that the debate on less-than-full-reciprocity (LTFR) was hotting up at the WTO and the NAMA-11 group of developing countries formed recently was fighting hard for it. They maintain that LTFR is non-negotiable.

The NAMA framework allows developing countries flexibilities under two options. It can apply less than formula cuts up to 10 per cent (in square brackets indicating that a decision needed to be taken) of tariff lines. Or it could keep unbound or not apply formula cuts for up to 5 per cent (in square brackets) of tariff lines.

However, proposals have been made by developed countries to restrict the recourse to these flexibilities. India and other developing countries maintain that these are non-negotiable and the numbers in the square brackets are the minimum required for their sensitive tariff lines. They also insist that flexibilities should not be linked to the reduction coefficient.

On the unbound tariff lines, NAMA negotiations aim for 100 per cent binding, with limited exceptions to developing countries to keep unbound a certain percentage (3-5%) of tariff lines at 6-digit level.

In the area, members are deliberating on whether to use a constant mark-up on applied rates or multiple mark-ups depending on level of the applied rate such that the higher the applied rate, the lower the mark-up. Binding the unbound lines at average rates with or without ceilings is also a matter of debate.

The paper said that there are a number of questions that need to be answered. We need to know how close we are to any convergence, especially *vis-a-vis* meeting the 1 January 2007 deadline for conclusion of the Doha Round.

Members also have to know the intransigence can be broken. They have to examine whether there are any tradeoffs that stakeholders can envisage, both within the NAMA framework and also under the single undertaking format.

The important decision on whether members should attempt to target the 2007 deadline by lowering ambitions needs to be taken. India has to decide whether it should take on aggressive commitments by binding the existing unilateral liberalization in non-farm sectors to obtain reciprocal concessions.

(*The Financial Express*, 7 April 2006)

Lamy Urges US, EU to Cut Industrial Tariffs

THE United States and Europe must agree to cut industrial tariffs and farm subsidies for a successful accord by April to pave the way for a global trade pact, WTO Director General Pascal Lamy said.

WTO states have set the end of April as the deadline for draft deals in farm and industrial goods as part of negotiations on a trade pact aimed at boosting the global economy and lifting millions out of poverty.

“(The) US has to move on agriculture subsidies, Europe has to move on agriculture market access,” Mr. Lamy said at a conference sponsored by a UN agency in New Delhi.

“We are approaching the moment of truth in the next few weeks because the way negotiations have been structured, we need to address very tough and difficult issues on agriculture subsidies.”

Europe and the US must agree to slash their peak tariff to 5-6 per cent if negotiations are to succeed, he said, referring to an average peak industrial tariff of 20-25 per cent in US and 10-15 per cent in Europe.

The director general of 149-nation trade body said developing countries including India would be “major winners” if the trade talks succeed but he asked them to bring down trade barriers.

“India will get more than it has to pay. That is the good thing about the trade negotiation,” Mr. Lamy said and urged India’s government to build a political consensus in bringing down both farm and industrial import tariffs.

Mr. Lamy said India must play a leading role in negotiations for allowing free movement of qualified professionals across borders.

He later met senior Indian government officials, including Commerce Minister Shri Kamal Nath. Shri Nath, speaking after the meeting, said India would like to meet the time line for the talks but it could not compromise on development issues.

“I have highlighted to Mr. Lamy that Indian agriculture is crucial. We cannot have displacement of Indian farmers. In India, agriculture is not commerce, it is subsistence,” he said. “Any tariff reduction must take into account the sensitivity of subsistence farmers.”

Agriculture has been a particular stumbling block, with rich nations arguing among themselves about the best way to proceed and poorer nations refusing to present proposals on cutting tariffs on other goods until farm issues are resolved.

(*The Pioneer*, 6 April 2006)

NAMA-11 Seeks More Tariff Cuts from Rich Nations

THE fight on pruning industrial tariffs at the WTO has become more fierce with a group of developing countries (NAMA-11), including India, demanding that developed countries should respect the principles of less than full reciprocity and special & differential treatment and make greater cuts than developing countries.

In a recent submission made to the WTO negotiating group on non-agricultural market access (NAMA), the NAMA-11 has asked for elimination of tariff peaks, high tariffs and tariff escalation in developed countries and enough policy space to advance the industrial development of developing countries.

The group includes Argentina, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa, Tunisia and Venezuela.

Recently, developed countries, including the EU and the US, have been making a lot of noise about the need for developing countries to take on ambitious commitments in industrial goods. Their argument is that since developed countries had promised to liberalize agriculture, it is now the turn of developing countries to reciprocate in industrial goods and services.

The submission said that the NAMA-11 is willing to reduce their tariffs proportionately on the basis of less than full reciprocity in reduction commitments so that their concessions are commensurate with their level of industrial development. This approach is consistent with historical practice of the GATT, the mandate of the ongoing Doha Round and the recent declaration by ministers in Hong Kong.

“We argue further that the principle of less than full reciprocity means that developing countries should undertake lesser percentage reductions in their tariffs as compared to that by the developed countries,” it said.

The group added that given the low tariff average in developed countries, enhanced market access can only be achieved through the elimination of tariff peaks, high tariffs and protection for intermediate or value-added goods granted through the medium of tariff escalation.

According to WTO trade report 2005, the US, the EU and Japan have tariff peaks on 886, 686 and 1,285 tariff lines respectively, with maximum tariff as high as 58.2, 26 and 191.2 per cent.

The paper pointed out that during both the Tokyo and the Uruguay Rounds, effective cuts in favour of products from developing countries into developed country markets were less than their overall average cuts. The NAMA-11 demanded that in the Doha round, the trend should be reversed.

(*The Financial Express*, 27 March 2006)

US Trade Agreements are A Distraction, WTO Says

THE Bush Administration's pursuit of bilateral trade agreements with individual nations has become a distraction that may be undermining talks to lower trade barriers globally, the WTO said.

The number of US free trade agreements has also created political interests in other nations ''that could complicate multilateral negotiations,'' the Geneva-based WTO said in a 134-page analysis of US Trade Policy.

The US which had three free-trade accords in place when President George W. Bush took office in 2001, has since entered into trade agreements with nine nations, and is negotiating with at least five more. The individual accords with the US have taken precedence for many nations over global talks, the WTO said.

The WTO's 149 member countries have been trying to meet an 30April deadline to set an outline for cutting agricultural subsidies, lowering tariffs on farm and industrial goods and allowing more foreign investment worldwide. The April date is the third time the deadline has been extended, and reaching a deal by then will be difficult as the energy in the talks has ''dissipated,'' US Trade Representative Rob Portman said.

Many poor nations have complained that lowering trade barriers wholesale through a global agreement could reduce the benefits of their bilateral programme with the US and Europe.

The US has recently completed trade deals with Australia, Bahrain, and Morocco, and a regional agreement with Central America. It's currently in talks with Thailand, South Africa, Colombia, Ecuador and the United Arab Emirates, and plans to start talks with South Korea and Malaysia later this year. The US says its pursuit of these individual trade deals is part of a strategy that Mr. Portman has labeled ''complementary liberalization'' and isn't intended to undermine the WTO.

''We are stretching ourselves a little thin sometimes, but we're not going to slow down,'' Mr. Portman told the Agribusiness Group of Washington. ''In our more and more integrated global economy, the US needs to be a leader. We need to be able to run and chew gum at the same time.''

Overall, the WTO said the US ''continues to pursue a policy of advancing open markets,'' and ''maintains its market largely open.''

''This openness is one of the factors that foster US growth, as it allows US producers and consumers to access required goods, services, and capital from abroad at the best conditions,'' the WTO report said. ''It is therefore important to maintain this openness by pre-empting possible protectionist sentiment.''

(*The Financial Express*, 24 March 2006)

NAMA Deadlock Looms Large as Deadline Nears

WITH the 30 April deadline for a WTO agreement on full modalities in non-agricultural market access (NAMA) approaching, the developed countries are still exerting pressure on the developing countries to reduce tariffs under NAMA.

However, India and the NAMA-11 countries have criticized the rich countries' demands as "totally disproportionate" at the NAMA talks.

The insistence of the rich countries could result in the 30 April deadline being affected, particularly since the EU does not want to make any further concessions in agriculture. The NAMA-11 group comprises Argentina, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa, Tunisia and Venezuela.

The criticism was expressed in the NAMA negotiations, India and others have criticized that the developing countries are being called upon to bear the burden of any new market opening in the Doha Round, which threatens to create an imbalanced and anti-developmental outcome.

Also, rules in NAMA should not be applied in a selective manner and need to be consistent with those being applied in agriculture. In agriculture, the negotiations on reducing farm tariffs are based on bound rates, and developed countries have insisted on using the bound levels as a basis for their domestic support reductions.

Therefore, NAMA tariffs should not be applied in a selective manner and need to be consistent with those applied in agriculture. The NAMA-11 countries, including India, have submitted that the following issues should be respected in the negotiations.

They are: the necessity for policy space in the reduction of tariffs to advance the industrial development of developing countries; the respect for principles of less than full reciprocity and special and differential treatment.

The modalities must provide for full flexibilities needed by developing countries to manage their adjustment process; the reduction of tariffs from bound rates, as has been the practice in the WTO, and as agreed upon in the July 2004 Framework Agreement.

According to the NAMA-11 countries, the co-efficients for developed and developing countries should be substantially differentiated so that the principle of less than full reciprocity should be deliverable by the developing countries.

They have said that the developing countries will only reduce their tariffs proportionately on the basis of less than full reciprocity in reduction commitments so that the concessions they make are commensurate with their level of industrial development.

The rich countries are trying to change the rules of the game and also attempting to change the basis of the NAMA negotiations from bound to applied rates.

The NAMA-11 countries accused the developed countries of applying double standards in their negotiations and reminded them that "tariffs have been used as an industrial policy and industrial development tool by themselves in the past", and they therefore should not kick the ladder behind them" and deny the developing countries a legitimate policy tool.

The developed countries did not respond to these criticisms at the NAMA meet.

(*The Economic Times*, 22 March 2006)

NAMA Pact May Remain Elusive

WITH the 30 April deadline for a WTO agreement on full modalities in non-agricultural market access (NAMA) approaching, the developed countries are still exerting pressure on the developing countries to reduce tariffs under NAMA. However, India and the NAMA-11 countries have criticized the rich countries' demands as "totally disproportionate" at the NAMA talks. The insistence of the rich countries could result in the 30 April deadline being affected, particularly since the EU does not want to make any further concessions in agriculture.

The NAMA-11 group comprises Argentina, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa, Tunisia and Venezuela. The criticism was expressed in the NAMA negotiations since Monday. India and others have criticized that the developing countries are being called upon to bear the burden of any new market opening in the Doha Round, which threatens to create an imbalanced and anti-developmental outcome. Also, rules in NAMA should not be applied in a selective manner and need to be consistent with those being applied in agriculture. In agriculture, the negotiations on reducing farm tariffs are based on bound rates, and developed countries have insisted on using the bound levels as a basis for their domestic support reductions. Therefore, NAMA tariffs should not be applied in a selective manner and need to be consistent with those applied in agriculture.

The NAMA-11 countries, including India, have submitted that the following issues should be respected in the negotiations. They are the necessity for policy space in the reduction of tariffs to advance the industrial development of developing countries; the respect for principles of less than full reciprocity and special & differential treatment; the modalities must provide for full flexibilities needed by developing countries to manage their adjustment process; the reduction of tariffs from bound rates, as has been the practice in the WTO, and as agreed upon in the July 2004 Framework Agreement.

(*The Economic Times*, 22 March 2006)

Common Ground Sought as WTO Deadline Looms

WITH a "drop dead" deadline for a trade deal looming, ministers from six leading WTO members must find more common ground at talks in London, said diplomats.

But chances looked slim of a big breakthrough at the two or three-day meeting, which kicks off between trade chiefs from the European Union, the US, Japan, Brazil, India and Australia. "We are not on the last lap but we do need to accelerate and produce new moves in some key areas," EU Trade Commissioner Peter Mandelson told journalists in Brussels.

"What we need to do is identify 'landing zones', signals of where the common ground could be," said a diplomat from a WTO member state taking part in the discussions. "But frankly, our expectations are not very high," he added. After over four years of stuttering negotiations on a trade deal billed as a "once in a generation" chance to boost global business and lift millions out of poverty, the 149-member state WTO is facing its moment of truth.

It has set itself the goal of a draft pact on agricultural and industrial goods, two of the biggest sticking points in the negotiations, by the end of April as a stepping stone to a full trade treaty before the spring of next year.

The spring 2007 date is dictated by the expiry of US presidential powers to negotiate on trade without much interference from Congress. Without these powers, multilateral trade negotiations become all but impossible, diplomats say. "I don't see how we can miss that (April 30) date and still ... be able to send agreement forward early in 2007. So I think that is the 'drop dead' date," US Trade Representative Rob Portman said.

Both the US and the EU are under pressure to make more concessions in agriculture, where many poorer countries feel they have most to gain from freer trade. Washington is being urged to go beyond its offer to slash farm subsidies by up to 60 per cent, which critics say lowers budget ceilings but without cutting into actual spending. The EU faces demands for deeper tariff cuts to open up its highly protected farm market.

In turn, rich nations are insisting that leading developing states such as Brazil and India do more to open their industrial and services markets to imports. On industrial tariffs, some developing states, such as India, insist that rich nations go virtually to zero before they will look at reductions that cut significantly into the levels of duty they currently apply themselves, diplomats say.

"We've been dancing around these issues for a long, long time now and we really need to converge on what is acceptable," said Australian Trade Minister Mark Vaile at a joint news conference with Mr. Portman in Washington this week. However, Mr. Portman has ruled out any major move on agriculture by the US at the London talks, which could run into Sunday. The EU also says it will not offer anything new in the absence of movement elsewhere. "Progress does not depend on unilateral moves by particular players but on what everyone can put into the mix together," said Mr. Mandelson.

(*The Financial Express*, 10 March 2006)

Lamy to Don Pro-active Role at G-6 Meeting

In a bid to break the stalemate in the ongoing WTO talks, Director General Pascal Lamy is expected to don a pro-active mantle and come up with his own set of suggestions to help members arrive at a consensus.

According to sources, Mr. Lamy is expected to put tentative numbers on the table for reduction of subsidies and tariffs in agriculture and non-agriculture market access (NAMA) at the G-6 meeting in London.

Mr. Lamy has worked out some rough figures related to the number of bands for reducing subsidies and tariffs in agriculture and also the thresholds for the bands.

In the agricultural negotiations, members have already agreed to divide the tariff lines in specific bands or ranges. While tariffs falling within the same band would attract uniform tariff cuts, higher bands would have higher reduction commitments than lower bands. There is no agreement, however, on the number of bands, the threshold of the bands and the percentage cut each band should attract.

In NAMA, while there is an agreement that the tariff reduction formula would have more than one coefficient, an agreement on the number of coefficients (two, three or more than that) and the value of the coefficients is elusive.

India and other developing countries have demanded that there should be a large number of coefficients and developing countries should be assigned coefficients with higher value (since higher value entails lower reduction commitment).

The US and the EU, on the other hand, do not want more than two coefficients (one each for developed and developing countries) and want the gap between the two to be narrowed.

Mr. Lamy would give suggestions on the number of coefficients to be adopted and the probable value of the coefficients.

(*The Financial Express*, 10 March 2006)

India Hardens Stand on Industrial Tariff Issue

INDIA has warned developed member countries of the WTO that any attempt to compromise on the less than full reciprocity component of the negotiations on reducing tariffs in industrial goods will bring to a halt negotiations in all other areas.

With India assuming an aggressive posture before the informal mini-ministerial meet of six WTO members in London, it is likely that the meeting between trade leaders from the EU, the US, India, Brazil, Australia and Japan will be stormy.

Speaking to the media, Commerce and Industry Minister Shri Kamal Nath said that developed country leaders, including EU trade commissioner Peter Mandelson, had indicated that they were looking for steep cuts in industrial tariffs from India.

The minister said that India will not undertake commitments greater than two-thirds of the commitments undertaken by developed countries as this was promised to developing countries under the "less than full reciprocity" component. "Once we know what the EU and the US are offering in terms of percentage reduction in industrial goods tariff, we will not fall short of meeting two-thirds of it," the minister said.

The EU and the US had recently made several statements indicating that they expected developing countries to undertake liberal commitments in industrial goods and services as the developed world had already undertaken commitments to liberalize agriculture.

The meeting is crucial as it would indicate whether it was possible to meet the deadlines set at the Hong Kong meet for completing various aspects of the negotiations. As per the Hong Kong Declaration, the modalities for agriculture and non-agricultural market access negotiations are to be finalized by 30 April 2006 while commitments based on the modalities should be submitted by each member by 31 July 2006.

The WTO seeks to conclude the ongoing Doha Round of talks by the end of the calendar year.

(*The Financial Express*, 9 March 2006)

EU Seeks Greater Market Access Promise from India

THE EU has sought greater market access commitments from India in the area of non-agricultural goods under the ongoing negotiations at the WTO. The EU said that it wanted something in return for the ''significant'' offers being put by it on the table in the agricultural sector.

Speaking at a meeting organized by FICCI, visiting European Commission Director General-Trade David O' Sullivan said he needed to tell people back home that they got something in return for what they gave in agriculture. "I can't tell people that we have paid in agriculture on altruistic grounds and should not expect anything in NAMA (Non-agricultural Market Access)," he said.

Replying to Mr. O'Sullivan's argument, Commerce Additional Secretary Shri G.K. Pillai said the agreement on agriculture was flawed and the EU was only correcting the distortions that were present. "You can't expect developing countries to pay for the distortions," he said.

Mr. Sullivan said the EU was committed to a time-bound and balanced outcome of the multilateral trade negotiations. He, however, cautioned against the risk of front loading the negotiations with agriculture and NAMA and back loading services and rules.

(*The Financial Express*, 15 February 2006)

EU, India to Build on WTO Talks

EU Trade Commissioner Peter Mandelson has said that India and EU have to think creatively about how to boost their commercial relations, building on the potential benefits of a successful Doha Round of multilateral negotiations at the World Trade Organization (WTO).

In a statement to the press after his meeting with Indian Commerce Minister Shri Kamal Nath in an

EU-India ministerial meet in London, Mr. Mandelson said that the two leaders discussed a wide range of topics including both bilateral and multilateral issues.

On the multilateral front, they held intensive talks on the ongoing Doha WTO trade negotiations. Following the meeting, Mr. Mandelson said that they had tried to build on the momentum created at Davos. “Today’s talks have covered all areas of the Doha negotiations but they have focussed in particular on NAMA and services. We are looking for ways to bring the potential trade and development benefits from these sectors to the heart of the negotiations,” he said.

Pointing out that Shri Nath often said that countries have to get down to the details about what was needed and what could be given, Mr. Mandelson said that he agreed with that. “For an ambitious Doha Round the deal is in the details”, he said.

On the subject of their bilateral trade relations, the EU and India issued a joint statement. It said that while the priority for now was the Doha Development Agenda (DDA) and the two were fully focussed on that, they wanted to think creatively about how to boost their commercial relations, building on the potential benefits of a successful Doha Round.

(*The Financial Express*, 5 February 2006)

India Defines Terms on Industrial Tariffs

WITH the European Union and the United States closing ranks on pushing for a Swiss formula with two coefficients for reduction in industrial tariffs, India said it would not agree to any proposal unless the flexibilities offering less than formula reduction or not reducing tariff on certain lines were included.

Commerce and Industry Minister Shri Kamal Nath also wrote a letter to WTO Director-General Pascal Lamy, stating that India would not budge on agricultural and industrial tariff negotiations unless developed countries agreed on an end date for elimination of export subsidies, special products and special safeguard mechanisms in agriculture and flexibilities on Para 8 in industrial tariffs.

Officials said since even developing countries had offensive interests in India’s market, New Delhi may have to contend with flexibilties being provided as part of the formula rather than as a stand-alone provision.

The EU Trade Commissioner Peter Mandelson said, “the US made a proposal and I second it in every respect.” He said the US and the EU proposal, as it is now called, was backed by a majority of the countries that were present. A US official said the US continued to support a Swiss formula with two coefficients in NAMA and added that the EU, too, shared that position.

Shri Nath said developing countries needed flexibilities to protect their domestic industries, such as offering less than formula reduction or making no reduction at all on a specified number of tariff lines covering their sensitive items or sectors.

While India toughened its stance, Mr. Mandelson said the EU was not willing to discuss dates for the elimination of export subsidies until other countries sign up for transparent reform to their forms of export subsidies.

In a statement, the EU said Europe’s commitment to eliminating all export subsidies in an unequivocal and transparent way remains absolute. But every form of export support distorts world markets and the need to act applies to all governments engaged in export subsidization.

EU Agriculture Commissioner Mariann Fischer Boel said, “We are ready to move, but we insist on taking others like the US, Canada, Australia and New Zealand along with us. A date for ending export subsidies is not a trade-off for transparent commitments to reform export subsidy programmes.”

These commitments are what others owe to all members of the WTO as part of their commitment to ending export subsidies in the July Framework Agreement of 2004.

(*Business Standard*, 17 December 2005)

India will Not Move in WTO Farm Talks at Hong Kong without End Date for Removal for Agri Export Subsidies by Developed Countries, says Kamal Nath

SHRI Kamal Nath, Minister of Commerce and Industry of India, indicated that India will not move in the agricultural negotiations at the Hong Kong Ministerial Conference of the World Trade Organization (WTO) unless the developed countries set a definite end date for elimination of all forms of export subsidies in the agriculture sector. At an informal news briefing on the Green Room deliberations, the Minister explained how such subsidies kept the prices of agricultural products in the international market at artificially low levels and adversely impacted on the interests of poor farmers in developing countries like India who were not able to get remunerative returns for their produce. He further said that there would be no movement as far as India was concerned in the area of industrial tariffs (i.e., non-agricultural market access – NAMA) either, without the flexibilities in tariff reduction commitments that were required to protect domestic industries in India.

India is standing firm on the issues of interest to it in the key sectors of Agriculture and NAMA, Shri Nath said.

On NAMA or industrial tariff negotiations, Shri Kamal Nath said he had made it amply clear during Green Room discussions that it would not be possible for India to move forward in the negotiations without the flexibilities that developing countries needed to protect their domestic industries, such as offering less than the formula reduction or making no reduction at all on a specified number of tariff lines covering their sensitive items/sectors. “This is absolutely vital for countries like India in order to be able to safeguard the interests of small and medium enterprises which provide livelihood to millions of industrial workers”, he said.

(*www.commin.nic.in*, 16 December 2005)

US Objects to Indian Proposal on NAMA

THE US has objected to the joint proposal made by India, Brazil and Argentina on non-agriculture market access (NAMA) where the three have demanded special treatment for undertaking reduction commitments in unbound tariff lines.

The countries have said that they are not prepared to undertake line-by-line tariff reduction for all unbound products and have instead suggested that developing members should be allowed to make commitments on reducing the tariff average of such items.

Unbound products are free of tariff ceilings, which mean that countries currently have the authority to raise tariffs to any level they want. In India, about 32 per cent of total tariff lines are unbound.

According to Commerce Ministry officials, using the tariff formula suggested in the joint proposal, India will have to bring down unbound tariffs to an average of 30 per cent. As per the proposal, it would have the flexibility to fix individual tariff lines around this average.

Sources said that the US was unhappy with the proposal as it would give developing countries the power to maintain tariffs on certain products at very high rates as long as the average tariff was maintained at the level committed to in the WTO negotiations.

A team of senior officials from the US Trade Representative’s office had taken up the issue with Indian officials recently. India is not prepared to budge from its position as the developed countries have not agreed to some other proposals made by it at the on-going NAMA negotiations.

While the mandate adopted during the launch of the current round of negotiations in Doha, Qatar, stated that developing countries would be allowed to either keep 5 per cent of their total tariff lines unbound or bring about small cuts (less than formula cuts) in 5 per cent tariff lines, India wants to go in for a mixture of both.

India wants to leave a very small number of its tariff lines unbound (much less than the 5% allowed) while agreeing to less than formula cuts for certain tariff lines.

Sources said that after several rounds of meetings, developed countries maintained that they did not want to give India this flexibility.

The sixth WTO ministerial meet is scheduled in December 2005, Hong Kong, where all members are expected to agree on the framework for reducing tariffs in both agriculture and non-agriculture products. The round is supposed to be completed by the end of 2006.

(*The Financial Express*, 17 May 2005)

India Moots 2-Pronged Plan for WTO Farm Talks

INDIA has put forward a two-pronged strategy in resolving the tariff formula difficulties on agriculture negotiations under the WTO umbrella.

This proposal, submitted by the Union Commerce and Industry Minister Shri Kamal Nath, in Paris at the informal trade ministerial meeting of the WTO, would ensure greater market access for farmers of developing countries to the markets of the developed countries.

According to the two-pronged strategy, all member countries of the WTO - both developed and developing countries - convert 100 per cent of all specific duty tariff lines into *ad valorem* equivalents (AVEs) and then bind these tariffs in *ad valorem* terms after conversion; second, regardless of the formulae or methodology that is finally adopted for the conversion, the maximum agricultural tariff should not exceed 100 per cent at the end of the Doha Round.

On NAMA issue, Shri Nath came down heavily on developed countries for practising double standards. Thus, developed countries sought reduction from bound rates and were not willing to bind duties in *ad valorem* terms in agriculture, but called for reduction from applied rates and 100 per cent binding in *ad valorem* terms in NAMA. Supporting Shri Kamal Nath, the Australian Trade Minister, Shri Mark Vaile, described it as the "schizophrenia of the developed countries".

Shri Kamal Nath referred to the joint proposal on NAMA already submitted by Argentina-Brazil-India as a balanced and equitable one as it combined a satisfactory degree of liberalization with the required security for developing countries and incorporated the principle of less than full reciprocity and flexibilities in tariff reduction for developing countries.

It had the added advantage of addressing issues of tariff peaks and tariff escalation. He cautioned members not to treat harmonization of tariffs as an end itself— "it is not in the mandate so let us not make it a goal". He also urged removal of NTBs such as complex technical requirements and standards, often used as an alibi for environmental and health point of view.

(*The Hindu Business Line*, 6 May 2005)

WTO Meet on Tariff Reduction Formula for NAMA

THE European Union (EU) and the developing countries group including India, Brazil and Argentina will lock horns at the WTO meeting of the negotiating group on market access for non-agriculture goods (NAMA).

The tariff reduction formula submitted by both sides earlier will be discussed at the meeting by all members and each will have to prove the appropriateness of their formula.

The EU has proposed a Swiss formula with a single reduction co-efficient which would result in steep cuts in tariffs of developing countries because it calls for sharper reduction for higher tariffs.

India, Brazil and Argentina, on the other hand, have proposed a Swiss "type" formula based on each country's tariff average which would impose a proportional percentage reduction in tariffs.

The Commerce Ministry officials said that India's formula fully complies with the mandate laid down in the Doha declaration adopted at the launch of the on-going round in Doha, Qatar.

India claims that its formula is most appropriate because it is based on the current tariff profile, has an element of progressivity in national tariffs, allows for less than full reciprocity in reduction commitments and its liberalizing effect can be adjusted by variations in the co-efficient.

Trade experts point out that the EU's proposal that developing countries should be given "credits" enabling a lowering of tariff cuts for not fully utilizing the flexibilities offered under the Doha mandate was not in conformity with the Doha mandate. The provision was narrowing and tying developing-country members' recourse to the special and differential treatment and less than full reciprocity provisions, experts point out.

India is also clear that the US inclination towards harmonization of tariffs is not valid as harmonization is not an objective of this round. In its submission, India pointed out that harmonization has not been envisaged in the Doha mandate and was not included in the July framework as one of the necessary features of the formula.

Harmonizing the customs tariffs amongst countries with differing industrial and economic structures and with varying societal needs is not desirable and would not deliver the development objective of the round, India stated.

WTO members will try to finalize a formula for tariff reduction in both NAMA and agriculture soon so that modalities for negotiating agreements in both areas can be finalized at the sixth ministerial meet of the WTO in Hong Kong this December. The tentative date for completing the on-going Doha round of trade talks is 2006-end.

(*The Financial Express*, 27 April 2005)

India Presents Fresh Tariff Strategy at WTO

Average Tariff should Decide Commitments

IN A bid to gain a good deal for developing countries in the ongoing WTO negotiations on market access in non-agri goods, India has proposed tariff cut commitments commensurate with the average tariffs of each WTO member. Presented jointly with Brazil and Argentina, the new formula provides an alternative to the strategies currently under negotiation.

Incorporating flexibilities for developing countries and different treatment for unbound tariff lines, the new approach was submitted to WTO's Negotiating Group on Market Access (NGMA) by India's ambassador & permanent representative to the WTO, Ujal Singh Bhatia, at a meeting in Geneva. Commerce & Industry Minister Kamal Nath had proposed that an alternative should be proposed to replace the "unacceptable" strategies that were discussed earlier.

The idea mooted by the three developing countries is aimed at working out strategies in line with the level of economic development of each WTO member, as reflected in the tariff policy of each country. The new strategy has found support among developing countries and is likely to emerge as a rallying point, highly-placed government sources said.

"The formula is flexible, in that it can be suitably adapted to deal with sensitivities of developing countries. At the same time, it is ambitious, given its non-linear character that would bring down higher tariffs more than lower tariffs," India's message to the negotiating group said.

The new formula would work on a two-pronged approach, covering both bound as well as unbound tariffs. The ideas contained are fully in line with the Doha Declaration, the sources said.

The net effect of the new proposal would be to go in for commitments in level with the economic development of each country rather than adopting a uniform standard for all WTO members. "We believe that movement towards full bindings is a desirable objective as it would impart greater predictability to the trading system. We also believe that freshly-bound tariffs should be subjected to formula cuts. However, any approach towards this objective has to take into account the higher sensitivity of the presently unbound tariff lines," Shri Bhatia's statement said.

"Our proposal is based on this understanding. We have proposed that the average, as on the base date, of presently unbound lines will be marked up by a factor to be negotiated. Thereafter, the marked-up lines could be bound at an average level after the application of the formula," the Indian envoy to WTO emphasized. India's contention is that the marked-up lines could be bound at an average level after the application of the formula.

This would give all WTO members the flexibility to fix individual lines around this average. Such an approach would lead to the desirable outcome of reducing tariffs while, at the same time, addressing the concerns regarding the levels at which sensitive tariff lines are to be bound, India and its allies have impressed on other WTO members.

(*The Economic Times*, 27 April 2005)

EU Employers Urge Bigger Tariff Cuts for WTO Accord

EUROPEAN manufacturers called on Brazil and India to offer bigger reductions in import tariffs to produce a WTO agreement that benefits business globally.

Ministers from six governments met in London to move closer to an accord on formulas lowering duties on farm goods and industrial products such as computer components. Consensus within the group, which represents 60 per cent of world trade, would give fresh impetus to wider talks that aim to boost development in the world's poorest nations.

Brazil and India have refused to slash their import tariffs to the level the US and EU are demanding unless industrialized countries sweeten their offers to open their markets to more agricultural products from developing nations. The WTO has given itself until April 30 to agree on the formulas for scaling back the duties.

''There's a real risk that only the most developed economies cut their tariffs,'' said Adrian van den Hoven, an adviser on WTO affairs at Brussels-based European employers federation UNICE, which represents more than 16 million companies including Unilever NV and Groupe Danone. ''That's just not acceptable to European and US business. That's way beyond our line in the sand.''

The WTO's 149 governments are aiming for the end of July to stitch up an accord that the World Bank says would pump $96 billion into the international economy. Completing political discussions in the next few months would give the trade body enough time to sign off on the final details of a deal before the Bush administration's negotiating authority from Congress expires in July 2007.

''If this comes together, we'll have an agreement that's meaningful,'' US Trade Representative Rob Portman said on 11 March in an interview after he met with his counterparts from the EU, Brazil, Japan, Australia and India. ''It may not be as much as the US would like in some areas, it may be too much for other countries, but there will be a reduction in the barriers to trade that currently exist.''

India and Brazil have reduced some tariffs voluntarily and ''found that it not only helps their economy and gives consumers more choices and a higher standard of living, but enables them to modernize their economy generally,'' Mr. Portman said.

Brazil has trimmed tariffs on products used by the energy, building and consumer products industries to limit price increases by protected local manufacturers. The government cut to zero tariffs on ethanol, wire rod, steel beams, natural-gas-fired electricity generation equipment, acrylonitrile, a product used to make synthetic fibers, steel wool for cleaning purposes, fertilizer and three types of insecticide.

That goal may remain elusive. Brazilian foreign minister Celso Amorim said he and the other ministers who met in London ''haven't yet made that 'click' that will make an agreement possible.''

While the WTO has never met any of its self-imposed deadlines, there is ''plenty of urgency in terms of the timeframe we have left to us,'' Australian trade minister Mark Vaile told Bloomberg News.

(*The Financial Express*, 14 March 2006)

Kamal Nath Calls for Equitable Tariff Formula in NAMA Negotiations

SHRI Kamal Nath, Union Minister of Commerce & Industry, has called for an equitable tariff reduction formula in the negotiations on NAMA in the WTO, keeping in view the concerns and interests of developing countries, including India. He was participating in the two-day Meeting of WTO Trade Ministers held in Kenya, at which the subjects discussed were NAMA and Services.

According to reports from Kenya, the discussions on NAMA were constructive and useful. For the first time, actual tariff reduction formulae in NAMA were discussed at the Ministerial level. The European Union (EU) put forward their proposal for the Swiss type formula,* with credits to be given to developing countries. But India responded by saying that this was not adequate. The US reiterated its suggestions for using two different co-efficient for tariff reduction – one for developing countries and one for the developed countries. Shri Kamal Nath remarked that while this suggestion was a step in the right direction, it was still not adequate. The formulae still required a lot of fine-tuning, he said, and suggested that the Girard formula** which used co-efficient for each country equal to its own tariff average as this could be the most appropriate mechanism. However, Shri Kamal Nath said that even the Girard formula had its shortcomings and hence, India, Brazil and China along with some other countries were working on a modified Girard formula, so as to evolve a suitable formula for tariff reduction in the area of non-agricultural market access. "We are giving final touches to this and hope to be able to table it shortly", he said. This statement by India was welcomed by the participants, who felt that this could be the basis for a breakthrough in the NAMA negotiations.

Shri Kamal Nath also strongly raised the issue of NTBs in the non-agricultural sector, pointing out that persistence of NTBs would negate whatever flexibilities were available for developing countries in NAMA.

* Swiss formula: involves reduction of high tariffs by very high percentages, thereby affecting developing countries.

** Girard formula: takes into account the existing tariff structures of member countries, in line with the concerns of developing countries.

(*Commin Press Release*, 4 March 2005)

Framework Identifies Modalities for NAMA

UNDER Non-Agricultural Market Access (NAMA), the framework identifies the initial elements for future work on modalities for negotiations. The negotiations *per se* seek to achieve the objective of reduction or elimination of tariffs, including tariff peaks, high tariffs and tariff escalation, and non-tariff barriers. The Framework prescribes continuation of the work on the use of a non-linear formula applicable on a line by line basis. The application of the formula, which is one of the initial elements identified for future work on modalities for negotiations, has been stated to cover all products and would commerce from the bound rates for bound tariff lines and two times the MFN rate for unbound lines. Credit would be given for autonomous liberalization and all non *ad valorem* rates would be converted into *ad valorem* equivalents based on a methodology negotiated upon. Exemptions from formula reductions have been granted to members with less then 35 per cent unbound tariff lines who would merely bind all their tariff lines instead. Flexibility granted to developing countries under the special and differential treatment and less than full reciprocity include both a longer implementation period as well as applying less than formula cuts or no cuts for a specified list of tariff lines or retaining of some of the unbound tariff lines as unbound.

On the proposal for sectoral initiatives, India, as most other developing countries, has emphasized that formula approach should be the main modality for negotiation and sectoral initiative can be considered only after the precise formula is decided upon. India's stand has been that the sectoral initiatives, if any, should focus on specific sectors of interest to the developing nations, with the concepts of "Less than full reciprocity" in reduction commitments being built into such an initiative.

As regards the issue of non-tariff barriers (NTBs), the focus has been on encouraging the WTO members to make notifications, by 31 October 2004, on such barriers faced by them to facilitate identification, examination, categorization and ultimately the negotiations on such non-tariff barriers. India has submitted a notification within the given date on some of the NTBs faced by its exports. While no modalities have been specified in this context, the Framework affirms the need for special and differential treatment for the developing nations.

(*Economic Survey*, 2004-05)

Deep Divisions in WTO Negotiations on NAMA

THE WTO negotiating group on NAMA held three days of formal discussions 9-11 July 2003 with members deeply divided on the modalities to be adopted for the negotiations.

On the table was the "draft elements of modalities" that the Group's chairman, Swiss Ambassador Pierre-Louis Girard had proposed in May 2003, which had gone through one round of preliminary comments at the last Group meeting.

The views of various members became clearer. On one side, the major developed countries appear to like various elements of the Chair's proposal, but want changes so as to achieve even deeper cuts to developing countries' tariffs. On the other side are many lower-income developing countries who are opposed to most elements of the Chair's proposal as they are concerned most of their tariffs will have to be bound, and the tariff cuts will be drastic, exposing local firms to much stiffer import competition and further deindustrialization.

In between are developing countries which are unhappy with aspects of the Chairman's proposals but still studying the implications of the proposed formula for tariff cuts if different values are given for the parameters. Most developing countries are, however, opposed to one element of the proposal– their being asked to join an accelerated liberalization of several sectors selected by the Chairman.

At the close of the three-day meeting, Mr. Girard gave a basically optimistic view on how his proposals had been received but said much more needs to be done and on some issues (especially the accelerated liberalization using the sectoral approach) views are still far apart. In fact, his view of the situation is over-optimistic, given the opposition to his basic formula and his sectoral approach, especially from developing countries.

The meeting's discussions focused on Girard's "draft elements of modalities", whose main points are:

(1) Tariff reductions according to a formula involving the country's average tariff (known as "at"); base rates (known as "to") which are the bound tariff lines or two times the 2001 MFN applied rate for all unbound tariff lines; and the coefficient "B" that has an impact on the magnitude of the tariff cuts. The chairman has not specified the value of "B". The lower the "B" coefficient, the greater the cut.

(2) Developing countries will be allowed to keep only 5 per cent of their tariff lines unbound provided they do not exceed 5 per cent of total import value. This means those countries that have only bound a part of their tariff lines have to extend the scope of bindings to 95 per cent of total tariff lines involving at least 95 per cent of total import value.

(3) A "sectoral approach", in which seven sectors are selected for complete tariff elimination in three equal phases. Developed countries will eliminate tariffs in the phase 1. Others will reduce tariffs to 10 per cent maximum by phase 1, observe a standstill (not requiring further cuts) in phase 2, and eliminate tariffs by the end of phase 3. The exemption allowing 5 per cent of tariff lines to be unbound cannot be used for the sectors.

(4) Additional modalities will be optional. They may include zero-for-zero sector elimination, sectoral harmonization, request & offer and eliminating low duties.

(5) No negotiating modality has been proposed yet by the Chair. He proposes that as a first step, non-tariff barriers (NTBs) should be identified and examined and that some NTBs can be dealt with by the NAMA negotiating group and others by other related WTO bodies.

The proposed modalities, if implemented, will generally result in much deeper liberalization for developing countries, since the proposed formula calls for higher percentage tariff reductions at higher levels of existing tariffs, and developing countries on average have significantly higher bound tariffs.

They will also greatly broaden the developing countries' scope of liberalization commitments, since they have previously been free to choose the scope but are required by the proposed modalities to bind almost all their tariff lines, with a mere 5 per cent exemption allowed.

The modalities will also require developing countries to rapidly eliminate all protection in the seven sectors, many of which are now sensitive to import competition, or which these countries may want to choose to develop in future. The proposed sectors are electronics and electrical goods, fish and fish products, footwear, leather goods, motor vehicle parts and components, stones, gems & precious metals, and textiles & clothing.

Despite the proposed modalities' already onerous obligations on developing countries, at the meeting several developed countries criticized the modalities for not going far enough to tackle high tariffs, as well as opening developing countries' markets.

On the tariff formula, Canada said it leaves many high tariffs and countries have to be more ambitious. New Zealand suggested choosing a very low B coefficient (so as to achieve steeper tariff cuts) but said even this would fail to produce real market access in a majority of markets.

The US believed the formula does not deliver on real market access nor equity among members. It does not sufficiently reduce tariff peaks and high tariffs. Japan said an increase in binding commitments is needed to achieve tariff reductions and market access. Singapore was for a B coefficient that is as low as possible.

The European Commission (EC) said the formula is creative but it does not guarantee dealing with tariff peaks. The formula should be amended otherwise there will be a *status quo* situation, and more tariff harmonization is needed. We don't want to impose anything or hurt anyone but we need more tariff bindings, added the EC.

Many developing countries countered that the Chairman's modalities would hurt or damage their industrial sectors.

Morocco, on behalf of the Africa Group, said the formula was actually a harmonization approach. The modalities do not take into account specific aspects of developing countries' fragile economies. They were too ambitious and penalized African countries' development strategies.

Kenya presented a paper on behalf of itself and Ghana, Madagascar, Mauritius, Nigeria, Rwanda, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe. It said the negotiations should support and not destroy industrial growth in Africa that has so far not gained from previous liberalization. Incorrectly designed modalities would pressurize countries with a weak industrial base to liberalize further, a negative situation to be avoided at all costs.

The African countries said that Doha mandated taking account of developing countries' needs, including less than full reciprocity in reduction commitments. This implies developing countries should be allowed to make lesser cuts so that they can use tariffs as a policy instrument for industrial development purposes.

They said the formula proposed is a variation of the Swiss formula having a harmonizing effect and do address the special needs and interests of developing and least developed countries other than peaks and escalations.

"Although the formula takes into consideration the different tariff profiles, it would exert a similar effect on them. The formula does not contain any special and differential component for developing countries, as countries (both developed and developing) with the same average tariffs would make the same percentage reduction.

Since cuts will impact more on high tariffs than on low tariffs, the outcome of the formula will be a significant decline in prices on imported products into developing countries, where tariffs are currently high, while it will be only marginal in the case of developed countries.

This imbalance in market access between developed and developing countries will lead to a worsening balance of trade in developing countries with its attendant consequences, such as fall in government revenue, foreign exchange and balance of payments related problems as well as the adverse effects on development initiatives, among others."

The African countries also criticized the proposal for extending tariff bindings. They said many developing countries have not bound all their tariffs because they have used this flexibility to pursue their industrial and trade goals. However, the same countries have through structural adjustment reduced their tariffs to very low levels.

"The proposal to calculate the base rates from the 2001 MFN applied rates for all unbound tariffs and increasing the scope of binding coverage to at least 95 per cent would be expecting too much from developing countries. In short, the proposal goes too far too fast. Even when the 2001 MFN tariffs are doubled, they still fall far below bound rates of some countries that have been very vocal on this issue.

That is why we have maintained that the scope of coverage should be left to each developing country to decide. If the proposed formulation is used, most of the developing countries of Africa may be forced to reduce their tariffs to levels below their applied tariffs, which would eliminate the tariff flexibility they have to use to achieve their industrial and trade development goals. We strongly recommend that any core modality on tariff reductions should be confined to bound rates. There should be no stipulation as to the extent to which developing countries would have their tariff bound. It should be left to individual countries to decide."

Brazil proposed the countries be given incentives if they are to bind more of their tariffs. It could work with the formula. It said the base rate should be based on bound rates and applied rates should not be used. India said that there are conflicting interests and views reflected in the Chairman's formula and to say that some countries must make concessions to get benefits is illusory.

On the sectoral approach, there was opposition from many developing countries, especially on its mandatory nature. They could only consider voluntary participation.

Thailand voiced serious concerns about the sectoral approach generally and asked why most of the selected sectors were of export interest to developed rather than developing countries. Indonesia said it was not ready for the sectoral approach. Malaysia expressed serious concern, it could not participate in it and it should be completely voluntary. India also said it should be voluntary.

Similar concerns came from Latin American countries. Colombia, Chile Venezuela, and Mexico said it was difficult to accept a compulsory approach and Cuba and Costa Rica said it should be voluntary.

Kenya, speaking for the 11 African countries, said African countries would not benefit from tariff elimination in the sectors, particularly those enjoying preferential market access. On the other hand, their phasing out tariffs in the same sectors in which they have not become internationally competitive will put tremendous pressure on their weak, vulnerable and limited industrial base. In addition, trade statistics reveal that developed countries have significant interests as well in almost all the identified sectors. The sectoral approach should be voluntary. There was opposition from Korea, Japan, Chinese Taipei on the inclusion of fisheries.

Many developed countries supported a mandatory approach. For example, the EC said tariff elimination was part of the Doha mandate and the mandatory approach was essential. Norway agreed it should be mandatory. So did Hong Kong.

On NTBs, some countries wanted this topic to be dealt with in other related WTO bodies but several developing countries, including Kenya, felt it should remain in the NAMA group where there is a negotiating mandate.

In his summing up, Ambassador Girard said he felt there was general agreement on how to deal with tariff reductions. On his formula, he said some countries felt it was too weak while others thought it too ambitious.

On the sectoral approach, views were far apart, he said. The majority felt that unless consensus is reached on the core modality, it was hard to focus on the sectoral approach and he noted quite a number of members wanted it to be voluntary.

On NTBs, he noted there was no agreement how to deal with them. Not all NTBs can be discussed under the NAMA group but there was no agreement how these could be handled. He noted that some countries wanted to send these topics to other bodies such as those dealing with rules, TBT and SPS but other countries said that such regular bodies do not have negotiating mandate and should remain in the NAMA group to be dealt with together with tariff issues.

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BOOKS/ARTICLES NOTES

BOOKS

India & the Doha Work Programme: Opportunities and Challenges edited by Veena Jha, Macmillan, New Delhi, 2006.

THE book presents a collection of papers that were prepared to assist stakeholders in India in furthering their understanding and generating discussion on the implications of the Doha Round for India. These papers were presented before national stakeholders for consultation which were held between June-August 2005.

The five main areas covered in the book include NAMA, impact of trade liberalization on Indian agriculture, services liberalization, a survey of trade facilitation problems faced by Indian experts, harmonization of trade related property rights (TRIPs) norms and the provision of the conventions on bio-diversity.

The book contains a chapter on non-agricultural market access (NAMA) which describes various formulae of tariff reductions. It explains that the outcome of the negotiations would vary from section to section in India and can only be worked out after there is a consensus on the specific NAMA modalities among the WTO members.

Market Access Negotiations on Non-Agricultural Products: India and the Choice of Modalities by Anwarul Hoda, Monika Verma, Indian Council for Research on International Economic Relations, Working Paper No. 132, New Delhi, May 2004.

IN its introductory remarks, the publication states that market access in non-agricultural products is one of the important areas of negotiations already on the top of the agenda of the Doha Round of multilateral trade negotiations. These negotiations encompass both tariff and non-tariff barriers, and are to take place in accordance with the modalities to be agreed. The deadline for reaching an agreement on the modalities was initially fixed for 31 May 2003. However, the deadline was missed on account of disagreements among Members and an accord also eluded at the Fifth Ministerial Session of the WTO held at Cancun in September 2003.

The publication makes an attempt to facilitate the process of development that would be in the interest of India. It is presented in five parts. Part I analyzes the WTO rules relating to tariff negotiations and the past practice. Part II describes the proposals on modalities submitted initially by the Members and also examines those made by the Chairman of the Negotiating Group on Non-Agricultural Market Access. Part III discusses the considerations that may determine India's approach towards these negotiations. Part IV makes recommendations on the position that would be in the interest of India to take up negotiations on modalities. Finally, Part V summarizes the conclusions.

WTO Non-Agriculture Market Access Modalities: A Case Study of Impact on A Developing Country by Rajesh Mehta and Pooja Agarwal, RIS Discussion Paper: RIS-DA/59/2003, Research and Information System for the Non-Aligned and Other Developing Countries (RIS), New Delhi, September 2003.

THE publication makes an attempt to assess the implications of "Millennium Round of WTO Negotiations of Indian Industrial Tariffs". Giving a background of the subject, the publication says that market access for the non-agriculture products is one of the principal agenda items in the WTO negotiations. The developing countries, it says, should concentrate on making reduction in peak tariffs and tariff escalations. They should also demand that all the countries should define their binding rates in the form of *ad valorem* rates.

Further, it says that it is not easy for developing countries to completely accept the tariff elimination in some sectors even in an extended framework keeping in view their development and infrastructure. On the domestic front, tariff elimination, it points out, will lead to substantial reduction in customs revenue, which is the main source of revenue receipt for the developing countries. As such, the developing countries need to be given full advantage of "less than full reciprocity".

The book has been presented in four sections. Section 1 provides a background on the subject with a review of Doha mandate on market access of non-agricultural products. Section II discusses the current position of modalities used for negotiations. Section III discusses implications of these negotiations on Indian industrial tariffs. Finally, the concluding section presents the main findings and conclusions.

From Doha to Cancun: Delivering A Development Round edited by Ivan Mbirimi, Bridget Chilala and Roman Grynberg, Commonwealth Secretariat, London (UK), 2003.

THE publication contains a chapter entitled "Market Access Proposals for Non-Agricultural Products". It says that at the Doha meeting the WTO members agreed to reduce tariffs keeping in view the interest of developing countries. The current market access negotiations in non-agricultural products, it further says are being handled procedurally by a negotiating group who is mainly concerned with tariff reductions.

The chapter points out that main focus of discussions has been on finding out modalities that would meet the criteria set out in the Doha Declaration.

In its concluding remarks, it says that there are serious policy dilemmas for developing countries in reconciling their own trade and industrial policy strategies in the area of market access for non-agricultural products. For many countries, it says that a cautious approach may be preferable. On the whole, a formula approach would seem best to address the needs of developing countries for improved access to major markets against the backdrop of their poor bargaining power.

Market Access for Exports from India: Issues for Post-Cancun WTO Negotiations in Industrial, Agricultural & Services Sectors
by Dr. H.A.C Prasad, Academy of Business Studies, New Delhi, www.worldtradescanner.com

THE publication says that India's export performance is obviously a function of the competitiveness of Indian products as well as the market access opportunities available to Indian products in external markets especially in markets of developed countries. The competitiveness of Indian products depends upon a host of factors like productivity, cost of capital and the quality of infrastructure. Market access opportunities for Indian products, it says, will depend upon the commitments undertaken by different members of the World Trade Organization (WTO) since the rules governing international trade are set by the WTO.

Further, it says that the WTO members launched a fairly ambitious world programme in November 2001 in Doha, at the Fourth Ministerial Conference of the WTO. The negotiating mandate contained in the Doha work programme covers subjects relating to both market access and rules. In respect of market access, there are clear negotiating mandates in respect of agriculture, services and non-agricultural products. Developing countries like India are hoping that the ongoing negotiations relating to agriculture and non-agricultural market access will lead to significant enhancement of market access opportunities available to their agricultural as well as industrial products in developed countries' markets through reduction of tariff as well as non-tariff barriers. In the services sector, developing countries are looking forward to significant commitments by developed countries under Mode 1 as well as Mode 4.

Finally, it says that India has to strive hard in the ongoing negotiations to bring down different types of barriers that its exports face in different markets. India should try to influence the outcome of the WTO negotiations in the light of its export interest. At the same time, India needs to constantly notify its export strategy keeping in view developments in the WTO.

ARTICLES

No Agreement Minus Agriculture by Pradeep S. Mehta, *The Business Standard*, 5 June 2006, p. 10.

THE article says that main problem with the WTO negotiations is always with agriculture wherein both the EU and US accuse each other for not offering enough. To divert attention, the US recently asked the poor countries to curb their list of special products in addition to their earlier demand of lower farm goods tariffs. Besides, the rich countries are asking the poor for lower tariffs on industrial goods and opening up services.

Further, it says that since the fundamental issues of agriculture, non-agricultural market access (NAMA) and services cannot be settled in the meantime, the WTO members should consider what can be agreed upon. The controversial issues can be left on the back-burner until the US and EU sort out their political situation that may take a few years. It is time to turn the Hong Kong Declaration on its head and straighten out negotiations in other areas, such as WTO rules, TRIPs, trade and the environment, aid for trade and the Integrated Framework, all of which are crucial for developing countries and have been unaddressed during negotiations.

Is the Doha Round Dead? by Biswajit Dhar and Bibek Debroy, *The Business Standard*, 10 May 2006, p. 14.

AT the outset giving a brief background of the WTO negotiating process, Prof. Biswajit Dhar says that missing deadlines has become a routine happening for WTO negotiating process. He has stated this against the fact that while ministers of the WTO member countries had failed to complete modalities for the establishment of commitments at the end of the current round of negotiations for both agriculture and non-agricultural products by the end of April 2006. This deadline, he says, was laid down with a view to conducting negotiations by end of the year. He further says that WTO is not dead. This he stated in respect to agriculture where there has been a broad agreement on the approach to tariff cuts that members would be called upon to implement. The differences that remain pertain to level of tariff cuts that developed countries, in particular the EU, would have to implement. In his concluding remarks, Prof. Biswajit Dhar says that for a member-driven organization like the WTO, the onus eventually falls on the members to steer the ship in right direction. In this respect, the developing countries, he says, would have to take a step or two more than the developed world in the current round of negotiations.

Prof. Bibek Debroy in his opening remarks says that the April 2006 deadline for agriculture and NAMA has passed and adds further by stating that whether it is publicly admitted or not, this Doha Work Programme (DWP) is as good as dead. The deadlock, he says, was over agriculture especially because Hong Kong established a link between liberalization in NAMA and liberalization in agriculture. In a deeper sense, he says that deadlock was over developed countries (US, EU, Japan) refusing to accept a shift in negotiating power through G-20, G-33, and G-11 (the NAMA Coalition).

In his concluding remarks, Prof. Debroy says that since no country wants to publicly admit that negotiations have broken down, there may still be an attempt to salvage DWP through lowering of ambitions with a diluted agenda. In this context he says that India need not push too hard on immediate completion of DWP. This is because (i) it will give more time to domestic reform agenda; and (ii) India's signing of a plethora of RTAs is likely to push up transactions costs associated with RTAs over the costs of MTNs.

Finally, he says that India should continue to pay more attention to domestic reforms.

Missed Deadlines Reflect Differences by Martin Khor, *The Financial Express*, 3 May 2006, p. 7.

AT the outset, the article says that the 30 April deadline to finalize "modalities" for negotiations on agriculture and non-agricultural market access (NAMA) has been missed, resulting in fresh speculation on whether the WTO's Doha programme can be completed by the year-end.

The modalities comprise mainly formulae for cutting tariffs on agricultural and industrial goods, and subsidies in agriculture, as well as flexibilities for developing countries. Meeting this deadline was seen as important to enable the whole agreement to be signed in December 2006.

The missed deadline reflects continuing serious differences among the WTO's member-states on many issues. Developed countries are resisting demands that they cut their subsidies and tariffs in agriculture to enable developing countries' farm goods to enter their markets. Their offers so far have been inadequate. Yet they are pressurizing developing countries to cut their industrial tariffs drastically so that the bound rates are brought below the applied rates. But developing countries argue they need tariffs to protect their local industries which would otherwise collapse.

Developed countries are also trying to use the new "plurilateral" negotiating method to get developing countries to commit more in services. And the developing countries are being asked to further cut their agricultural tariffs by rates that are higher compared to the rates agreed in the Uruguay Round.

In NAMA, major developed countries are proposing to use a "Swiss formula" to cut tariffs, with coefficients of 10 for developed and 15 for developing countries. The formula implies deeper cuts for higher tariffs. Since developing countries have higher tariffs than developed countries, they have to make deeper cuts unless there is a wide enough gap in coefficients for these countries.

In its concluding remarks, the article says that if the US and EU continue to make unreasonable demands on the developing countries, it is hard to see light at the end of the Doha Round.

NAMA Pact May Remain Elusive by Sheila Mathrani, *The Economic Times*, 22 March 2006, p. 17.

THE article states that with the 30 April deadline for a WTO agreement on full modalities in non-agricultural market access (NAMA) approaching, the developed countries are still exerting pressure on the developing countries to reduce tariffs under NAMA. However, India and the NAMA-11 countries have criticized the rich countries' demands as "totally disproportionate".

The NAMA-11 group comprises Argentina, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa, Tunisia and Venezuela. India and other countries have criticized by stating that the developing countries are being called upon to bear the burden of any new market opening in the Doha Round, which threatens to create an imbalanced and anti-developmental outcome. Also, rules in NAMA should not be applied in a selective manner and need to be consistent with those being applied in agriculture. In agriculture, the negotiations on reducing farm tariffs are based on bound rates, and developed countries have insisted on using the bound levels as a basis for their domestic support reductions. Therefore, NAMA tariffs should not be applied in a selective manner and need to be consistent with those applied in agriculture.

High Ambition, Tight Deadlines by Abhijit Das, *The Financial Express*, 23 December 2005, p. 1.

THE article says that in NAMA, the crucial areas where divergence in positions would need to be bridged include the level of tariff cuts expected from developing countries, nature and extent of flexibilities to be allowed to them for protecting sensitive products and the concern of certain ACP countries relating to erosion of tariff preferences.

Developed countries have so far not shown much flexibility perhaps under domestic pressure in addressing concerns of developing countries. In terms of adhering to the dates it is difficult to visualize how the challenges of intricate technical negotiations, particularly in cutting farm support and liberalizing services will be met. However, if the yardstick of "development" is used to bridge the differences among countries, there could still be a possibility of finalizing some of the crucial elements of the modalities by the stipulated dates.

Agriculture and NAMA Negotiations: Searching for the Landing Zone by Prabhash Ranjan, Centad Working Paper 4, Centre for Trade & Development (CENTAD), New Delhi, March 2006.

THE article makes a critical assessment of the HK Ministerial text on Agriculture and NAMA. On the basis of this analysis, it suggests some specific and important negotiating inputs from the perspective of developing countries. In agriculture, it directs developed countries to reduce their trade distorting subsidies by 2010; and suggests a tariff reduction formula along the proposal made by the G-20. In NAMA, it moots a bold approach to interpret the text on the tariff reduction formula. It also stresses the need to comprehensively reflect the concerns and interests of developing countries.

Further, it says that developing countries should ensure a more effective disciplining of the green box subsidies. The elimination of export subsidies by the end of 2013 is only a marginal gain for developing countries as export subsidies constitute a miniscule portion of the overall trade distorting subsidies.

On NAMA, it says that tariff reduction formula for reducing the marked-up tariff rate should be used at higher coefficient than what will be used by developing countries for reducing their already bound tariff rates.

Non-Agricultural Market Access (NAMA) Talks Threaten Development: Six Reasons Why A Fundamentally Different Approach is Needed
by Jennifer Brant, Duncan Green, Marita Hutjes and Sophie Powell, Action Aid International, ICFTU, Oxfam International, Solidar and Third World Network, November 2005.

THE article states that WTO's current NAMA negotiations will not lead to a pro-development outcome. This is because the developed countries are demanding excessive opening to imports which, if agreed, could destroy local businesses and jobs in developing countries without bringing compensating economic gains. Poor-country governments will face balance of payments problems, loss of tax revenue, and downward pressure on workers' conditions and rights, and their future industrial development prospects will be undermined.

In keeping with the Doha mandate, the principles of special & differential treatment and less than full reciprocity, it says, must be reflected in the NAMA negotiations. Developing countries must be given the flexibility to determine for themselves the binding coverage and tariff levels that are appropriate to their level of economic development, along with a pace and scale of liberalization that fits with their industrial and economic development strategies.

Finally, it calls for a fundamental revision of the NAMA framework and the adoption of a development-friendly approach that places development needs and objectives at its centre. In particular, the more development-friendly approach used in the Uruguay Round should be applied by developing countries in the present Doha negotiations.

Hong Kong: Micro Steps, But Firm Ones
by Biswajit Dhar, *The Economic Times*, 23 December 2005, p. 20.

IN the area of non-agricultural market access, India and several other developing countries have argued that the flexibilities in the application of the formula would constitute its most critical component, and this sentiment has found a reflection in the Hong Kong ministerial declarations. The July framework had proposed two sets of flexibilities. In the *first* instance, a certain proportion of the tariff lines would be subjected to tariff cuts lower than that obtained by applying the formula. And, *two*, a certain proportion of tariff lines could be kept unbound. These flexibilities are important as they would allow developing countries to provide higher levels of tariff protection to their sensitive products. The Hong Kong ministerial declaration has put these proposals firmly on the negotiating table.

The focus of the current round of negotiations on issues concerning the developing countries has had a salutary effect on the coalitions involving these countries which have gathered momentum over time. Hong Kong saw the culmination of this process as the "grand alliance" involving the G-90, the G-33 and the G-20 countries took shape. This alliance almost gave the impression that the dynamics of trade negotiations have started to shift away from the developed countries.

Trade negotiators would tell us that these negotiations have the potential of becoming the art of the impossible. And the global community would have to wait for the next three months to know whether this is so.

Multilateral Trading System Must Not Fail, Even if Talks Do by Muchkund Dubey *The Financial Express*, 16 December 2005, p. 4.

THE article says that almost all the stakeholders at the 6th Ministerial Meeting have come to the conclusion that it would not produce the breakthrough in reaching agreement on negotiating modalities on agriculture and NAMA, essential for successful conclusion of Doha Round by the end of 2006. Irreconcilable positions of the developed and developing countries on these issues continue to block any forward movement.

Regarding NAMA, developed countries, it says, are demanding drastic reductions in the industrial tariffs of developing countries. The latter countries, on the other hand, are determined not to accept any risk of further de-industrialization and aggravation of unemployment in the small and medium sectors of their industries.

In its concluding remarks, the article states that against their backdrop, the expectations from the Hong Kong meeting have been deliberately kept low in order to prevent the eventuality of another collapse. The hope of reaching agreement on modalities in key areas has more or less been given up. At the same time, all the major groups seem to agree that allowing Hong Kong to go the Seattle or Cancun way may inflict irreparable damage to the international trading system. They are, therefore, busy working out a rescue package, the hard core of which will consist of a series of sops for developing countries, particularly the least developed ones.

Good Mode 4 Offer is Critical for India

by Anwarul Hoda, *The Financial Express*, 14 December 2005, p. 13.

INDIA has been negotiating for the last four years now and the time has come to bring about some sort of finality to the negotiations.

In non-agricultural market access (NAMA), it says there exist areas of disagreement. First one is with regard to Swiss formula. Although everyone agrees that there should be a formula, there is considerable disagreement about the type of formula. There is also disagreement on what should be the coefficient of the formula. Should it be one coefficient for developed countries and another for developing countries or should it be different coefficients for all participants depending on the average of their tariffs? The second important area of disagreement is the flexibility that should be allowed to developing countries by way of special & differential treatment. The major area of disagreement is with regard to treatment of unbound tariffs. It is being debated whether developing countries should be allowed to retain some tariffs unbound.

As far as NAMA is concerned, India has taken the stand that the Swiss type formula should be the tariff average of the country. This proposal is fundamentally sound, and India should stick to it. If necessary, the percentages in the flexibility sought for developing countries could be brought down, but only in exchange for an agreement on the coefficients being equal to the average tariff of the country concerned.

India also needs to be firm in regard to the unbound tariffs, especially with regard to the method for determination of the base rate. As no commitments have been taken on unbound tariffs, it would be very unfair if the present applied rates are treated as the base rate.

Non-Agricultural Market Access Negotiations: India Presses for Equitable Tariff Reduction Formula

Formula, *The Hindu Business Line*, 5 March 2005, p. 9.

THE article discusses about observations made by Shri Kamal Nath, Minister of Commerce and Industry at the 2-day ministerial level meeting of the select developing countries at Nairobi (Kenya) with respect to India's stand on Non-Agriculture Marketing Access (NAMA).

India, he said, wants an equitable tariff reduction formula in the negotiations on non-agricultural market access in the World Trade Organization, keeping in view the concerns and interests of developing countries.

The article also speaks about the stands taken by the EU and US on the issue.

The European Union put forth a proposal of the Swiss type tariff cut formula entailing reduction of tariffs by high percentage which may affect developing countries. India, on the other, responded by stating that it was not adequate. The US reiterated its suggestion for using two different coefficients for tariff reduction, one for the developed and the other for the developing countries. While, in principle, the Commerce Minister endorsed the EU suggestion, he, however, felt that even this was inadequate as it required a lot of fine-tuning.

Further, the article says that the Girard formula which takes into account the tariff structures of member countries in line with the concerns of developing countries and uses coefficients for each country equal to its own tariff average, is the most appropriate mechanism. Stating that even the Girard formula had its shortcomings, that is why India, Brazil and China along with some other countries were working on a modified Girard formula to evolve a suitable formula for tariff reduction in the area of non-agricultural market access.

Non-Agriculture Market Access Negotiations: Post-Cancun Issues and Implications for Industrial Tariffs by R. Mehta, and Pooja Agarwal, *Economic and Political Weekly*, 24 July 2004, pp. 3378-3386.

MAKING some observations at the outset, the article states that market access for non-agriculture products has been one of the principal agenda items in WTO negotiations. The basic mandate in the Doha declaration under the category "tariff and trade of industrial products" is both broad and comprehensive. Developing countries, it says, should concentrate on reduction in peak tariffs and tariff escalations. They should also demand that all countries define their binding rates in the form of *ad valorem* rates, as it has been noticed that *ad valorem* equivalence of *non-ad valorem* duties are very high.

The article makes an assessment of the implications of millennium round of WTO negotiations on Indian industrial tariffs. Beginning with a review of the Doha mandate on market access of non-agriculture products, it examines the various features of the negotiating group on market access' proposal for their likely impact on Indian industrial tariffs.

It has been presented in seven sections. Section I provides a background on market access of non-agricultural products. Section II discusses various elements of the NGMA-chairman's draft proposal and examines the proposed formula and its likely impact on Indian industrial tariffs. Section III contains the outcome of "NGMA-possible options" draft on Indian bindings. Section IV discusses results of the tariff cutting exercise conducted as per the formula proposed by EC-US-Canada. Section VI puts forth the important observations found in the draft Cancun ministerial text with respect to NAMA modalities. Section VII makes a summary of the main findings and conclusions.

Tariff Binding Not Import-Sensitive: A Study, *The Hindu Business Line*, 18 May 2004, p. 6.

THE article highlights main findings of a study on "Non-Agricultural Market Access (NAMA) Agreement" and says that India's current binding for most commodities does not show a domestic sensitivity of competitiveness from imports. The study says that there exists a huge scope for a widespread binding of Indian industrial lines/items. There are very few lines/commodities which are highly import sensitive. India, it says, can still keep such industrial lines in the unbound category or undertake to bind those at a high level.

According to the study, only one item, i.e. urea should remain unbound. In other words, the number of industrial lines, subject to binding rates, can be increased from the 70 per cent figure at the Uruguay Round to around 99 per cent in the forthcoming round.

The study calls for India to offer tariff cuts on a large number of tariff lines. An analysis of 9,467 tariff lines reveals that India could offer significant tariff cuts on as many as 8,643 lines (including 2,582 unbound lines). Out of the remaining 167 unbound tariff lines, India could think of binding 166 lines at relatively higher tariff rates.

According to the study, India should start the process of negotiations from the bound rates and not from the applied rates. This might enable India in binding its rates on the higher side.

Finally, the study says that India and other developing countries should demand special & differential treatment for (i) level of base rates for unbound items; (ii) higher cut-off points for identification of peak tariffs; and (iii) higher reduction in the tariff rates of finished goods compared to tariff cuts of unfinished or semi- processed products.

NTBs A Major Tool to Bar Market Access, *The Hindus Business Line*, 22 April 2004, p. 6.

THE article makes a reference of a study conducted by the Ministry of Commerce and Industry, Government of India on "Non Tariff Barriers" which reveals that middle and low income developing countries and the least developed countries confront market access barriers, which become substantially stiffer with products having lower value addition and technological content, particularly agricultural products, textiles, clothing, footwear and leather products.

The study further reveals that tariff intervention was the principal mode of protectionism till 1970s. But with falling tariff levels, both WTO bound and applied tariffs and non-tariff barriers have become a major barrier to market access to exports of interest to developing countries.

While direct NTBs are explicitly designed and implemented for purposes of restrictive trade and cover measures such as quantitative restrictions, tariff quota, voluntary export restraints, orderly marketing arrangement, export subsidy, export credit subsidy, government procurement and import licensing indirect NTBs are domestically implemented to meet some policy target impacting on trade flows in the process. The latter includes measures such as health and safety regulations, technical standards, environment controls, customs valuation procedures, rules of origin, labour laws and even anti-dumping duties, countervailing duties, regional subsidization and subsidization of public enterprises.

Market Access: Govt. Urged to Reject US-EU Formula, *The Financial Express*, 22 January 2004, p. 11.

THE article says that tariff reduction formula for non-agricultural goods proposed by the United States, the European Union and Canada would lead to 76 per cent decline in the country's average tariff while the formula proposed by the chairman of the negotiating group on market access would cause 51.8 per cent decline in the country's current bindings.

Further, making a reference to a case study on "Impact of WTO Non-Agriculture Market Access Modalities on the Developing Countries" carried out by the Research and Information System for the Non-aligned and Other Developing Countries (RIS), it says that India should push for adoption of different reduction coefficients for developing and developed countries.

The adoption of the negotiation group chairman's formula with a coefficient value of 1.0 will result in a 35 per cent decline of the country's MFN (most favoured nation) applied rate and that the government should not agree to a lower coefficient value, says the report. A reduction coefficient of 0.5 would require the country to reduce tariffs by 67 per cent while a lower coefficient of 0.25 will bring down tariffs by 81 per cent, points out the report.

As a special & differential treatment, the draft Cancun Ministerial text allows the developing countries to apply less than formula cuts to 10 per cent tariff lines or keep 5 per cent of line unbound.

The EU-US-Canada proposal of a non-linear formula with a single coefficient, it says, is unacceptable as it will put the developing countries at a disadvantage. While the formula would require India to reduce its average tariff by 76 per cent, tariff cuts by Canada will be 39 per cent, by the EU it will be 32 per cent and by the US it will be 36 per cent.

Industrial Tariffs and South Asia: Make the Cutting Less Painful by Prabhash Ranjan, Centre for Trade & Development (CENTAD), New Delhi.

IN its introductory remarks, the article says that industrial tariffs have historically been recognized as important policy tools for countries to foster industrialization and to follow a host of development-friendly domestic policies. There is ample economic literature to show that developed countries of today and many other developing countries used industrial tariffs to protect and promote their infant industries and develop their industrial bases. For instance, the United States (US), for most part of the period from 1820 to 1945, maintained an average industrial tariff rate of 40 per cent and never less than 25 per cent except for brief periods. Similarly, the East Asian success story also reveals that protection in the form of higher tariffs has enabled these countries to develop their industries and economies. Hence, any talk of reducing industrial tariffs should reflect important role of industrial tariffs. Even if tariffs are to be reduced, the same should be reduced gradually and in line with growing capabilities of countries that are undergoing liberalization.

(Contd. on page 48)

DOCUMENTS

Hong Kong Draft Ministerial Declaration

18 December 2005

NAMA Negotiations

13. We reaffirm our commitment to the mandate for negotiations on market access for non-agricultural products as set out in paragraph 16 of the Doha Ministerial Declaration. We also reaffirm all the elements of the NAMA Framework adopted by the General Council on 1 August 2004. We take note of the report by the Chairman of the Negotiating Group on Market Access on his own responsibility (TN/MA/16, contained in Annex B). We welcome the progress made by the Negotiating Group on Market Access since 2004 and recorded therein.

14. 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 finalize its structure and details as soon as possible.

15. 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.

16. In furtherance of paragraph 7 of the NAMA Framework, we recognize 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.

17. For the purpose of the second indent of paragraph 5 of the NAMA Framework, we adopt a non-linear mark-up approach to establish base rates for commencing tariff reductions. We instruct the Negotiating Group to finalize its details as soon as possible.

18. 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.

19. We take note of the level of common understanding reached on the issue of product coverage and direct the Negotiating Group to resolve differences on the limited issues that remain as quickly as possible.

20. As a supplement to paragraph 16 of the NAMA Framework, we recognize 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.

21. We note the concerns raised by small, vulnerable economies, and instruct the Negotiating Group to establish ways to provide flexibilities for these Members without creating a sub-category of WTO Members.

22. We note that the Negotiating Group has made progress in the identification, categorization and examination of notified NTBs. We also take note that Members are developing bilateral, vertical and horizontal approaches to the NTB negotiations, and that some of the NTBs are being addressed in other fora including other Negotiating Groups. We recognize the need for specific negotiating proposals and encourage participants to make such submissions as quickly as possible.

23. However, we recognize that much remains to be done in order to establish modalities and to conclude the negotiations. Therefore, we agree to intensify work on all outstanding issues to fulfil the Doha objectives, in particular, we are resolved to establish modalities no later than 30 April 2006 and to submit comprehensive draft Schedules based on these modalities no later than 31 July 2006.

24. We recognize that it is important to advance the development objectives of this Round through enhanced market access for developing countries in both Agriculture and NAMA. To that end, we instruct our negotiators to ensure that there is a comparably high level of ambition in market access for Agriculture and NAMA. This ambition is to be achieved in a balanced and proportionate manner consistent with the principle of special and differential treatment.

WT/MIN(05/DEC, 22 December 2005
(***Source***: www.wto.org)

Negotiating Group on Market Access

REPORT BY THE CHAIRMAN, AMBASSADOR S. H. JÓHANNESSON,
TO THE TRADE NEGOTIATIONS COMMITTEE

I. Status of Work

1.1 The NAMA Group met for the second time this year from 14-18 March. The meeting was convened by WTO/AIR/2525 and Add.1 and the proposed structure of work was communicated to Members through an organizational fax dated 1 March 2005. For this meeting, I used a mix of plenary and restricted open-ended sessions, and I think that this organization of work was useful in helping delegations focus on the issues at hand.

1.2 In plenary, discussions took place on the basis of the following documents: "Treatment of non-reciprocal preferences for Africa" (TN/MA/W/49) by the African Group; "Market access for non-agricultural products" (TN/MA/W/53) by the ACP Group of States concerning also non-reciprocal preferences; "Squaring the circle of ambition plus flexibility: providing options for developing countries" (TN/MA/W/50) by Chile, Colombia and Mexico; "A proposal for a simple non-linear formula with credits" (TN/MA/W/7/Add.1) by Norway; "Unbound tariff rates – establishment of base rates" (TN/MA/W/51) by Canada; Hong Kong, China; New Zealand and Norway; "Elimination of low rates" (TN/MA/W/52) by Canada and Norway; "How to create a critical mass sectoral initiative" (JOB(05)/37)[1] by Canada and the United States, "Swiss formula with dual coefficients" (JOB(05)/36) by the United States. A statement was made by the European Communities concerning their proposal on a formula. This proposal was presented in detail in the restricted open-ended session and a copy of the presentation was handed out to participants. Malaysia also circulated a paper entitled "Proposal for treatment of unbound tariffs", which was discussed in detail in the restricted open-ended session.

1.3 At the restricted open-ended sessions, the following topics were taken up: Formula (on the basis of the proposals by Chile, Colombia and Mexico; EC; Norway; the US and my draft checklist of issues); treatment of unbound tariff lines (on the basis of the paper by Canada; Hong Kong, China; New Zealand and Norway, the paper by Malaysia and my draft checklist of issues); *Ad valorem* equivalents (the paper circulated in the Committee on Agriculture in Special Session dated 11 January 2005 and entitled "Conversion of final bound non-*ad valorem* duties into *ad valorem* equivalents (AVEs)" was

[1] Subsequently circulated as TN/MA/W/55

used as background document for the discussions); Product coverage (on the basis of a Secretariat document JOB(05)/32).

1.4 On non-tariff barriers (NTBs), the Group conducted a multilateral examination of notified NTBs as contained in Part I of the Secretariat document JOB(04)/62/Rev.2 The examination took place on the basis of questions I had provided in my organizational fax. The Group also took note of Norway's NTB notification circulated in document TN/MA/W/46/Add.11.

1.5 In the wrap up session, participants reported on the work they had undertaken in the context of private consultations. It is evident that this practice of giving time to delegations to meet privately is valuable. I reported on my discussions with the Chairman of the Committee on Trade and Environment in Special Session on the status of work on the identification of environmental goods. I also provided some concluding remarks concerning this session which were circulated in document JOB(05)/54.

II. Outstanding Issues

2.1 The main challenge facing this Group continues to be to achieve the right balance between ambition and flexibilities.

III. Future Work

3.1 The next meeting of the Group is scheduled for 25-29 April. I have communicated to participants the organization of work for that session in a fax dated 12 April 2005.

(TN/MA/15, 22 April 2005)

Negotiating Group on Market Access

Market Access for Non-agricultural Products

COMMUNICATION TO THE NEGOTIATING GROUP ON NON-AGRICULTURAL MARKET ACCESS FROM ARGENTINA, BRAZIL AND INDIA

The following communication, dated 15 April 2005, is being circulated at the request of the Delegations of Argentina, Brazil and India.

1. The Framework contained in Annex B to the July Framework Agreement represents the mandate provided for the non-agricultural products negotiations in paragraph 16 of the DMD. Accordingly, the formula shall reduce tariff peaks, high tariffs and tariff escalation and take fully into account "less than full reciprocity in reduction commitments" and special & differential treatment for developing countries.

2. The concepts of "less than full reciprocity in reduction commitments" and "special and differential treatment" are different:

(i) "Less than full reciprocity in reduction commitments" has to be an in-built component of the formula and would be achieved through the incorporation of sufficiently higher coefficients for developing countries as compared to developed countries, resulting in higher percentage reductions for developed countries and taking into account the differences in tariff profile amongst Members;

(ii) Special and differential treatment relates to flexibilities in the application of the formula, including longer implementation periods, less than formula cuts and the exclusion of some tariff lines. The present structure of the S&D provisions in the Framework contained in paragraph 8 of Annex B is the minimum necessary to meet the development goals of the developing countries in this regard.

3. Harmonization of tariffs is not an objective of this Round. It has not been envisaged in the Mandate and was not included in the July Framework as one of the necessary features of the formula. Harmonizing the customs tariffs amongst countries with differing industrial/economic structures and with varying societal needs is not desirable and would not deliver the development objective of the Round.

4. After consideration of the various formulae proposed for these negotiations, a Swiss "type" formula incorporating each country's tariff average seems best suited to address the mandate in its entirety. This could be expressed as:

$$t_1 = \frac{B \times t_a \times t_0}{B \times t_a + t_0}$$

where,

t_1 is the final rate, to be bound in *ad valorem* terms

t_0 is the bound base rate

ta is the average of the current bound rates

B is a coefficient, its value(s) to be determined by the participants

The defining features of this formula are as follows:

- The "formula" would apply to bound tariff lines; and
- The coefficient 'B' will be modulated to reflect the ambition in other areas relevant to market access agreed to for this Round;

5. All non-ad valorem duties shall be converted to ad valorem equivalents before the adoption of the formula, and bound in ad valorem terms.

6. This is an equitable formula as it takes into account the present tariff commitments of Members. It improves the tariff profiles by compressing the dispersion of tariffs within each Member. It is transparent as it uses a well known factor, each Member's tariff average, as the basis. It seeks to match the ambition level in all areas of market access negotiations in the WTO, with the inclusion of a 'B' factor. The overall reduction commitment it imposes in percentage terms is proportional amongst developed and developing countries, removing the shortcoming in the simple Swiss formula that imposes much greater reduction requirements on the participating developing countries.

7. The impact of any tariff reduction formula depends on the numbers which are the essence of the formula. At this stage the important consideration is whether the formula by its nature complies with the mandate, i.e. whether it reduces or eliminates tariff peaks, high tariffs, and tariff escalation taking fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments. We believe the above formula is still the most appropriate because:

(i) it is based on the current tariff profile;

(ii) it has an element of progressivity in national tariffs;

(iii) it allows for less than full reciprocity in reduction commitments; and

(iv) its liberalizing effect can be adjusted by variations in the coefficient 'B'.

8. Having agreed on the basic structure of the formula, Members would have to address the part of the mandate related to Special and Differential treatment for developing country participants in the application of the formula on current bound tariffs. Particular sensitivities of developing countries would be attended by longer implementation periods, less than formula cuts for some tariff lines and the exclusion of some tariff lines from any formula cut. The figures related to those flexibilities would have to be negotiated after an agreement on the formula itself.

Treatment of Unbound Tariff Lines

9. Increasing the binding coverage to 100 per cent is a desirable objective for this Round. However, it must be recognized that appropriate flexibilities are required by developing countries to achieve this objective. The average as on the base date of presently unbound lines will be marked up by x times, which shall be negotiated as indicated in the framework agreement. Thereafter, the marked up unbound tariff lines could be bound at an average level after the application of the formula. Developing country Members would then have the flexibility to fix individual tariff lines around this average. The formula for unbound tariff lines will be slightly modified i.e., the formula would apply only on the tariff average and not on a line by line basis. The modified formula for unbound tariff lines shall be as follows:

$$t_{a1} = \frac{B \times x\, t_a \times t_a}{B \times x t_a + t_a}$$

Where:

t_{A1} is the average for newly bound lines

x_{tA} is the marked up tariff average of MFN applied rates as on the base date

t_A is the tariff average of MFN applied rates as on the base date

B is a coefficient, its value(s) to be determined by the participants

10. Members covered by paragraphs 6 and 9 of Annex B of the framework shall not undertake tariff reductions in this Round. Members should also recognize liberalisation recently undergone by newly acceded Members.

(TN/MA/W/54, 15 April 2005)

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Negotiating Group on Market Access

Market Access for Non-agricultural Products

Treatment of Non-reciprocal Preferences for Africa

The following communication, dated 17 February 2005, is being circulated at the request of the Delegation of Rwanda on behalf of the African Group.

I. INTRODUCTION

1. Trade preferences play a crucial role in Africa's development. Paragraph 16 of Annex B recognizes that challenges may be faced by non-reciprocal preference receiving Member countries as a result of NAMA negotiations. This paper points to the rationale for these preferences and proposes some preliminary ideas for the treatment of non-reciprocal preferences in these negotiations, taking into account the developmental needs of some African economies.

2. The paper also addresses those NTBs that are linked to preferences. NTBs are an integral part of the NAMA negotiations as indicated in paragraph 14 of Annex B.

II. BACKGROUND

3. Non-reciprocal preferences under the GATT have been cemented by the principle of special and differential treatment, (S&D) for developing countries and LDCs, which has evolved over time, and remains an important part of the WTO legal framework. S&D in preferential tariff margins, has been realised by the principle of less than full reciprocity in Part IV of GATT, the Enabling Clause, exceptional circumstances which warrant a waiver of the MFN Principle of GATT Article 1.1, and other relevant circumstances in tariff negotiations, including fiscal, developmental and strategic.

4. Most African countries depend on non-reciprocal preferences for a large share of their exports. Any further liberalisation must take into account this commercial reality to avoid further marginalization of some African countries which need to progressively adapt their weak industrial base.

5. In the NAMA modalities, reductions in MFN rates will reduce the preferential margin with negative effects on trade flows in some African countries. These countries rely on non-reciprocal preferences as a development tool and they will be faced with increased competition in their traditional export markets. Consequently, resulting adjustment costs will disrupt the sequencing necessary for the growth and industrialisation process. Due to the loss of preferential tariff margins, African economies will need the support of the multi-lateral trading system to meet their trade and development needs, as encompassed in the Doha Development Agenda. The crux of our expectations has been previously articulated by a group of African countries in the submission TN/MA/W/27.

III. DOHA DEVELOPMENT AGENDA

6. Development concerns form an integral part of the Doha Work Programme and the Doha Ministerial Declaration. In paragraph 2 of the Doha Declaration, Ministers placed the needs of developing countries

and LDCs at the heart of the Doha work programme and agreed to make positive efforts to ensure that these countries '…secure a share in the growth of world trade commensurate with the needs of their economic development'.

7. In paragraph 16 of the Doha Declaration, Ministers agreed that NAMA negotiations shall take fully into account the special needs and interests of developing countries and LDCs, including through less than full reciprocity in reduction commitments. Furthermore, paragraph 16 of the Doha Declaration incorporates paragraph 50 of the same Declaration whereby, Ministers further linked NAMA negotiations to Part IV of the GATT 1994 and the Enabling Clause.

8. In the Doha Work Programme paragraph 1 (d), under "Other Development Issues" and paragraphs 1 and 16 of Annex B, Members agreed to consider the issue of preferences in the NAMA negotiations, recognizing the challenges faced by non-reciprocal preference beneficiary Members. Additionally, in paragraph 3 of Annex B, Members further incorporated paragraph 16 of the Doha Declaration into the NAMA framework for establishing modalities.

9. Negotiations on NTBs are an integral part of the NAMA negotiations as indicated in paragraph 14 of Annex B. In Paragraph 2(b) of the Enabling Clause, Members agreed to permit differential and more favourable treatment with respect to the provisions of the General Agreement pertaining to non-tariff measures. African countries expect that in the NTB negotiations, the principle of S&D treatment for developing countries and LDCs will fulfil the objective of paragraph 16 of the Doha Declaration.

IV. RATIONALE FOR THIS PROPOSAL

(i) Development Needs

10. In Article XXXVI:8 of GATT 1994, it was agreed that Members from developed countries "do not expect reciprocity" in trade negotiations from less-developed contracting parties. The interpretative note on article XXXV1:8 clarifies that "less-developed Members should not be expected, in the course of trade negotiations, to make contributions which are inconsistent with their *individual* development, financial and trade needs, taking into account past trade developments".

11. On industrialization, Members recognized the need for increased and favourable market access for processed and manufactured goods of particular export interest to developing countries and LDCs, as indicated in article XXXVI:5 of GATT.

12. On tariff reduction, GATT article XXVIII *bis* affirms that tariff negotiations shall accord adequate opportunity to take into account the concerns of individual countries and sectors and "….all other relevant circumstances, including fiscal, developmental, strategic and other needs of the contracting parties concerned".[1]

13. The Appellate Body has interpreted the Enabling Clause to allow for differential and more favourable treatment to some developing countries, without according such treatment to others.[2] Additionally, the principle of non-reciprocity is also reiterated in the Enabling Clause.

(ii) Exceptional Circumstances

14. In exceptional circumstances, a waiver from paragraph 1 of article 1 of the General Agreement on Tariffs and Trade has been sought to permit some developing countries and LDCs to obtain preferential access to markets of developed countries. The ACP-EU Agreement is one such example.

V. BENEFITS OF PREFERENCES

15. Preferential trade overcomes the inherent disadvantages of some African countries, and in particular weak and vulnerable economies that have not been effectively involved in previous rounds of negotiations. The inequality of economic factors and levels of development means that these countries cannot participate in reciprocal trade without devastating their economic structures. Many of these countries are reliant on specific industries and have economies that are sensitive to tariff fluctuations.

16. Non-reciprocal preferences have generally been beneficial to preference-receiving developing countries and LDCs. Preferential market access

increases export earnings, promotes industrialization and accelerates rates of economic growth. Preferences are credible instruments of development that help beneficiaries strengthen their industries, to face competition in the long term.

17. Even though preferences are covered by a narrow range of tariff lines, they have made a positive impact on the countries that have exploited them. Under the right conditions and flexibilities, preferences have contributed significant economic gains for weak and vulnerable economies. For instance AGOA provides a number of products with duty free access to the US market for about 37 Sub-Saharan African countries. AGOA has boosted clothing and textile exports from Africa, by attracting investment, creating employment and promoting diversification opportunities through the establishment of clothing and textile industries. This preferential initiative has also triggered upstream processing activities with enormous impact on poverty alleviation efforts. Additionally, to the EU market, African countries have benefited from preferential exports of fish and fish products, chemicals, paper and leather products among other products.

18. The phasing out of import quotas in the clothing and textile sector is a concern for preference receiving countries. These countries will be seriously challenged by the intensified competition resulting from the post ATC environment. Non-reciprocal preferences will enable weak and vulnerable countries to offset these competitive disadvantages in the medium term.

19. Due to the devastating decline in the terms of trade for agricultural commodities, preferential treatment of a range of manufactured goods originating from developing countries and LDCs has been valuable. These preference receiving goods have contributed to economic gains and industrial diversification. The rapid expansion of the economies of some African countries will therefore be facilitated by the continued use of preferences and the reduced dependence on the export of primary products.

20. African economies need to develop strong industrial sectors. To accomplish this, they need more industrial output, employment and markets for their exports. Preferences can and must continue to spur development in Africa. In fact, based on the analysis of *Iancovicina et.al. (2002)*, it is estimated that "(i) if 37 sub-Saharan African countries were to receive unrestricted preferential access to the markets of the Quad countries (EU, US, Japan, Canada), their welfare would increase by about $1.7 billion; and (ii) a 25 percent MFN tariff liberalization by the Quad countries will erode the preference margin received by these countries and reduce their welfare by about $0.5 billion or about 30 percent".[3]

VI. PROPOSED TREATMENT OF PREFERENCES IN THE NEGOTIATIONS

21. The treatment of non-reciprocal preferences in the non-agricultural tariff reductions should create opportunities to promote the trade and economic development needs of some African countries and not further deepen the crisis of de-industrialisation or accentuate the unemployment and poverty. Due to the critical importance of preferences for these weak and vulnerable economies, suitable treatment of products from African countries, currently enjoying non-reciprocal preferential access should be considered in the NAMA negotiations. The African group proposes the application of a correction co-efficient to an approach that will be agreed by Members, to improve the preference margins for these products. Longer staging periods would be required for this option. For products which are not zero rated, preference-giving countries would use the same rates of reduction points to ensure the non-reciprocal margin of preference is maintained.[4]

22. In view of Africa's low levels of industrialisation, sectoral initiatives will hinder development of industrial sectors in Africa.

23. NTBS in developed country markets have impacted on the effectiveness and usefulness of preferences for developing countries and LDCs. Some of the NTBs which have reduced the utilisation rate of preferences include rules of origin, SPS and TBT measures. In accordance with article 2(b) of the Enabling Clause, the preference giving Members should improve the conditions attached to the preferential schemes, including non-trade concerns and non-tariff barriers.

VII. CONCLUSION

24. Non-reciprocal preference receiving African countries need more time to adjust themselves and rectify their structural imbalances. These preferences can provide the policy space needed to undertake gradual national industrial objectives and commitments which are consistent with development goals of some African countries. Therefore, liberalization of products enjoying preferential market access should be given special treatment in the current negotiations. African countries are additionally concerned about NTBs imposed by the preference-giving countries and hope that in alignment with Paragraph 16 of Doha Ministerial Declaration, these NTBs will be reduced or eliminated, in order to meet the development objectives of these negotiations.

This paper has addressed non-reciprocal preferences. In accordance with paragraph 1 of Annex B, the African Group reserves the right to make further submissions on the specifics of preferences.

NOTES

[1] The interpretive note on article XXXVI: 8 of GATT states that non- reciprocity will apply in the event of action in article XXVIII *bis,* among others.

[2] See Appellate Body Report WT/DS246/AB/R.

[3] Iancovicina, Elena, Aaditya Mattoo and Marcelo Olarreaga 2002, "Unrestricted Market Access for Sub-Saharan Africa: How much is it worth and who pays?" Journal of African Economies, vol. 10, no. 4, PP. 410-432.

[4] See definition in supplementary notes to Article 1 paragraph 4 of GATT 1994.

(TN/MA/W/49, 21 February 2005)

Decision Adopted by the General Council

1 AUGUST 2004

JULY PACKAGE

Non-Agricultural Market Access: The General Council adopts the framework set out in Annex B of the text of the July Package.

ANNEX B

FRAMEWORK FOR ESTABLISHING MODALITIES IN MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

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.

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.

3. We acknowledge the substantial work undertaken by the 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 bis of GATT 1994 and to the provisions cited in paragraph 50 of the Doha Ministerial Declaration, on the basis set out below.

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.

5. We further agree on the following elements regarding the formula:

- product coverage shall be comprehensive without *a priori* 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-*ad valorem* duties shall be converted to *ad valorem* equivalents on the basis of a methodology to be determined and bound in *ad valorem* terms;
- 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.

6. We furthermore agree that, as an exception, participants with a binding coverage of non-agricultural tariff lines of less than [35] per cent would be exempt from making tariff reductions through the formula. Instead, we expect them to bind [100] per cent 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.

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.

8. We agree that developing-country participants shall have longer implementation periods for tariff reductions. In addition, they shall be given the following flexibility:

(a) applying less than formula cuts to up to [10] per cent 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] per cent of the total value of a Member's imports; or

(b) keeping, as an exception, tariff lines unbound, or not applying formula cuts for up to [5] per cent of tariff lines provided they do not exceed [5] per cent of the total value of a Member's imports.

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

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.

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 […].

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.

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.

13. In addition, we ask developed-country participants and other participants who so decide to consider the elimination of low duties.

14. We recognize that NTBs are an integral and equally important 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.

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.

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.

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.

(***Source***: www.wto.org)

(Contd. from page 38)

Negotiations on industrial tariffs or Non-Agricultural Market Access (NAMA) have always been a contentious process. The biggest apprehension is that hasty and indiscriminate tariff liberalization will impose harsh adjustment costs on developing countries apart from taking away the opportunity to use industrial tariffs to develop industrial base. These harsh adjustment costs could be in the form of balance of payment problems, deindustrialization and unemployment. For instance, the rapid reduction in industrial tariffs in Sub Saharan Africa in 1980 led to de-industrialization and unemployment in some countries. Intensive negotiations resulted in some sort of agreement on NAMA emerging during the VI Ministerial Conference of the WTO at Hong Kong (HK). The HK Ministerial Conference saw emergence of the following important issues:

(i) A 'Swiss formula with coefficients' will be adopted for undertaking tariff reduction.

(ii) Reiteration of flexibilities to developing countries.

(iii) A non-linear mark-up will be used to bind the unbound tariff lines.

The article further discusses the impact of the proposed tariff reduction formula. In South Asia, only India and Pakistan will have to undertake tariff reduction. In case there is an agreement on formula to reduce the tariff rates, Bangladesh and Nepal do not need to cut tariffs because of their LDC status and Sri Lanka is also exempted since its binding coverage is less than 35 per cent. Impact of the tariff rates of India and Pakistan are at HS 6 digit and at HS 8 digit level respectively.

In its concluding remarks, the article says that given the important role that industrial tariffs can play in the industrial development of a country, it is imperative that countries have enough policy space in making judicious use of industrial tariffs as policy tools. Developing countries including the countries of South Asia, it says, should be given enough time to reduce their tariffs.

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