

行政院及所屬各機關出國報告

(出國類別：其他)

參加WTO九十二年度第一次
非農產品市場進入談判小組會議報告

出國人：

服務機關：行政院農業委員會漁業署

職稱：科長

姓名：吳維勳

服務機關：行政院農業委員會

職稱：技士

姓名：林家榮

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參加W T O九十二年度第一次非農產品市場進入談判小組會議報告

主辦機關:

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出國類別: 其他

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內容摘要: W T O於本（九十二）年二月十九至二十一日召開「非農產品市場進入談判小組」會議，討論包括林、漁產品在內之非農產品市場進入議題。為維護我國權益，本會派漁業署吳科長維勳及國合處林技士家榮參加，此外，尚有經濟部國際貿易局劉科長威廉及工業局李技正素華一同與會。我國如何透過積極參與新回合談判，在推動其他會員開放市場之同時，仍能避免我國內產業遭到過大之衝擊，已為當務之急。為此，我國亟需儘早於此回合談判中，確立談判目標與策略，以確保我產業發展與最大經濟利益。在經濟部國貿局召開「我國參與國際經貿事務專案小組市場進入工作分組」會議研商後，擬定出我國現階段之策略目標為：「尋求會員支持給予新入會國特殊考量，再配合我之前向W T O所提出之談判立場，透過部門別談判及與其他會員之策略聯盟，給予包括漁、林產品在內之敏感性產業部門較優惠待遇」。據此，我與會人員乃在本次會議中，針對我談判立場文件所提出之引言報告，以及與主要貿易夥伴所進行之雙邊諮商，即以該項策略目標為主軸，以尋求會員支持。此次會議討論之議題包括談判是否涵蓋所有產品、長期而言是否應消除所有關稅、談判之核心模式、談判之輔助模式、是否應消除低關稅或微量關稅、關稅高峰與關稅級距如何定義、是否應擴大會員約束關稅之項目、是否應處理部分會員約束稅率高於執行稅率之問題、談判基礎年及基礎稅率如何訂定、新入會國之問題如何處理、低度開發國家之問題如何處理等，我國已依既定立場充分發言表達。此外，本次與會期間並與日本、加拿大及歐盟等會員國進行雙邊諮商，以交換意見並尋求合作。為維護我國利益，未來應積極加強與我W T O常駐代表團就談判立場進行溝通，且繼續積極參與歷次談判會議。此外，並應針對我國關切有關新會員權益與漁業部門特別考量等議題，提出相關立場文

件，以爭取會員支持。

本文電子檔已上傳至出國報告資訊網

**參加WTO九十二年度第一次
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壹、背景說明

依據WTO杜哈部長會議宣言，會員同意在協商確定非農產品市場進入談判模式（modalities）後，將針對調降或撤除關稅（包括關稅高峰、高關稅及關稅級距），以及非關稅障礙（特別是對開發中國家具出口利益的產品）等議題展開談判。為進行非農產品市場進入談判工作，WTO所成立之貿易談判委員會於去（九十一）年二月一日設立「非農產品市場進入談判小組」，由瑞士代表團團長 Mr. Pierre-Louis Girard 擔任主席，負責非農產品市場進入之談判。

由於非農產品市場進入談判對各會員未來經貿發展之影響至鉅，迄今已有美國、歐盟、日本等逾廿個會員提出談判立場文件，會員並已達成共識，預定於本（九十二）年五月底前就談判之模式達成共識。由於林、漁產品係屬非農產品市場進入談判範圍，為積極參與談判，本會參與經濟部國際貿易局多次召開之「我國參與國際經貿事務專案小組市場進入工作分組」會議，共同會商我談判立場，並於九十一年十二月廿日提出第一篇立場文件透過WTO分送各會員。

鑒於預定就談判模式達成共識之期限將屆，為掌握談判發展狀況，本會配合經濟部國際貿易局及工業局等單位共同派員出席於今年二月十九日至二十一日召開之「非農產品市場進入談判小組」會議。參加人員除本會漁業署吳科長維勳、國合處林技士家榮外，尚有國際貿易局劉科長威廉及工業局李技正素華共同與會，另我國常駐WTO代表團鄧公使振中、章秘書遠智亦會同出席會議。

貳、參與談判之目標與策略

杜哈回合談判係我入會後首度參與在WTO架構下之多邊談判，由於我國有關非農產品市場進入之部分入會承諾目前仍在執行中（如汽車、漁產品降稅等），我國如何透過積極參與新回合談判，

在推動其他會員開放市場之同時，仍能避免我國內產業遭到過大之衝擊，已為當務之急。為此，我國亟需儘早於此回合談判中，確立談判目標，以在瞬息萬變之談判過程中，能隨時調整談判策略，尋求策略聯盟或合作夥伴，以確保我最大之經濟利益。

在經濟部國貿局召開「我國參與國際經貿事務專案小組市場進入工作分組」會議研商後，經考量我在談判過程中可發揮之影響力，以及所訂定目標之可達到性，擬定出我國現階段之策略目標為：「尋求會員支持給予新入會國特殊考量，再配合我之前向WTO所提出之談判立場，透過部門別談判及與其他會員之策略聯盟，給予包括漁、林產品在內之敏感性產業部門較優惠待遇」。據此，我與會人員乃在本次會議中，針對我談判立場文件所提出之引言報告，以及與主要貿易夥伴所進行之雙邊諮商，即以該項策略目標為主軸，以尋求會員支持。

參、出席非農產品市場進入會議情形

一、會議議程與進行方式：

本次非農產品市場進入談判小組會議由瑞士駐WTO代表團大使 Mr. Pierre-Louis Girard 主持，會議討論項目及進行方式如下：

- (一) 會員就所提立場文件作引言報告：自上次會議迄今，計有我國、韓國、印度、歐盟、日本、中華人民共和國、加納等低度開發國家、孟加拉等低度開發國家、南錫共同體、模里西斯及泰國等會員提出新的立場文件，會議首先即由各國針對提案進行介紹。
- (二) 開放所有會員就各會員所提出新的立場文件報告進行評論。
- (三) 依據會議主席及WTO秘書處歸納會員所提談判議題，以非正式會議方式進行逐項討論。

(四) 秘書處針對會員所提出之關稅削減公式，提出簡要分析報告。

(五) 討論會員針對非關稅貿易障礙問卷所提之文件資料。

二、主要會員針對各項談判議題之立場：

依據WTO秘書處彙整各會員所提出之談判立場文件，會員提出之談判議題包括：談判是否涵蓋所有產品、長期而言是否應消除所有關稅、談判之核心模式、談判之輔助模式、是否應消除低關稅或微量關稅、關稅高峰與關稅級距如何定義、是否應擴大會員約束關稅之項目、是否應處理部分會員約束稅率高於執行稅率之問題、談判基礎年及基礎稅率如何訂定、新入會國之問題如何處理、低度開發國家之問題如何處理等。主要會員針對各項談判議題之立場如次：

- (一) 談判是否涵蓋所有產品：主要已開發國家會員如美國、紐西蘭、挪威、日本等均表示不得事先排除，美國更表示任何項目自始至終均應包括在內，惟少數開發中國家如智利等表示宜給予若干產品特別待遇。
- (二) 長期而言是否應消除所有關稅：香港、挪威表示支持，惟多數開發中國家不表支持。墨西哥表示企圖心太高，下回合才有全部消除關稅之可能性，但可採選擇性項目或部門別方式予以消除；另哥倫比亞等國表示應釐清長期之定義，中國大陸表示就開發中國家而言，於本回合談消除關稅似嫌太早，歐盟亦認為此種主張太具企圖心。
- (三) 談判之核心模式：我國首先發言表示在未充份討論前，建議核心模式不應排除任何有可能之方法 (approach)，例如我國主張之部門別削減方式 (sector by sector)，美國亦發言表示其他任何可能之 approach 均不宜排除；其他如香港、瑞士、智利、紐西蘭、中國大陸等則發言支持採

公式 (formula) 削減方法。

- (四) 是否應消除低關稅或微量關稅 (low/nuisance duties)：美國、加拿大表示五%以下者即視為低關稅或微量關稅，應予以消除；克羅埃西亞、肯亞等開發中國家表示反對，日本則表示目前即定義「低關稅或微量關稅」尚言之過早。我國發言支持日本立場，並表示應於核心談判模式確定後再議。
- (五) 關稅高峰 (tariff peak) 與關稅級距 (tariff escalation) 如何定義：美國、歐盟等再次強調所提之核心模式足以解決取消關稅高峰與關稅級距，挪威亦表示支持美國公式。紐西蘭表示選對模式即可解決本問題，中國大陸認為簡單平均關稅之三倍以上者，即可稱為關稅高峰，其他開發中國家則認為難以下定義。
- (六) 是否應擴大會員約束關稅項目：我國首先發言表示基於透明化及可預期性，各產品之關稅應予以全數約束，惟基於杜哈宣言，給予該等國家在約束稅率上之彈性。針對此議題，已開發國家均表示應全數約束，但開發中國家則要求應有彈性。
- (七) 約束稅率高於執行稅率之問題 (binding overhang)：開發中國家均表示約束稅率 (bound rate) 與施行稅率 (applied rate) 維持差距有其必要性，但美國強烈主張必須解決此問題；對此，肯亞立即表示此項問題是針對開發中國家而來，歐盟則表示不同意肯亞之意見。
- (八) 談判基礎年 (base year) 及基礎稅率 (base rate) 如何訂定：多數會員同意應以約束稅率 (bound rate) 為談判基礎，且多數會員亦建議以二〇〇一年之稅率為談判基礎。我國發言表示在二〇〇一年以後入會之會員，應以其入會

年之約束稅率為談判基礎，無約束稅率者則以入會年之施行稅率為談判基礎。此外，中國大陸則表示基礎年及基礎稅率應一併考量。

(九) 新入會國之問題如何處理：我國於會中發言表示新入會國應享有特別彈性及較長調適期，克羅埃西亞等其他新入會國亦提出類似看法，埃及則表示宜訂定新入會國之定義，中國大陸建議以烏拉圭回合結束（一九九五年）以後入會者為新入會國；智利、紐西蘭、加拿大表示全體會員均須參與諮商，入會減讓承諾僅是新會員加入WTO應付出之代價。日本則發言對新入會國尚在執行降稅承諾卻即須面對新回合談判結果深表同情，並對我國提出之意見表示支持；歐盟亦發言同意日本看法，應考慮給予新入會會員國較長調適期及協助開拓市場。澳洲則對於中國大陸、印度有關不積極參與本回合減讓之態度不以為然，美國表示應尋求讓每一會員都能參與本回合之方法。中國大陸回應澳洲之發言，表示將全程參與本回合談判，並要求公平待遇，同時請澳洲考量中國大陸之入會承諾為澳洲帶來市場開放，遠大於澳洲帶給中國大陸之市場開放。

(十) 低度開發國家之問題如何處理等：開發中國家多表示應依杜哈宣言，給予低度開發國家特別待遇。

此外，會員並針對非關稅貿易障礙及漁業部門自由化等議題進行討論，各會員國對非關稅障礙（non-tariff barriers）之定義、歸類、量化及消除模式進行討論，惟尚無法達成共識。而在漁業部門自由化方面，美國、加拿大表示應將漁產品納入部門別關稅零對零方案，日本與我國則發言希望能給予漁業部門特別考量。

三、主要國家談判立場一覽表：

議題	我國	日本	美國	歐盟	其他已開發國家	中國大陸	其他開發中／ 低度開發國家
談判範圍	涵蓋所有部門。	透過其所提出公式調降產品關稅。	涵蓋所有部門而無例外。	透過其所提出之公式調降產品關稅。	涵蓋所有稅項(加拿大)。	涵蓋所有稅項。	已開發國家應涵蓋所有部門(阿曼)。
長期消除所有關稅	不同意。	持保留態度。	支持消除所有關稅。	不同意。	可考慮推動(挪威);歡迎該目標(澳洲)。	不同意。	不同意(迦納、奈及利亞);可考慮同意,惟應將農產品納入考量(智利、菲律賓);應予開發中國家較長時間調適(香港);現階段仍不宜討論(墨西哥、泰國)。
降稅模式	以部門別談判為基礎,不同產品部門可採不同降稅方式;增加目前部門別協定之參與會員及產品。	支持公式減讓法;建議依發展程度訂定目標稅率。	兩階段降稅法,第一階段於2010年前將5%以下關稅降為零,並以瑞士公式將其他貨品關稅降為8%以下,第二階段自	為消除關稅高峰、高關稅及關稅級距等問題,建議採用公式減讓法。	支持使用混合談判模式,包括部門別、公式法及雙邊談判,反對採用「一體適用」之談判模式;建議增加目前部門別協定之參與會	支持一致性之公式削減模式;強調「不完全互惠」對開發中國家之重要性。	支持採用雞尾酒混合模式降稅,如瑞士公式加上部門別削減法(新加坡);支持以貿易加權平均關稅調降(模里西斯);儘可能減少零對零或一致性方案(印度);以公式削減X%之整體平均關稅,必要時再輔以零對零方案(墨西哥);支持公式削減法(韓國)。

			2010 至 2015 年逐 年等量將 殘餘關稅 降為零。		員級產品 範圍(加拿 大)。		
微量 ／低 關稅	應謹慎處 理定義問 題。	應俟談判 模式確定 後再討論 此議題。	微量關稅 可訂為 5%。	對美加所 提 5% 以 下為微量 關稅持反 對立場。	為消除微 量關稅，談 判模式應 設定稅率 下限，低於 下限者應 降為零(挪 威)；認為 微量關稅 訂為 5% 應 屬合理(加 拿大)。	已開發國 家應消除 所有微量 關稅；開發 中國家則 可予保留。	支持消除微量關稅、 大幅削減關稅高峰， 並給予明確定義(新 加坡)。
關稅 高 峰、 關稅 級距 及高 關稅	雙邊談判 模式處 理。	關稅高峰 及關稅級 距可透過 部門別之 零對零或 調和公式 方式解決。	倘採行其 所提出之 降稅模 式，即可 消除關稅 高峰、關 稅級距及 高關稅等 問題。	其所提出 之壓縮機 制應可消 除高關稅 及關稅高 峰。	降稅公式 應具調和 效果，以大 幅調降高 關稅產品 稅率(挪 威)。	關稅高峰 應定義為 會員簡單 平均稅率 之三倍以 上。	關稅級距、關稅高 峰、及高關稅等之定 義應予釐清(韓國、 新加坡)；定義關稅級 距極為費時，宜先確 認談判模式後再作討 論(智利)；會員任何 產品之關稅稅率應不 得高於其平均稅率之 三倍[印度]；降稅公

							式應具調和效果，大幅調降高關稅產品稅率（香港）。
約束 比率	支持擴大 約 束 比 率。	支持擴大 約 束 比 率。	支持擴大 約 束 比 率。	所有會員 應完全約 束其產品 關稅。	所有會員 應完全約 束其稅率 （澳洲、瑞 士）。		應給予低度開發國家特殊考量（模理西斯）；支持約束所有稅率，惟對原未約束稅項之稅率應予彈性（印尼）；不支持擴大約束比率（肯亞）。
降稅 之稅 則版 本	以 HS1996 版稅率為 基礎，且 談判過程 中應提供 轉 換 為 HS 2002 版的對照 表。	以 HS 2002 版稅 率 為 基 礎。			以 HS 1996 版稅 率 為 基 礎，惟談判 結果應以 HS2002 版 提交（瑞 士）。	以 HS1996 版稅率為 基礎，惟談 判結果以 HS2002 版 提交。	以 HS1996 版稅率為談判基礎（韓國）。
談判 基礎	以約束稅 率 為 基 礎，對於 無約束稅 率之項 目，則以 2002 年之	應改善約 束稅率與 執行稅率 之差距。			以約束稅 率為談判 基礎，惟對 於未約束 之項目，應 以談判起 始之執行	已開發國 家應以 2000 年執 行稅率為 減讓基 礎，開發中 國家應以	應以約束稅率為基礎（模里西斯）。

	執行稅率為基礎，並搭配凍結原則。				稅率為基礎（加拿大）。	2000 年執行稅率及烏拉圭回合談判之最終稅率之。平均值為基礎	
降稅 期程	自各會員關稅表完成降稅起，或自談判結束日起（較晚者）；原則上以五年為期程。	自 2005 年 1 月開始，時程為 5 年。			合理之降稅減讓時程為 5 年，並應以線性方式調降（加拿大）；以 5 年為原則（瑞士）。		認為合理之降稅減讓時程為 5 年，並應以線性方式調降（韓國、新加坡、香港）；對於敏感性產品應給予較長之調適期（萬納杜）。
新入 會國 之特 殊考 量	應給予新入會國較長之調適期。	支持台灣立場，認為應給予新入會國較長之調適期。	新入會國仍應作出貢獻。	可考慮給予新入會國較長之調適期，惟認為中國大陸所提立場不合理。	中國大陸所提之立場並不合理（紐西蘭、澳洲、加拿大）。	不應要求新入會國做進一步減讓承諾。	不支持中國大陸所提不再減讓之立場（智利、巴拉圭）。

四、與會發言情形：

本次會議經我常駐WTO代表團鄧公使指派由貿易局劉科長視會議討論情形代表發言，我方於會議期間基於前述策略目標，針對關切議題之發言情形如次：

- (一) 簡介我談判立場：我國針對談判立場文件中，所提出以部門別為談判基礎之理由與採行之方式進行說明，並強調許多新入會國刻仍執行入會承諾，倘在其履行入會承諾前仍須執行新回合談判結果，勢將對其產業造成過大衝擊，爰應給予特殊考量（發言稿如附件一）。
- (二) 呼應日本有關林、漁產品之立場：我國於會議中呼應日本針對林、漁產品所提出之立場文件，主張制定漁業部門之關稅削減談判模式時，應考慮漁業資源之永續發展目標，並建議勿將漁業部門納入零對零之實施對象（發言稿如附件二）。
- (三) 回應香港提問說明部門別談判之問題：香港代表於會中表示對我所提出之部門別談判立場甚表興趣，惟不悉該項作法如何解決關稅高峰、關稅級距、高關稅等議題。我國隨即發言表示，我可考慮透過兩階段之部門別談判解決該等問題，在第一階段，我可先將該部門下之相關稅項降至一調和稅率，此即可解決關稅高峰及關稅級距等問題；倘會員認為可就該部門產品進一步推動自由化，則可透過零對零之方式，於第二階段將相關稅率調降為零。
- (四) 發言強調談判之核心模式應包含部門別談判：會議主席所準備之非正式議案資料中表示，目前之核心談判模式為公式談判。對此，我國發言表示，本次會議所分送之十三份談判文件中，有兩份文件提議以部門別為核心談判模式，之前亦有會員持此立場，我爰發言建議於討論核心模式時應將部門別談判模式納入考量。

- (五)呼應日本有關微量關稅之立場：日本表示微量關稅議題應於核心談判模式確定後再議，由於與我立場相符，我國乃發言呼應日本立場。
- (六)發言說明我支持將所有會員之貨品稅率予以完全約束：我發言表示透明化為WTO之基本原則，目前許多會員之產品關稅仍未約束，此對貿易業者造成經營上之不確定性，有礙貿易之發展，所有會員爰應約束其所有稅項；惟針對低度開發國家部分，則可在約束之稅率方面予以特殊考量。
- (七)發言說明我針對談判基礎稅率之立場：我國發言表示，非農產品市場進入談判原則上應以約束稅率為基礎，為對於無約束稅率之項目，則以二〇〇二年之執行稅率為基礎，並搭配凍結原則。

肆、雙邊諮商情形

本次與會期間，經我常駐WTO代表團之主動邀請或應相關國家要求安排三次雙邊諮商會議，會議情形摘述如次：

一、與日本農林水產省雙邊諮商情形：

- (一)諮商時間：九十二年二月十八日下午六時。
- (二)日方代表：水產廳白須敏郎部長、長尾一彥參事官及林野廳林政部長等。
- (三)會談內容：本次會議係應日本農林水產省水產廳之邀，日方主要係期盼我支持林、漁產品應有特別考量之立場，並表達台日兩國在農業有關議題談判方面一向合作愉快，希望在非農產品市場進入談判方面亦能加強合作。對此，我國表示支持日方有關林、漁產品之立場，並期盼台日雙方繼續合作。

二、與日本雙邊諮商情形：

- (一) 諮商時間：九十二年二月十九日上午九時。
- (二) 日方代表：甲斐哲朗(外務省)、鈴木英夫(經產省)等。
- (三) 會談內容：日本極為重視非農產品市場進入談判，由國內派出十餘人之代表團與會，並曾於會前派員至我國，就林、漁產品等顧及資源永續發展產業不宜採零關稅之立場，期盼尋求我國支持。本次雙邊諮商日方重申期待我國於會中予以支持，我國除表示同意外，並希望日方能就我國有關新入會國應予以較長調適期之提案，請日本於會中表態支持，並獲日方表示同意。

三、與加拿大雙邊諮商情形：

- (一) 諮商時間：九十二年二月二十日上午八時十五分。
- (二) 加方代表：Mr.Frederic Seppey、Mr.Terry Collins-Williams等。
- (三) 會談內容：加拿大提出之談判模式除公式減讓外，並搭配部門別零對零或調和稅率(如漁產品關稅零對零)，同時建議稅率在5%以下者應削減為零。我國表示，加拿大部門別零對零或調和稅率與我國建議之談判模式相似，惟雙方提出之部門可能不盡相同，且加拿大尚未對其公式提詳細定義。此外，加拿大並希望了解我國主張對可枯竭自然資源特別考量之具體內容。

四、與歐盟雙邊諮商情形：

- (一) 諮商時間：九十二年二月二十一日上午九時。
- (二) 歐方代表：Ms.Sandra GALLINA(主談人)、Mr.Nikita STAMPA。
- (三) 會談內容：會中我國請歐盟就其建議之壓縮機制(compression mechanism)進一步說明，歐盟表示該機制旨在將高關稅加以壓縮，例如稅率不得高於15%，

惟其稅率區間將再另行提出建議。此外，我國就新入會會員國應予以較長調適期之建議請歐盟於會中予以支持。

伍、檢討與建議

一、加強與我常駐WTO代表團就談判立場之溝通：我非農產品市場進入談判立場之研擬係由經濟部國際貿易局邀集工業局、財政部及本會等機關討論後決定，我常駐WTO代表團則肩負於平日與WTO會員溝通推動我談判立場之責任。由於代表團人員未參與談判立場之討論過程，對我研擬談判立場之背景較為生疏，為有效推動我談判立場，國內派團出席相關會議時，有必要儘量撥出時間與代表團就談判立場之研擬背景與未來推動策略進行溝通，俾使前線與後方談判人員合作無間，提高談判力量。

二、積極參與各項談判會議：非農產品市場進入談判小組已決定於今年五月底就談判之核心模式達成協議，未來各談判會議將甚為重要，仍有必要積極派員出席，以維護我利益。

三、未來應積極推動辦理事項：

（一）針對新入會國之特殊考量提出立場文件：我國於本次談判會議及雙邊會議中，多次發言強調應給予新入會國特殊考量，並獲歐盟及日本等主要會員之呼應。為確保該項立場可繼續在談判會議中納入討論，宜針對如何給予新入會國特殊考量之議題，提出具體立場文件，並繼續加強與各國進行雙邊協商，以爭取認同。

（二）針對漁業部門特別考量提出立場文件：針對我國立場文件中主張對可枯竭自然資源應給予特別考量之內容，日本於此次會議中發言，希望我國能詳細說明可能枯竭自然資源部門特別考量之內容，加拿大亦於雙邊會談中表

示希望了解相關內容。為維護我國漁業利益，爭取有關國家支持，宜針對此議題提出有利於我國之立場文件。

- (三)掌握我優勢產業及劣勢產業：在本次會議之討論過程中，許多會員發言支持以公式搭配部門別談判作為削減模式，為評估對我較有利之公式及可推動部門別談判之產業，我國應儘速評估各項公式對我優勢產業及劣勢產業之影響，並及早針對國內各產業部門在採取各項公式時可能產生之影響，俾在談判過程中為優勢產業拓展出口市場，同時為劣勢產業降低談判結果可能帶來之影響。

附件一

**Statement by the Separate Customs Territory of
Taiwan, Penghu, Kinmen and Matsu
at the Negotiating Group on Market access
19-21 February 2003**

Thank you Mr. Chairman for giving me the floor.

I would like to take the opportunity to elaborate briefly on the views contained in our first written submission on the Negotiating Group on Market Access. Having ourselves not so long ago completed the process of domestic consultations, we believe we can bring a relevant perspective to the subject of negotiating modalities and related issues, and in particular the special interests of newly acceded Members.

In this respect, my delegation shares the views of other Members that newly-acceded Members will already have made extensive market access commitments during their accession negotiations, far beyond those made as the result of the Uruguay Round. Moreover, some new Members will still be in the process of implementing significant first-stage concessions on non-agricultural products. In these cases, the timetable agreed for the phasing-in of their accession commitments acknowledges the fact that their industries need time to adjust to the new demands of WTO Membership.

It would surely be unfair to ask newly-acceded Members to make equal concessions within the same staging periods as those accepted by other Members in these negotiations. We would therefore urge Members to take this situation into account where it exists, by allowing such newly-acceded Members a longer staging period. In this regard, we suggest that the staging periods should commence from certain periods after the conclusion of implementation periods already committed to by each Member in its Tariff Schedule. We will present a further submission on this issue in the near future for Member's consideration.

On the matter of negotiating modalities, it is worth noting that substantial

disparities remain within the tariff structures of WTO Members. For many developed Members this is particularly the case in relation to tariff peak and tariff escalation issues, while for most developing Members a wide divergence continues to exist between rates bound at ceiling levels and applied tariff rates. There is still a considerable amount of work to be done, therefore, within the limited time-frame provided to us under the Doha Declaration.

Taking this fact into account, my delegation is in favour of a sector-by-sector approach to the non-agricultural market access negotiations. In our view, it is not necessary, or desirable, to employ a single negotiating modality to conducting the market access negotiations. A variety of modalities can be utilized, and these can differ from sector to sector. This multiple modality approach has the advantage of giving Members maximum flexibility in the negotiating process. For example, in one sector liberalization could be in the form of tariff elimination; in another it could be achieved through the harmonization of tariffs, while a critical mass of trade from participants is reached. Furthermore, we would like to see participation in existing zero-for-zero agreements broadened to include the critical mass of trading partners participating in world trade for each of the sectors involved, in order that the most meaningful level of liberalization may be achieved.

Most importantly, it seems to us that the use of a variety of approaches to tariff liberalization on a sector-by-sector basis would allow the different levels of development of Members, and in particular the special needs of the developing and least developed Members, to be taken into account.

In addition, we would like to emphasize that special consideration should be given to the treatment of exhaustible natural resource sectors, especially fishery and forestry products. We are of the view that these sectors should not be enumerated in the zero-for-zero approach as that would probably accelerate the process towards the exhaustion of these precious natural resources.

Finally, Mr. Chairman, I would like to make it clear that, out of all the items on the Doha Development Agenda, it is to these negotiations that my delegation attaches the greatest importance. We look forward to working closely with you and other delegations in making substantive progress in the market access negotiations on non-agricultural products. I do hope that our proposals will serve as a useful basis for further discussion.

I thank you very much, Mr. Chairman.

附件二

**Intervention by the Separate Customs Territory of Taiwan, Penghu,
Kinmen and Matsu on Fishery Issues**

I would like to make some comment on Japan's proposal on sustainable development and the trade of forest and fishery product. There is no doubt that adopting trade measure is one of the most effective ways to manage natural resources.

We believe that it is necessary to employ a multilateral trading system that takes both trade liberalization and sustainable fishery resource management into consideration.

It is our conviction that when deciding the level of tariffs on fishery products, each Member shall give priority to examining the level of fishery resources and the status of fishery management and be allowed to retain flexibility in the process of the negotiation. We are of the view that the fishery sector should not be included in the zero-for-zero approach, for that would cause negative influence on the sustainable use of the fishery resources.

With this in mind, we share the same points of view with Japan that it is indispensable for the WTO to promote trade liberalization, while fully acknowledging such concerns of the civil society. WE must, therefore, take into consideration the global environmental issues and ensure the sustainable use of exhaustible natural resources.

Thank you Mr. Chairman.

WORLD TRADE ORGANIZATION

TN/MA/W/19
20 December 2002

(02-7045)

Negotiating Group on Market Access

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MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Submission by the Separate Customs Territory of Taiwan,
Penghu, Kinmen and Matsu

The following communication, dated 19 December 2002, has been received from the Permanent Mission of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.

Introduction

1. We particularly welcome that the non-agricultural market access negotiations, as mandated by the Doha Ministerial Declaration, are comprehensive and without *a priori* exclusions of any products. The negotiations should therefore incorporate all tariff items. For the negotiations to achieve the ultimate result of effectively removing tariff and non-tariff barriers, we believe it is essential that Members not only participate fully in the negotiations in a meaningful way, but also make their priorities known as early as possible in the negotiating process.

2. In this, its first submission to the negotiating group, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu wishes to set out its views on the various approaches under consideration and to suggest ways in which the most ambitious goals of the Doha mandate on non-agricultural market access may be achieved. This submission addresses the areas of negotiating modalities, base rates, nomenclature, tariff bindings, staging, high tariff, tariff peaks and tariff escalations, nuisance tariffs, special consideration for newly-acceded members, non-tariff measures and special and differential treatment.

Negotiating Modalities

3. Studies by both the WTO and UNCTAD show that, while the achievement over the last 50 years in reducing industrial tariffs has been very impressive, there remain substantial disparities within the tariff structures of WTO Members. For many developed Members this is particularly the case in relation to tariff peak and tariff escalation issues, while for most developing Members a wide divergence continues to exist between rates bound at ceiling levels and applied tariff rates. There is still a considerable amount of work to be done, therefore, within the limited time frame provided to us under the Doha Declaration.

4. Bearing in mind the ambitious objectives agreed in the Doha mandate, Members should resolve to achieve a more fruitful outcome than was attained in the Uruguay Round in the case of non-agricultural tariff reductions. In this regard, Members have suggested various modalities, including zero-for-zero, a harmonizing formula, request-and-offer, and target tariff rates. It is worth noting that not a single Member appears to have a strong objection to a cocktail approach to negotiations.

5. Taking this fact into account, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu favours a sector-by-sector approach to the non-agricultural market access negotiations. All

sectors should be covered. In our view, it is not necessary to or desirable to employ a single negotiating modality to conducting the market access negotiations. A variety of modalities can be utilized, and these can differ from sector to sector. Using this multiple modality approach has the advantage of providing maximum flexibility for Members in the negotiating process. For example, in one sector liberalization could be in the form of tariff elimination (on either a "zero for zero" or "ITA" basis), in another it could be achieved through the harmonization of tariffs, and in another by reductions in target tariff rates. Furthermore, we would like to see participation in existing zero-for-zero agreements broadened to include the critical mass of trading partners participating in world trade for each of the sectors involved, in order that the most meaningful level of liberalization may be achieved.

6. Importantly, it seems to us that the use of a variety of approaches to tariff liberalization on a sector-by-sector basis would allow the different levels of development of Members, and in particular the needs of the developing and least developed Members, to be taken into account.

7. In addition, we would like to emphasize that special consideration should be given to the treatment of exhaustible natural resource sectors.

Base Rates

8. With regard to the base rates to be used in these negotiations, we acknowledge that, in the case of a number of Members, significant gaps remain between bound and applied rates. Nevertheless, my delegation considers that bound rates, which signify Members' legal commitments in this organization, are the only legitimate rates to use as basis for the negotiations.

9. In the case of unbound duties, we consider that applied rates that are in effect in 2002 should be employed as the negotiating base rate, but in conjunction with the standstill and no-rollback principle. This approach would provide predictability in the negotiating process as well as enhance the coverage of bindings, which in turn adds stability to the global trade regime.

Nomenclature

10. As for the nomenclature issue, in principle we are in favour of all schedules of concessions being in a common nomenclature. Considering that only 24 Members circulated their HS2002 changes according to the document G/MA/TAR/4/Rev.2 and most of the IDB data are based on HS 1996, it would seem sensible to use HS 1996, for the most part, as the common nomenclature. However, to be fully consistent with the proposal to use bound rates as base rates for the negotiations, in those instances where the nomenclature in which individual Member have bound their tariffs under the WTO differs from HS 1996, we are of the view that the Member concerned should be free to use their bound nomenclature. This approach, nevertheless, would require such Members to provide tariff nomenclature concordance tables to assist trading partners when engaging in bilateral negotiations. Furthermore, as this negotiation is mandated to be completed by 1 January 2005, some Members may be required to transpose their tariff schedules from HS 1996 to the HS 2002 version before the completion of this negotiation. For those Members having to make this transposition, the preparation of concordance tables for use by other Members during the negotiations should be required in the interests of transparency.

Tariff Bindings

11. According to the WTO document on Members' Tariff Profiles, 77 out of the 126 WTO Members reviewed have not bound their tariff rates on all non-agricultural tariff lines. This being so, one objective of the negotiations on market access for non-agricultural products should be to increase Members' bindings to full coverage for all relevant tariff items. This approach would increase the

predictability of the global trade regime and could lead to greater trade liberalization. In this context, our view is that all Members should commit to bind all of their non-agricultural tariff lines at the conclusion of these negotiations, with the exception of least-developed country Members, who may determine the coverage of their binding undertakings on an autonomous basis.

Staging

12. In our considerations of what length of implementation period to allow for staging tariff concessions that are agreed to during these negotiations, we believe that experience from the Uruguay Round is probably the most relevant. We suggest that the general rule for staging should be to allow for implementation over five years, in principle, commencing either from the conclusion of implementation periods already committed to by each Member in its Tariff Schedule, or from the conclusion of these negotiations, whichever is the later.

High Tariff, Tariff Peaks and Tariff Escalation

13. Tariff peaks and tariff escalation remain significant barriers to market access for the exports of developing countries, due principally to the fact that the most commonly used peak and tariff escalation practices are applied precisely to those industrial products for which developing and least developed countries have the greatest comparative export advantage.

14. We support the overall aim of reducing high tariffs, tariff peaks, and tariff escalation. However, like some other Members we feel that the definition of the terms “high tariffs,” “tariff peaks,” and “tariff escalation” needs to be clarified if negotiations are to be conducted effectively.

15. In view of the fact that the WTO Secretariat has already presented a paper (TN/MA/S/4) that provides a clear approach to defining the terms “international peaks” and “national peaks,” we would suggest that this same approach may be employed as a benchmark for working towards clarification of these definitions.

16. Since tariff peaks and tariff escalation are believed to have the greatest trade distorting effects (e.g. compared with nuisance tariffs), it is suggested that Members should give priority to reducing tariff peaks and rationalizing tariff escalation. In this regard, because tariff structures vary greatly from Member to Member, we support the use of a request-and-offer approach.

Nuisance Tariffs

17. On nuisance tariffs, it is worthy of note that the administrative costs of collecting minimal tariffs are not always greater than the revenues collected, especially in the case of some high-value items. Moreover, such tariffs can sometimes provide significant amounts of customs revenue. Accordingly, we must carefully define the scope of “nuisance” tariffs and eliminate only those considered to be truly burdensome.

Special Consideration for Newly-Acceded Members

18. My delegation would like to reiterate its concerns regarding those newly-acceded Members that are still in the process of implementing significant first-stage market access concessions on non-agricultural products in compliance with their accession commitments. In these cases, the timetable agreed for the phasing-in of their accession commitments acknowledges the fact that their industries need time to adjust to the new demands of WTO Membership. We would therefore urge Members to take this situation into account where it exists, by allowing such newly-acceded Members a longer staging period and credit for autonomous liberalization.

Non-Tariff Barriers (NTBs)

19. Not only do NTBs cause uncertainty and friction in international trade, but they can increase transaction costs for exporters and importers as well. Furthermore, severely restrictive NTBs can function in much the same way as extremely high tariffs.

20. To facilitate discussion on NTBs, we support some Members' suggestion that Members should first identify the potential non-tariff barriers about which they are concerned. On the basis of the results of Members' NTB notifications, Members will be in a better position to discuss the subject and categorize these NTBs according to whether they are 'issue-specific' and 'sector-specific'. NTBs that are issue-specific should be addressed, where possible, in other relevant Committees or Negotiating Groups. The only NTBs that would be addressed in this Negotiating Group would therefore be: (1) those issue-specific NTBs that other Committees or Negotiating Groups have no mandate to address; and (2) sector-specific NTBs.

Special and Differential Treatment (S&D)

21. Bearing in mind that the issue of the special needs and conditions affecting the trade of developing countries (including the least-developed countries) is one of the cornerstones of the Doha Development Agenda, my government would like to see a balanced package resulting from these negotiations, which caters for the needs and interests of developing and least-developed countries. To achieve this, a systematic, transparent and comprehensive application of S&D will be required.

22. We therefore believe there should be continued emphasis on a coordinated evaluation of the capacity-building needs of these countries and on providing the appropriate measures to help them participate actively in the multilateral trading system. Accordingly, we recommend designing capacity-building programmes that are individually tailored to the particular needs of each of the Members concerned, which also contain certain milestones and assessment criteria to show what progress a country is making internally with the capacity-building assistance already provided. This would help to avoid duplication of the assistance provided and ensure that the effects are optimized.

WORLD TRADE ORGANIZATION

TN/MA/W/6/Add.1
7 January 2003

(03-0025)

Negotiating Group on Market Access

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MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Contribution Paper from Korea

Addendum

The following communication, dated 27 December 2002, has been received from the Permanent Mission of Korea.

I. INTRODUCTION

1. As a result of reductions in tariffs and non-tariff barriers since the end of the Uruguay Round of negotiations, market access for non-agricultural products has substantially improved. However, WTO Members still face various barriers to trade in non-agricultural products, including tariff peaks, high tariffs and tariff escalation.

2. The Doha Development Agenda provides Members with the opportunity to deal with the remaining trade barriers for non-agricultural products. Indeed, the Doha Ministerial Declaration sets out an ambitious goal for negotiations on non-agricultural products. Paragraph 16 of the Doha Ministerial Declaration calls upon Members to reduce or as appropriate eliminate tariff peaks, high tariffs and tariff escalation taking fully into account the special needs and interests of developing and least-developed country participants.

3. Korea is of the view that Members must make conscientious efforts to meet the ambitious mandate of the Doha Ministerial Declaration. Korea has already presented its views on the major elements of negotiations on non-agricultural products through its first submission (TN/MA/W/6). This submission elaborates on Korea's first submission, focusing on the modalities for negotiations.

II. PRINCIPLES

4. Korea believes that negotiations on modalities should be based on the following principles:

(a) The outcome should ensure balance of benefits between developed and developing country Members.

(b) The modalities should ensure transparency so that Members can evaluate the effect of their application.

(c) The modalities should ensure substantial improvement in market access that goes beyond what was achieved during the Uruguay Round of negotiations.

(d) The modalities should aim at achieving convergence of different tariff structures of Members by effectively addressing tariff peaks, high tariffs and tariff escalation.

- (e) The modalities should take into account the current tariff structures of Members which reflect their respective levels of development.

III. MODALITIES FOR TARIFF REDUCTION

5. Korea proposes that each Member reduce its trade weighted average tariff rate by 40 percent. Members will achieve this goal in accordance with the following tariff reduction formulae:

- (a) The bound tariff rate for each non-agricultural product shall be reduced at least by 20 percent with no exceptions.

- (b) For those products whose current bound tariff rates are above either two times each Member's current simple national average tariff rate or 25 percent, the tariff rates shall be reduced by more than 20 percent.

The tariff rates above two times the national average, after minimum reduction of 20 percent, shall be further subtracted by 70 percent of the difference between them and two times the simple national average. For example, if the national average tariff rate is 3 percent and the tariff rate for product A is 15 percent, the final tariff rate for product A shall be less than 5.7 percent.

$$T_1 = (T_0 * 0.8) - 0.7 * (T_0 - 2 * T_a)$$

T_1 : maximum tariff rate after reduction

T_0 : tariff rate before reduction (above 2 times the national average)

T_a : national average tariff rate

The tariff rates above 25 percent, after minimum reduction of 20 percent, shall be further subtracted by 70 percent of the difference between them and 25 percent. For example, if the tariff rate for product B is 50 percent, the final tariff rate for product B shall be less than 22.5 percent.

$$T_1 = (T_0 * 0.8) - 0.7 * (T_0 - 25)$$

T_1 : maximum tariff rate after reduction

T_0 : tariff rate before reduction (above 25 percent)

If a tariff rate is above two times the simple national average and at the same time above 25 percent, the final tariff rate shall be whichever is lower after the reduction as described above.

- (c) If the result of tariff reduction in accordance with the formulae as described above is under the targeted 40 percent reduction of the trade weighted average tariff rate, Members shall make additional tariff reduction at its own discretion to achieve the targeted 40 percent reduction. However, if the result of tariff reduction in accordance with the formulae as described above goes beyond the targeted 40 percent reduction, Members shall apply the result.

For the results of applying these formulae, please refer to the table and graph attached.

Base Rates and Base Year

6. The base rates for tariff reduction shall be the final bound rates agreed at the UR negotiations. The base rates for unbound tariff lines shall be the applied rates for the year 2001. In view of the

limited time available until the deadline of 1 January 2005 for concluding the negotiations and the progress of the conversion work to HS 2002, HS 96 shall be employed.

Non Ad Valorem Tariffs

7. Non *ad valorem* tariffs shall be reduced on the basis of their *ad valorem* equivalents and in accordance with the modalities as described above.

8. After the reduction of non *ad valorem* tariffs on the basis of their *ad valorem* equivalents, Members shall have discretion to convert non-*ad valorem* tariffs into *ad valorem* tariffs or maintain non *ad valorem* tariffs.

Least Developed Countries

9. Least developed country Members should be exempted from the tariff reduction obligation. But they are required to substantially increase their tariff binding ratios.

Implementation Period

10. The implementation period for tariff reduction shall be five years. However, for developing country Members, the implementation period shall be seven years. During the implementation period, Members shall make equal annual cuts.

IV. NON-TARIFF BARRIERS

11. Negotiations on NTBs should not derail or delay the entire negotiating process on market access. Therefore, Members should agree early in the process on the scope of negotiations, with a particular focus on how to deal with issues involving existing WTO rules and agreements. A balanced consideration of both the open nature of the Doha mandate on NTBs and the limited time-frame for the conclusion of negotiations is crucial to the success of negotiations in this area.

12. In this connection, Members should take into consideration the following key elements in defining the scope of negotiations on NTBs:

- (a) Non-duplication of work with other negotiating bodies;
- (b) Existence of a critical mass calling for addressing the particular NTBs;
- (c) Achievability of negotiating objectives within the agreed time-frame for DDA negotiations; and
- (d) Respect for each Member's authority in pursuing national policy objectives.

V. ENVIRONMENTAL GOODS

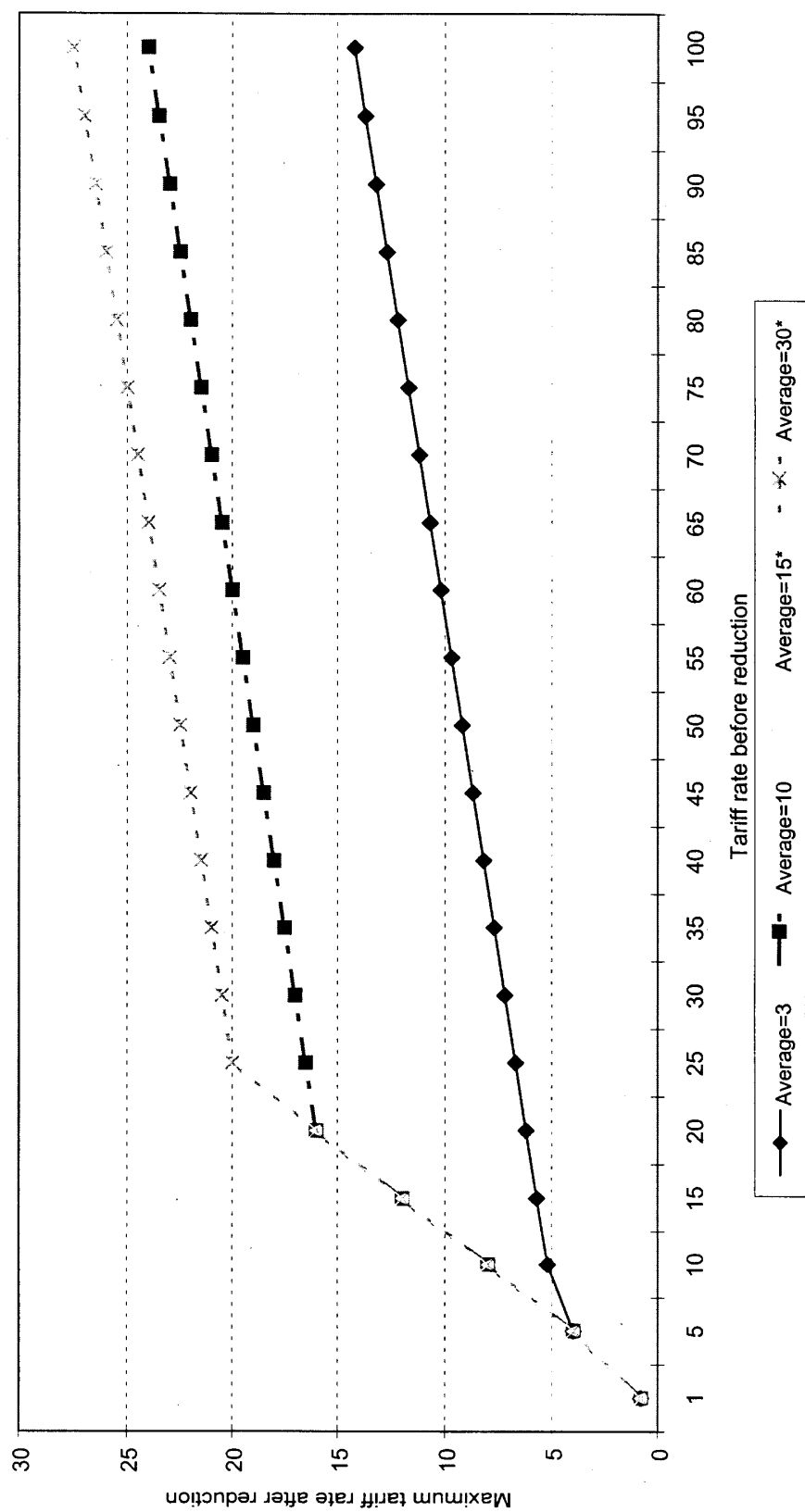
13. Korea believes that limiting the scope of product coverage to a manageable level is desirable in view of the need to ensure broader participation of developing country Members in the reduction commitments in this sector.

14. Korea proposes that Members establish a WTO list of environmental goods, taking advantage of the works already undertaken by the APEC and the OECD. Environmental goods to be included in the list should be determined in terms of their end-use, but not in terms of their production and process methods.

	Average=3		Average=10		Average=15		Average=30	
Tariff Rate Before Reduction	Maximum Tariff Rate After Reduction	Minimum Reduction Rate	Maximum Tariff Rate After Reduction	Minimum Reduction Rate	Maximum Tariff Rate After Reduction	Minimum Reduction Rate	Maximum Tariff Rate After Reduction	Minimum Reduction Rate
1	0.8	20.0%	0.8	20.0%	0.8	20.0%	0.8	20.0%
2	1.6	20.0%	1.6	20.0%	1.6	20.0%	1.6	20.0%
3	2.4	20.0%	2.4	20.0%	2.4	20.0%	2.4	20.0%
4	3.2	20.0%	3.2	20.0%	3.2	20.0%	3.2	20.0%
5	4	20.0%	4	20.0%	4	20.0%	4	20.0%
6	4.8	20.0%	4.8	20.0%	4.8	20.0%	4.8	20.0%
7	4.9	30.0%	5.6	20.0%	5.6	20.0%	5.6	20.0%
8	5	37.5%	6.4	20.0%	6.4	20.0%	6.4	20.0%
9	5.1	43.3%	7.2	20.0%	7.2	20.0%	7.2	20.0%
10	5.2	48.0%	8	20.0%	8	20.0%	8	20.0%
11	5.3	51.8%	8.8	20.0%	8.8	20.0%	8.8	20.0%
12	5.4	55.0%	9.6	20.0%	9.6	20.0%	9.6	20.0%
13	5.5	57.7%	10.4	20.0%	10.4	20.0%	10.4	20.0%
14	5.6	60.0%	11.2	20.0%	11.2	20.0%	11.2	20.0%
15	5.7	62.0%	12	20.0%	12	20.0%	12	20.0%
16	5.8	63.8%	12.8	20.0%	12.8	20.0%	12.8	20.0%
17	5.9	65.3%	13.6	20.0%	13.6	20.0%	13.6	20.0%
18	6	66.7%	14.4	20.0%	14.4	20.0%	14.4	20.0%
19	6.1	67.9%	15.2	20.0%	15.2	20.0%	15.2	20.0%
20	6.2	69.0%	16	20.0%	16	20.0%	16	20.0%
21	6.3	70.0%	16.1	23.3%	16.8	20.0%	16.8	20.0%
22	6.4	70.9%	16.2	26.4%	17.6	20.0%	17.6	20.0%
23	6.5	71.7%	16.3	29.1%	18.4	20.0%	18.4	20.0%
24	6.6	72.5%	16.4	31.7%	19.2	20.0%	19.2	20.0%
25	6.7	73.2%	16.5	34.0%	20	20.0%	20	20.0%
26	6.8	73.8%	16.6	36.2%	20.1	22.7%	20.1	22.7%
27	6.9	74.4%	16.7	38.1%	20.2	25.2%	20.2	25.2%
28	7	75.0%	16.8	40.0%	20.3	27.5%	20.3	27.5%
29	7.1	75.5%	16.9	41.7%	20.4	29.7%	20.4	29.7%
30	7.2	76.0%	17	43.3%	20.5	31.7%	20.5	31.7%
35	7.7	78.0%	17.5	50.0%	21	40.0%	21	40.0%
40	8.2	79.5%	18	55.0%	21.5	46.3%	21.5	46.3%
45	8.7	80.7%	18.5	58.9%	22	51.1%	22	51.1%
50	9.2	81.6%	19	62.0%	22.5	55.0%	22.5	55.0%
55	9.7	82.4%	19.5	64.5%	23	58.2%	23	58.2%
60	10.2	83.0%	20	66.7%	23.5	60.8%	23.5	60.8%
65	10.7	83.5%	20.5	68.5%	24	63.1%	24	63.1%
70	11.2	84.0%	21	70.0%	24.5	65.0%	24.5	65.0%
75	11.7	84.4%	21.5	71.3%	25	66.7%	25	66.7%
80	12.2	84.8%	22	72.5%	25.5	68.1%	25.5	68.1%
85	12.7	85.1%	22.5	73.5%	26	69.4%	26	69.4%
90	13.2	85.3%	23	74.4%	26.5	70.6%	26.5	70.6%
95	13.7	85.6%	23.5	75.3%	27	71.6%	27	71.6%
100	14.2	85.8%	24	76.0%	27.5	72.5%	27.5	72.5%

	Average=3		Average=10		Average=15		Average=30	
Tariff Rate Before Reduction	Maximum Tariff Rate After Reduction	Minimum Reduction Rate	Maximum Tariff Rate After Reduction	Minimum Reduction Rate	Maximum Tariff Rate After Reduction	Minimum Reduction Rate	Maximum Tariff Rate After Reduction	Minimum Reduction Rate
1	0.8	0.2	0.8	0.2	0.8	0.2	0.8	0.2
5	4	0.2	4	0.2	4	0.2	4	0.2
10	5.2	0.48	8	0.2	8	0.2	8	0.2
15	5.7	0.62	12	0.2	12	0.2	12	0.2
20	6.2	0.69	16	0.2	16	0.2	16	0.2
25	6.7	0.732	16.5	0.34	20	0.2	20	0.2
30	7.2	0.76	17	0.433333	20.5	0.316667	20.5	0.316667
35	7.7	0.78	17.5	0.5	21	0.4	21	0.4
40	8.2	0.795	18	0.55	21.5	0.4625	21.5	0.4625
45	8.7	0.806667	18.5	0.588889	22	0.511111	22	0.511111
50	9.2	0.816	19	0.62	22.5	0.55	22.5	0.55
55	9.7	0.823636	19.5	0.645455	23	0.581818	23	0.581818
60	10.2	0.83	20	0.666667	23.5	0.608333	23.5	0.608333
65	10.7	0.835385	20.5	0.684615	24	0.630769	24	0.630769
70	11.2	0.84	21	0.7	24.5	0.65	24.5	0.65
75	11.7	0.844	21.5	0.713333	25	0.666667	25	0.666667
80	12.2	0.8475	22	0.725	25.5	0.68125	25.5	0.68125
85	12.7	0.850588	22.5	0.735294	26	0.694118	26	0.694118
90	13.2	0.853333	23	0.744444	26.5	0.705556	26.5	0.705556
95	13.7	0.855789	23.5	0.752632	27	0.715789	27	0.715789
100	14.2	0.858	24	0.76	27.5	0.725	27.5	0.725

Results of applying the Formulae



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TN/MA/W/10/Add.1
8 January 2003

(03-0038)

Negotiating Group on Market Access

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MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Second Submission by India

Addendum

The following document, dated 30 December 2002, has been received from the Permanent Mission of India.

Introduction

1. India expects that the market access negotiations will significantly improve the market access of developing countries through the reduction in tariffs and non-tariff barriers in particular in products of export interest to developing countries. This would be in keeping with the development theme of the Doha Declaration which has sought to place the needs and interests of developing countries at the heart of the Doha Work Programme. In turn India will be willing to make its full contribution to the tariff liberalization process, in conformity with the Doha Mandate.

2. In its first submission, circulated in Document TN/MA/W/10 dated 22 October, 2002, India had offered its preliminary thoughts in carrying forward the Doha mandate for the negotiations. The paper had *inter alia* drawn attention to the various elements of the mandate, as seen from a developing country perspective, and emphasized that the negotiations this time should bring forth substantial gains to developing countries. Following further consideration, as also after extensive domestic consultations with the various concerned stakeholders, India makes this second submission, proposing certain specific modalities for the negotiations.

Approach

3. In proposing these modalities, India's approach has been guided by the essential elements of the Doha Mandate which require that in the negotiations it is important to ensure that :

(a) Tariff peaks, tariff escalation, high tariffs and non-tariff measures, in particular in products of export interest to developing countries, are effectively dealt with. Tariff peaks imposed by developed countries are often concentrated in products that are of export interest to developing countries such as in textiles and clothing; leather, rubber, footwear and travel goods; transport equipment; fish and fish products; etc. That most developed countries' tariffs for such items increase with the level of processing of such products and that such products are often excluded from preferential tariff schemes such as GSP, is well documented;

(b) The approach should fully integrate the "less than full reciprocity" concept in reduction commitments. Formulae effectively seeking to drastically reduce the tariffs generally prevailing in a developing country schedule while being comparatively less demanding on developed country

counterparts will not be in keeping with the mandate even if they are sought to be projected as harmonising tariff levels, which in any case is not a specific objective in the Doha Declaration;

(c) It must be recognized that for many developing countries customs tariffs contribute significantly to government revenue and are necessary for meeting critical developmental expenditure. Accordingly any customs tariff reduction commitments by such countries will necessarily have to have flexibilities in conformity with its programs for restructuring of governmental revenue sources;

(d) The fiscal, developmental, strategic and other needs of developing countries should be fully taken into account as required *inter alia* by paragraph 3 (c) of Article XXVIII *bis* of GATT 1994. The approach decided upon must allow a developing country to calibrate its market access commitments in accordance with its economic, social and political imperatives; and

(e) Special needs of economic development of developing countries including where there are labour intensive small scale enterprises should be kept in view.

Specific Proposals on Modalities

4. India proposes the following modalities for the tariff negotiations:

(a) For tariff lines already bound, reductions should be undertaken only from bound levels and not from applied rates.

(b) The method of reduction in existing tariff bindings for bound items should consist of:

- (i) A simple percentage cut on bound tariffs of each Member, with a higher percentage to be set for developed countries than the percentage set for developing countries. Such a reduction method will be in conformity with the mandate requiring "less than full reciprocity in reduction commitments" by developing countries. Even, under this approach, developing countries which generally have higher tariffs will be making significant reductions in absolute terms.
- (ii) Members shall not impose tariff on any product in excess of three times its average tariff. The average for this purpose shall be calculated after effecting the tariff reduction as per (i) above. This will effectively address the issue of peak tariffs and tariff escalation, in particular on products of export interest to developing countries.
- (iii) In determining the reduction to be effected by developing countries their dependence on customs tariff for revenue i.e. percentage contribution of customs tariff in the overall revenue collected by a government may also be a factor that has to be kept in view.
- (iv) Flexibility to be available to developing countries to decide on the actual bindings on some tariff lines as a special and differential measure while still maintaining the percentage reduction on an average basis as per (i) above.

(c) Unbound tariff lines being generally more sensitive, greater flexibilities are to be provided for these items including as follows:

- (i) For unbound tariff lines, developing countries should have the flexibility to bind them at levels generally above the higher of the bound rates prevailing for bound items in a country's tariff schedule; and
- (ii) While product coverage shall be comprehensive and without *a priori* exclusions i.e., no sector as such may be excluded from the negotiations, developing countries should

have the flexibility not to bind certain unbound tariff lines still considered domestically highly sensitive or strategically important.

(d) Supplemental 'zero for zero' or 'tariff harmonisation' proposals to be kept to a minimum since they impose onerous obligations on developing countries. Even in the limited sectors where such approaches may be agreed upon, including if such an approach is agreed to for environmental goods, flexibilities such as:

- (i) higher harmonised tariff level for developing countries;
- (ii) greater credit for tariff reductions by developing countries; and
- (iii) longer implementation periods,

...would need to be incorporated to suitably take account of developing country interests;

5. As for implementation period or staging, the precedent set in the Uruguay Round may be followed and developing countries should be permitted to implement the tariff commitments undertaken over a longer period, than that by developed countries. The actual duration will also depend on the extent of commitments undertaken. For developing countries it should extend up to a 10 year period.

6. Several developing countries have reduced and bound their tariffs since the Uruguay Round, including through participation in the ITA. Credit for such autonomous liberalisation of tariffs should be given.

7. The use of specific duties is an important issue. Consensus needs to be built on how to deal with this matter.

8. On non-tariff barriers, India is not making any further suggestions at this stage to what is already contained in TN/MA/W/10. It will be appropriate to revert to this issue after the process of identification of NTMs is completed, for which the Chairman has already indicated 31 January, 2003 is the date by when members have to submit the list of NTMs faced by them.

9. On environmental goods, India would make further submissions once a consensus on how NGMA should proceed further on this matter is reached.

WORLD TRADE ORGANIZATION

TN/MA/W/10/Add.2
18 March 2003

(03-1592)

Negotiating Group on Market Access

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MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Elaboration of India's Proposal

Addendum

The following document, dated 14 March 2003, has been received from the Permanent Mission of India.

1. India had put forth its specific proposals on modalities. This was circulated to Members *vide* Document No. TN/MA/W/10/Add.1. Further to the discussions held at the NGMA meeting on 19-21 February, 2003 India wishes to elaborate its proposals as per details given below -

2. India's tariff reduction proposal *inter alia* requires all Members to undertake the following steps in reducing their tariffs in respect of tariff lines already bound:

- (i) A simple percentage cut on bound tariffs of each Member, with a higher percentage to be set for developed countries than the percentage set for developing countries. Such a reduction method shall fully take into account the special needs and interests of developing and least developed country members and will be in conformity with the mandate requiring "less than full reciprocity in reduction commitments" by developing countries.
- (ii) Members shall not impose tariff on any product in excess of three times their average tariff. The average for this purpose shall be calculated after effecting the tariff reduction as per (i) above.

3. The proposal for already bound tariff lines may thus be mathematically represented as below:

$$\text{Step 1} \quad - \quad T_{F1} = \left(1 - \frac{AY}{100}\right) * T_O$$

$$\text{Step 2} \quad - \quad T_F = T_{F1} \text{ or } 3 * T_A \text{ whichever is less}$$

Where

A = less than full reciprocity' parameter;
A = 1 for developed countries and
A = 0.67 for developing countries

Y = Reduction percentage (to be negotiated)

T_O = Present bound tariff on an individual tariff line

T_{F1} = Reduced tariff after Step 1 on the individual tariff line

T_A = Simple average tariff after Step 1

T_F = Final bound tariff on the individual tariff line

4. As an S&D measure developing countries will have flexibility to:
 - a) Decide on the actual bindings on some tariff lines while still maintaining the percentage reduction on an average basis as per 2(i) above.
 - b) Developing country members shall also have flexibility in respect of 2(ii) above.
 - c) Further, the flexibility to decide individual tariff bindings proposed in (a) above shall be on at least 15% of the bound tariff lines of the concerned developing country Members. This flexibility is on the understanding that the overall percentage reduction will be achieved.
5. The resulting bound tariffs on some hypothetical tariff levels after the use of the above formula with some indicative tariff reduction rates are illustrated in Annex-A.
6. Regarding hitherto unbound tariff lines, developing countries may bind them at the highest of the bound rates in a Member's tariff schedule or at the applied rate on a cut off date (base date) whichever is higher. Further, at least up to 10% of the presently unbound tariff lines still considered sensitive or strategically important for a developing country could be left unbound, but no sector is to be kept completely unbound. The binding of the unbound tariff lines is in itself to be considered a concession in terms of Article XXVIII *bis*:2(a).

ANNEX A

Tariff Reduction Obtained by 45% - 30% Ratio

Initial rate of tariffs	Tariff Reduction – Step 1		Final Tariff – Step 2 ^o			
	Developed	Developing	Members with Bound Tariff			
	45%	30%	Average* 3%	Average* 5%	Average* 10%	Average* 20%
0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.5	1.4	1.8	1.4	1.4	1.8	1.8
5.0	2.8	3.5	2.8	2.8	3.5	3.5
7.5	4.1	5.3	4.1	4.1	5.3	5.3
10.0	5.5	7.0	5.5	5.5	7.0	7.0
12.5	6.9	8.8	6.9	6.9	8.8	8.8
15.0	8.3	10.5	8.3	8.3	10.5	10.5
17.5	9.6	12.3	9.0	9.6	12.3	12.3
20.0	11.0	14.0	9.0	11.0	14.0	14.0
22.5	12.4	15.8	9.0	12.4	15.8	15.8
25.0	13.8	17.5	9.0	13.8	17.5	17.5
27.5	15.1	19.3	9.0	15.0	19.3	19.3
30.0	16.5	21.0	9.0	15.0	21.0	21.0
32.5	17.9	22.8	9.0	15.0	22.8	22.8
35.0	19.3	24.5	9.0	15.0	24.5	24.5
37.5	20.6	26.3	9.0	15.0	26.3	26.3
40.0	22.0	28.0	9.0	15.0	28.0	28.0
42.5	23.4	29.8	9.0	15.0	29.8	29.8
45.0	24.8	31.5	9.0	15.0	30.0	31.5
47.5	26.1	33.3	9.0	15.0	30.0	33.3
50.0	27.5	35.0	9.0	15.0	30.0	35.0
52.5	28.9	36.8	9.0	15.0	30.0	36.8
55.0	30.3	38.5	9.0	15.0	30.0	38.5
57.5	31.6	40.3	9.0	15.0	30.0	40.3
60.0	33.0	42.0	9.0	15.0	30.0	42.0
62.5	34.4	43.8	9.0	15.0	30.0	43.8
65.0	35.8	45.5	9.0	15.0	30.0	45.5
67.5	37.1	47.3	9.0	15.0	30.0	47.3
70.0	38.5	49.0	9.0	15.0	30.0	49.0
72.5	39.9	50.8	9.0	15.0	30.0	50.8
75.0	41.3	52.5	9.0	15.0	30.0	52.5
77.5	42.6	54.3	9.0	15.0	30.0	54.3
80.0	44.0	56.0	9.0	15.0	30.0	56.0
82.5	45.4	57.8	9.0	15.0	30.0	57.8
85.0	46.8	59.5	9.0	15.0	30.0	59.5
87.5	48.1	61.3	9.0	15.0	30.0	60.0
90.0	49.5	63.0	9.0	15.0	30.0	60.0
92.5	50.9	64.8	9.0	15.0	30.0	60.0
95.0	52.3	66.5	9.0	15.0	30.0	60.0
97.5	53.6	68.3	9.0	15.0	30.0	60.0
100.0	55.0	70.0	9.0	15.0	30.0	60.0

^o In Step 2 the illustrated figures with average tariff of 3% & 5% are for developed countries, while the illustrated figures with average tariff of 10% & 20% are for developing countries.

* Average after application of Step 1.

Tariff Reduction Obtained by 50% - 33¹/₃% Ratio

Initial rate of tariffs	Tariff Reduction – Step 1		Final Tariff – Step 2 ^o			
	Developed	Developing	Members with Bound Tariff			
	50%	33 ¹ / ₃ %	Average* 3%	Average* 5%	Average* 10%	Average* 20%
0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.5	1.3	1.7	1.3	1.3	1.7	1.7
5.0	2.5	3.4	2.5	2.5	3.4	3.4
7.5	3.8	5.0	3.8	3.8	5.0	5.0
10.0	5.0	6.7	5.0	5.0	6.7	6.7
12.5	6.3	8.4	6.3	6.3	8.4	8.4
15.0	7.5	10.1	7.5	7.5	10.1	10.1
17.5	8.8	11.7	8.8	8.8	11.7	11.7
20.0	10.0	13.4	9.0	10.0	13.4	13.4
22.5	11.3	15.1	9.0	11.3	15.1	15.1
25.0	12.5	16.8	9.0	12.5	16.8	16.8
27.5	13.8	18.4	9.0	13.8	18.4	18.4
30.0	15.0	20.1	9.0	15.0	20.1	20.1
32.5	16.3	21.8	9.0	15.0	21.8	21.8
35.0	17.5	23.5	9.0	15.0	23.5	23.5
37.5	18.8	25.1	9.0	15.0	25.1	25.1
40.0	20.0	26.8	9.0	15.0	26.8	26.8
42.5	21.3	28.5	9.0	15.0	28.5	28.5
45.0	22.5	30.2	9.0	15.0	30.0	30.2
47.5	23.8	31.8	9.0	15.0	30.0	31.8
50.0	25.0	33.5	9.0	15.0	30.0	33.5
52.5	26.3	35.2	9.0	15.0	30.0	35.2
55.0	27.5	36.9	9.0	15.0	30.0	36.9
57.5	28.8	38.5	9.0	15.0	30.0	38.5
60.0	30.0	40.2	9.0	15.0	30.0	40.2
62.5	31.3	41.9	9.0	15.0	30.0	41.9
65.0	32.5	43.6	9.0	15.0	30.0	43.6
67.5	33.8	45.2	9.0	15.0	30.0	45.2
70.0	35.0	46.9	9.0	15.0	30.0	46.9
72.5	36.3	48.6	9.0	15.0	30.0	48.6
75.0	37.5	50.3	9.0	15.0	30.0	50.3
77.5	38.8	51.9	9.0	15.0	30.0	51.9
80.0	40.0	53.6	9.0	15.0	30.0	53.6
82.5	41.3	55.3	9.0	15.0	30.0	55.3
85.0	42.5	57.0	9.0	15.0	30.0	57.0
87.5	43.8	58.6	9.0	15.0	30.0	58.6
90.0	45.0	60.3	9.0	15.0	30.0	60.0
92.5	46.3	62.0	9.0	15.0	30.0	60.0
95.0	47.5	63.7	9.0	15.0	30.0	60.0

^o In Step 2 the illustrated figures with average tariff of 3% & 5% are for developed countries, while the illustrated figures with average tariff of 10% & 20% are for developing countries.

* Average after application of Step 1

Initial rate of tariffs	Tariff Reduction – Step 1		Final Tariff – Step 2 ^a			
	Developed	Developing	Members with Bound Tariff			
	50%	33 ¹ / ₃ %	Average* 3%	Average* 5%	Average* 10%	Average* 20%
97.5	48.8	65.3	9.0	15.0	30.0	60.0
100.0	50.0	67.0	9.0	15.0	30.0	60.0

WORLD TRADE ORGANIZATION

TN/MA/W/11/Add.1
13 December 2002

(02-6916)

Negotiating Group on Market Access

Original: English

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Communication from the European Communities

Addendum

The following communication, dated 11 November 2002, has been received from the European Communities.

EC Compression Mechanism

The compression mechanism combines the properties of both process and result-oriented types of formulae. It can be described as a simple linear function with a different slope per initial range of duties resulting in a compression effect on the tariff structure.

The following function gives the duties resulting from the compression of an initial range of duties into a flatter range.

$$\left\{ f(x) = B_1^L + (x - B_0^L) * \frac{(B_1^U - B_1^L)}{(B_0^U - B_0^L)}, \right.$$

with B_0^L and B_0^U as lower and upper limits in base bracket,
and B_1^L and B_1^U as same limits in the new bracket,
and where x = initial duty.

WORLD TRADE ORGANIZATION

TN/MA/W/15/Add.1¹
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(03-0005)

Negotiating Group on Market Access

Original: English

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Communication from Japan

Addendum

The following communication, dated 19 December 2002, has been received from the Permanent Mission of Japan.

Japanese Proposal on Sustainable Development and the Trade of Forest and Fishery Products

I. BACKGROUND

1. Japan submitted, on 5th November 2002, a proposal on "Market Access for Non-Agricultural Products – Communication from Japan – (TN/MA/W/15)". While pointing out the need to pay due attention to the protection of the environment and the promotion of sustainable development, the paper stated that "special consideration should be given, in the course of market access negotiations, to goods which have to be appropriately addressed in terms of global environment issues and the sustainable use of exhaustible natural resources. In this regard, Japan intends to make a specific proposal on this point as part of this proposal." At the same time, Members have been discussing the issue of forest and fishery products in the Committee on Trade and Environment and in the Negotiating Group on Rules. Japan hereby submits this paper as a further contribution to the negotiations on forest and fishery products. It contains a specific proposal on the questions that are related to the market access of those products. When discussing forest and fishery products, consideration of global environmental issues and the sustainable use of exhaustible natural resources are of particular importance. In addition, this paper addresses issues concerning the trade and environment, and rules in a comprehensive manner. Japan expects to see constructive discussions on these issues in the relevant committee and negotiating groups. The points explained below are not exhaustive and Japan reserves the right to submit additional proposals.

II. BASIC IDEAS

2. The Doha Ministerial Declaration firmly reconfirms the commitment to the objective of sustainable development, which is clearly stated in the Preamble of the Marrakesh Agreement.

¹ The basic document was circulated with the document symbols TN/MA/W/15 and TN/TE/W/17. The addendum, however, does not concern the Special Session of the CTE.

Therefore, the negotiations on forest and fishery products should aim at contributing to the objective of sustainable development. To this end, due consideration should be given to the fact that the Plan of Implementation, as well as other documents of the World Summit on Sustainable Development (WSSD), requires action at all levels to achieve sustainable forest management and sustainable fisheries. In particular, these documents emphasize the urgent need to prevent, deter and eliminate illegal, unreported and unregulated (IUU) fishing. Negotiations based on the Doha Ministerial Declaration should also address how international trade can contribute to sustainable forest management and sustainable fisheries in all countries, while considering the roles of the forest in solving or improving global environmental problems, and considering the characteristic of forest and fishery resources as exhaustible, but renewable natural resources.

3. Needless to say, negotiations on the market access for non-agricultural products should be evaluated as a whole, ensuring the balance with other negotiations. It should be noted that the civil society is also concerned about the potential negative influence of a free trade regime on forest and fishery resources². It is indispensable for the WTO to promote trade liberalization, while fully acknowledging such concerns of the civil society, taking into consideration the global environmental issues and ensuring sustainable use of exhaustible natural resources.

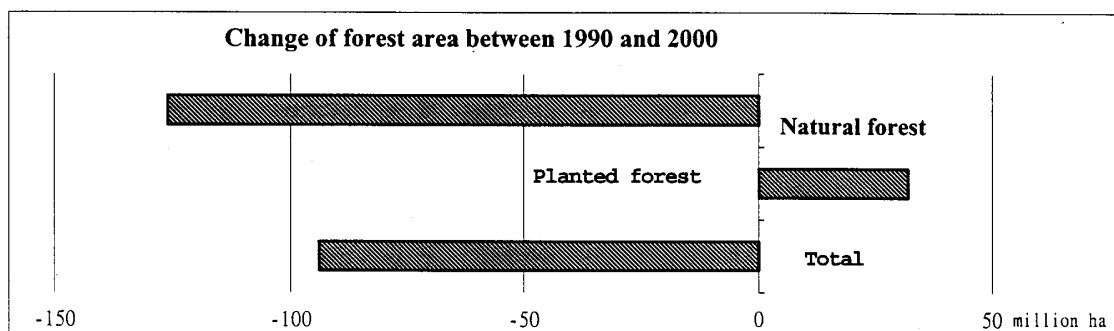
Sustainable forest management and forest products trade

4. Forests are an exhaustible natural resource, which can be depleted through reckless exploitation or poor management, but can be renewable if it is managed appropriately. Furthermore, the forest provides various public benefits, such as the mitigation of global warming, the conservation of biological diversity and the prevention of soil erosion as well as landslides. The forest, therefore, is expected to play an indispensable role in tackling global environmental issues through sustainable forest management. However, forests in the world have been decreasing and degrading due to them being used for agricultural development, over-grazing, the over-harvesting of fuel wood, and inappropriate commercial harvesting. For example, the FAO estimated³ that around 94 million hectares of forest have been lost over the past ten years, and that existing forests are degrading from closed forests to open forests. Currently, approximately 20% of the world forest products are subject to international trade⁴ and a lot of the wood is produced for the purpose of exports. Japan, while greatly contributing to the development of trade in forest products as a major wood-importing country, is also interested in the promotion of sustainable forest management in the world. Promoting sustainable forest management, through which the various needs of forests are being continuously fulfilled, has been one of the world's challenges since the United Nations Conference on Environment and Development (UNCED) in 1992. In particular, at the WSSD, participants reaffirmed that "Achievement of sustainable forest management is an essential goal of sustainable development".

² The NGOs, consumers and others expressed their anxiety of the negative influence of a free trade regime on the sustainable use of forest and fishery resources. The IUCN (International Union for Conservation of Nature) resolved at its 2nd World Conference on the Conservation of Nature, held in October 2000, to be "aware that trade liberalisation may encourage unsustainable exploitation of natural resources and the marginalization of local communities", and that it "urges IUCN to investigate the environmental consequences of trade liberalisation".

³ FAO State of the World's Forests 2001.

⁴ Estimation based on FAO statistical data.



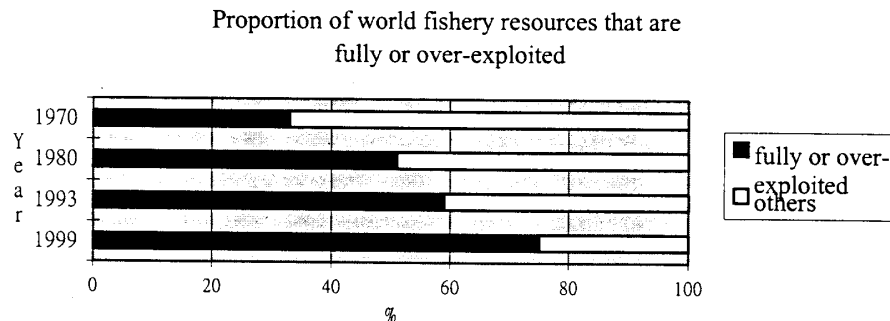
5. In order to promote trade in forest products in a sustainable manner under the multilateral trading system, it is indispensable that each country cooperates to promote sustainable forest management. Japan believes that sound forest resources are the fundamental basis for the sustainable development of trade in forest products, and that the promotion of trade in forest products on a medium to long-term basis, through achieving sustainable forest management, will follow the objectives of sustainable development, which were firmly endorsed by the Doha Ministerial Declaration. In this regard, trade liberalization should not lead to further forest devastation and proper consideration shall be given to the various public benefits that forests provide.

Sustainable fishery resource management and trade in fishery products

6. Fishery resources are exhaustible natural resources that can be depleted by over-exploitation, but they are renewable with proper fishery management. Fisheries are not only an economic activity, but are also contributive to food security, and to the maintenance and development of rural fishing communities which are dependent on fishing in many countries, in particular, Asian and island countries. It is essential to achieve the objective of sustainable development in the fishery sector, taking into account the various roles that fisheries play in each country. However, given the increasing demand for fishery products all over the world, world fishery resources have been declining due to such factors as catches being made of a capacity beyond reproduction and to IUU (illegal, unreported and unregulated) fishing undermining international management efforts. According to the FAO, the proportion of the world fishery resources, fully or over-exploited, has been increasing steadily by 40 points over the past three decades, culminating at 75% in 1999⁵. 34% of the world fishery products are subject to international trade⁶ and many catches are made for export purposes. Japan, while greatly contributing to the development of fishery trade as the largest fish-importing country, importing one-fourth of the total world fishery trade on a value basis, is also interested in the conservation of world fishery resources.

⁵ The State of World Fisheries and Aquaculture, FAO 2000
Review of the State of World Fishery Resources, FAO 1997

⁶ FAO Yearbook of Fishery Statistics - Commodities 1999



Source: Review of the State of World Fishery Resources, FAO 1997, The State of World Fisheries and Aquaculture, FAO 2000

7. It is a prerequisite for each country to implement adequate resource management in a cooperative fashion in order to promote fishery trade in a sustainable manner under the multilateral trading system. Japan believes that sound fishery resources are the fundamental basis for the development of fishery trade, and that the implementation of proper resource management and the development of fishery trade on a medium to long-term basis will follow the objectives of sustainable development, which were firmly endorsed by the Doha Ministerial Declaration. In this regard, due consideration should be given to the roles and functions of fisheries and fishing communities, which contribute to the sustainable development of resources, in order to prevent them from collapsing.

III. SPECIFIC POINTS TO BE DISCUSSED ON FOREST PRODUCTS

Levels of Tariffs

8. When conducting the negotiations regarding tariffs on forest products as part of the negotiations on market access for non-agricultural products, in accordance with the Doha Ministerial Declaration, due consideration should be given to the following points:

- (i) Natural and social conditions surrounding forests vary in each Member. Tariffs on forest products play the role of adjusting the differences in those conditions. From the viewpoint of the promotion of sustainable forest management, this function should be duly maintained.
In this respect, it is crucial to ensure that each Member retains flexibility among products when determining the appropriate level of tariffs, by taking into account such factors as the trends of domestic production and consumption, and the international supply and demand of each product, while giving due consideration to the conditions and the management of forests and the experiences of past trade negotiations. Full consideration should also be given to the importance of the wood industry, which has been evolving in parallel with forests and forestry.
- (ii) Japan does not support the idea to call for further sector-specific tariff reductions in the forest products sector, including zero-for-zero and harmonization, in addition to the general tariff reduction formula, since it ignores the conditions and the management of forests in each country, seriously impedes the promotion of sustainable forest management, and does not represent the position of importing countries. From the viewpoint of ensuring a total balance of the negotiations, those regarding tariffs should neither be independently conducted, nor isolated from other issues including export tax and export restriction.

Special and differential treatment, and capacity building for developing countries

9. Japan's general idea on special and differential treatment, and on capacity building for developing countries, is set out in the aforementioned proposal (TN/MA/W/15). In order to ensure the long-term development of forestry and trade in forest products, it is important to provide technical and financial assistance which will contribute to the promotion of sustainable forest management in developing countries.

Export restriction of unprocessed logs

- 10.(i) Japan recognizes the necessity of trade measures that are taken for the purpose of the conservation of the environment or of natural resources if implemented in a WTO-consistent manner.
- (ii) One of the specific trade measures taken for this purpose in the forest products sector is export restriction maintained by some Members on forest products including unprocessed logs. These export restrictions are explained by the Members as a necessary measure for preserving forest resources, thereby protecting wild animals and plants inhabiting in the forests. In this sense, Japan could agree with the rationale behind this measure in light of the objective of environment protection.
- (iii) However, there does exist cases whereby no export restrictions are imposed on processed wood products made from the unprocessed logs which are subject to the export restriction. The consistency of these measures with the WTO agreements should therefore be scrutinized in light of the appropriate trade measures for the purpose of the conservation of the environment and of natural resources.

Export tax

11. Since export tax, unlike tariff, is unbound, exporting Members are allowed to set at will the rate thereof. In this sense, the rights and obligations between importing and exporting countries remains unbalanced. For this reason, export tax should be discussed in the negotiations on market access for non-agricultural products.

Illegal logging and labelling on forest products

12. Recently, illegal logging has been internationally recognized as a major factor impeding efforts towards sustainable forest management. In the WSSD, participants adopted the Plan of Implementation, which reaffirmed to take "immediate action on domestic forest law enforcement and illegal international trade in forest products". Japan has already presented a contribution paper to the Regular Session of the Committee on Trade and Environment with the aim of pursuing a possible contribution from a trade perspective on illegal logging⁷. Japan also raised the issue of labelling on forest products in its aforementioned paper in order to expand discussions on illegal logging, considering the growing international interest in using labelling on forest products as an effective tool to promote sustainable forest management.

⁷ WT/CTE/W/211 (11 June 2002) The discussion was held at the CTE regular sessions in June and in October 2002.

IV. SPECIFIC POINTS TO BE DISCUSSED ON FISHERY PRODUCTS

Levels of tariffs

13. When conducting negotiations regarding tariffs on fishery products, as part of the negotiations on market access for non-agricultural products, in accordance with the Doha Ministerial Declaration, due consideration should be given to the following points:

- (i) It is crucial to ensure that each Member retains flexibility among products when determining the level of tariffs, taking into account the level of fishery resources and the status of fishery management;
- (ii) A zero-for-zero approach in the fishery sector should not be pursued since it will abolish all tariffs regardless of the level of fishery resources, the management status and the importance of fisheries and fishing communities in each country. It will also add an extra pressure to the resources through inducing catches beyond the renewable capacity of resources, thereby impeding sustainable development of fisheries.

Special and differential treatment, and capacity building for developing countries

14. Japan's general idea regarding the special and differential treatment of developing countries, as well as capacity building, is set out in its proposal (TN/MA/W/15). In order to assure the long-term development of fisheries and fishery trade, it is important to provide adequate technical and financial assistance, which will contribute to the promotion of sustainable fishery resource management in developing countries.

Conservation and management measures for resources and trade measures

15. The market access of fishery products, together with trade and environment, should be considered in common, from the standpoint of the promotion of sustainable development, with regard to the roles and necessities of trade-related measures that could complement conservation and management measures for fishery resources.

Fisheries subsidies issue

16. The Rules Negotiating Group has been discussing the trade-distorting aspects of fisheries subsidies. However, no concrete cases have been provided⁸ to demonstrate that trade distortions caused by fisheries subsidies are unique, and it is obvious that trade distortion is not limited to the fishery sector alone. There is, therefore, no need to create a special discipline for the fishery sector from a trade-distorting point of view. It is necessary, however, in accordance with Paragraph 28 of the Doha Ministerial Declaration, to conduct negotiations aimed at clarifying and improving disciplines under the Agreement on Subsidies and Countervailing Measures, while preserving the basic concepts, principles and effectiveness of the Agreement and its instruments and objectives, and taking into account the needs of developing and least-developed participants. As agreed at the WSSD, elimination of IUU fishing and solving the problem of over-capacity are two important issues for achieving the sustainable development of fisheries. Comprehensive efforts should be made towards achieving a solution to these issues, taking into full account the discussions had in specialized

⁸ The report of the FAO expert consultation on fisheries subsidies held in November 2000 states, "Information regarding effects of fisheries subsidies on trade is limited". Also, no evidence has been provided in recent discussions of the WTO on this topic that a certain subsidy affects trade.

organizations, such as the FAO⁹. Japan is prepared to make a maximum contribution for the purpose of promoting discussions, and urges other concerned Members to also partake in discussions conducted by those organizations having expertise. Taking into account the work of these organizations, the WTO should examine how to address fisheries subsidies at the Regular Session of the Committee on Trade and Environment, for the purpose of solving IUU fishing and over-capacity issues.

Labelling for environmental purposes in the fishery sector

17. The trade and environment section of the Doha Ministerial Declaration lists up labelling for environmental purposes as one of the items to be studied at the Regular Session of the Committee on Trade and Environment. The Committee has, therefore, the duty to report to the 5th Ministerial Conference and to make recommendations, including on the desirability of negotiations regarding this item. In the fishery sector, labelling for environmental purposes is likely to contribute to the sustainable use of fishery resources by way of stimulating a voluntary and proper choice by consumers if implemented properly. Arbitrary labelling, which does not consider impartial and scientific criteria, would pose the risk of an unjustifiable restriction of trade. Therefore, the FAO, having expertise on fisheries should first try to establish scientific and objective guidelines in order to implement labelling for environmental purposes in the fishery sector¹⁰. The WTO should consider how to deal with this issue from a trade viewpoint, taking into account the established guidelines.

⁹ The FAO held the 2nd expert consultation on fisheries subsidies in December this year, to be followed by a governmental consultation. The Fisheries Committee of the OECD will launch a comprehensive study on government financial transfers next year.

¹⁰ Labelling issues, including that for environmental purposes in the fishery sector, will be discussed at the FAO Committee on Fisheries to be held in February 2003.

WORLD TRADE ORGANIZATION

TN/MA/W/20
24 December 2002

(02-7092)

Negotiating Group on Market Access

Original: English

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Proposal of the People's Republic of China

The following communication, dated 20 December 2002, has been received from the Permanent Mission of the People's Republic of China.

I. GENERAL POSITION

1. As a result of the previous rounds of multilateral trade negotiations, the market access of non-agricultural products has been improved substantially. However, it deserves our attention that the existence of unbound tariffs, tariff peaks, tariff escalation and non *ad valorem* tariffs still affect the effective and balanced development of international trade.

2. China proposes that non-agricultural market access negotiations shall be conducted in accordance with the mandate embodied in the Doha Ministerial Declaration with a view to balancing the interests of the WTO Members at different levels of development. It shall safeguard the benefits of developing country Members through implementing the principle of "less than full reciprocity", especially through giving adequate consideration to newly-acceded Members that are implementing their tariff reduction commitments, so as to ensure the active participation of all Members and realize the acceleration of international trade to the economic development of each Member.

II. SPECIFIC PROPOSAL

1. Base rates

3. Developed country Members shall take their applied rates in 2000 as their base rates for reduction. Developing country Members shall take the simple average rate between their applied rates in 2000 and their final bound rates committed in the Uruguay Round as their base rates for reduction. The newly-acceded Members shall take the simple average rate of their applied rates in 2000 and their final bound rates committed in their accession negotiations as their base rates. Tariff reduction shall be made on the basis of HS1996 and the final results shall be scheduled in HS2002.

2. Reduction formula

4. As the core of the negotiations, the method of tariff reduction has a direct bearing on the outcome of the negotiations. To facilitate the negotiations and meet the requirement of eliminating tariff peaks and tariff escalations as embodied in the Doha Ministerial Declaration, China proposes to adopt a uniform formula for tariff reduction. Taking into consideration of the imbalance among the development levels of all Members, the actual reductions achieved through formula approach shall fully reflect the needs and interests of all Members, in particular developing country Members and shall abide by the mandate of the Doha Ministerial Declaration that the developing country Members could make their reduction commitments in the principle of less than full reciprocity.

5. The formula proposed by China is as follows:

$$T_1 = \frac{(A + B \times P) \times T_0}{(A + P^2) + T_0}$$

T_0 : Base rate

T_1 : Final rate

A : Simple average of base rates

P : Peak factor, $P=T_0/A$

B : Adjusting coefficient, e.g. for the year 2010, $B=3$; for the year 2015, $B=1$

See the attached Notes on the Formula for Tariff Reduction.

3. Sector approach

6. Sector approach could promote the negotiations forward and supplement the formula approach. Members shall be free to decide their participation in light of their own needs.

4. Tariff peaks

7. China supports the reduction of tariff peaks in accordance with the requirements embodied in the Doha Ministerial Declaration. Tariff peak is a relative concept. When defining tariff peak, we must consider the discrepancies in the current tariff levels of all Members. Tariff peak of a Member shall be defined as a tariff rate three times more than the simple average tariff level of that Member. Members shall take this definition as the standard in the reduction of tariff peaks.

5. Tariff escalation

8. Members shall take concrete measures to greatly reduce the tariff escalations in their respective tariff regime.

6. Non ad valorem tariff

9. Members shall convert their existing non *ad valorem* tariffs into *ad valorem* form through a uniform method and take tariff rates resulted from the conversion as the basis for tariff reduction. The tariff reduction commitments of all Members concluded in the negotiations shall be specified in the form of *ad valorem* tariffs in their schedules. Developed country Members shall eliminate all *ad valorem* tariffs on non-agricultural products, while developing country Members shall limit their number of non *ad valorem* tariffs to no more than 3% of the total number of tariff lines in their national tariff nomenclatures.

7. Lowest tariffs

10. Developed country Members shall eliminate all their lowest tariffs, while developing country Members shall be free to maintain their lowest tariffs since those tariffs are still important for revenue purpose to a number of developing country Members.

8. Binding of tariffs

11. All Members shall bind their tariff rates after reduction, however longer transitional period could be given to developing country Members and more flexible arrangement to least developed country Members.

9. Special and differential treatment

12. Longer implementation period shall be given to developing country Members and more flexibility to least developed country Members with regard to binding of tariffs, conversion of *ad valorem* tariffs, elimination of tariff peaks and tariff escalations.

13. Those sectors and products of substantial export interest to developing country Members and least developed country Members shall be subject to reduction as priorities in the negotiations. As regards the newly-acceded Members, their reduction commitments shall be fully taken into consideration and no further reduction shall be required.

14. As for non-tariff barriers, China will submit its proposal in the future.

Attachment**Notes on the Formula for Tariff Reduction**

$$T_1 = \frac{(A + B \times P) \times T_0}{(A + P^2) + T_0}$$

- T_0 : Base rate
 T_1 : Final rate
 A : Simple average of base rates
 P : Peak factor, $P=T_0/A$
 B : Adjusting coefficient, e.g. for the year 2010, $B=3$; for the year 2015, $B=1$

The formula not only reflects the characteristics of harmonization and non-linear reduction, but also provides flexibility as regards final reduction level. More reduction will be achieved on tariff rates higher than the average tariff rate; and less reduction will be achieved on tariff rates lower than the average tariff rate. In addition, tariff dispersion will be greatly lowered. A reasonable final tariff level will be retained as a result of the reduction, while tariff peaks will be effectively reduced.

Peak factor P is the ratio between a base rate and the average rate. Through the function of peak factor P , tariff peaks could be effectively reduced and due consideration could be given to the current tariff structures of all Members, which would ensure tariff reduction to be carried out in a more rational way and with less complexity.

Through the function of adjusting coefficient B , the final reduction levels could be adjusted in a flexible way. The actual value of B could be determined through negotiations. China proposes that the adjusting coefficient B for 2010 is 3 and for 2015 is 1.

**A Sample: Tariff Reduction with the Formula
(B=3)**

(%)

Base Rate (T ₀)	For Members with Average Base Rate Equal to 5 (A=5)		For Members with Average Base Rate Equal to 10 (A=10)		For Member with Average Base Rate Equal to 20 (A=20)		For Member with Average Base Rate Equal to 50 (A=50)	
	Final Rate (T ₁)	Reduction Rate	Final Rate (T ₁)	Reduction Rate	Final Rate (T ₁)	Reduction Rate	Final Rate (T ₁)	Reduction Rate
1	0.93	0.07	0.94	0.06	0.96	0.04	0.98	0.02
2	1.73	0.13	1.76	0.12	1.84	0.08	1.93	0.04
3	2.44	0.19	2.50	0.17	2.66	0.11	2.84	0.05
4	3.07	0.23	3.16	0.21	3.43	0.14	3.72	0.07
5	3.64	0.27	3.77	0.25	4.14	0.17	4.57	0.09
6	4.15	0.31	4.33	0.28	4.81	0.20	5.39	0.10
7	4.61	0.34	4.84	0.31	5.43	0.22	6.19	0.12
8	5.04	0.37	5.32	0.33	6.02	0.25	6.96	0.13
9	5.43	0.40	5.77	0.36	6.58	0.27	7.71	0.14
10	5.79	0.42	6.19	0.38	7.11	0.29	8.43	0.16
11	6.12	0.44	6.59	0.40	7.61	0.31	9.13	0.17
12	6.43	0.46	6.96	0.42	8.08	0.33	9.81	0.18
13	6.72	0.48	7.32	0.44	8.54	0.34	10.47	0.19
14	6.99	0.50	7.66	0.45	8.97	0.36	11.11	0.21
15	7.24	0.52	7.98	0.47	9.38	0.37	11.73	0.22
16	7.48	0.53	8.29	0.48	9.78	0.39	12.33	0.23
17	7.70	0.55	8.59	0.49	10.16	0.40	12.92	0.24
18	7.91	0.56	8.87	0.51	10.53	0.42	13.50	0.25
19	8.11	0.57	9.15	0.52	10.88	0.43	14.05	0.26
20	8.29	0.59	9.41	0.53	11.22	0.44	14.60	0.27
21	8.47	0.60	9.67	0.54	11.55	0.45	15.12	0.28
22	8.64	0.61	9.91	0.55	11.86	0.46	15.64	0.29
23	8.80	0.62	10.15	0.56	12.17	0.47	16.14	0.30
24	8.95	0.63	10.38	0.57	12.46	0.48	16.63	0.31
25	9.09	0.64	10.61	0.58	12.75	0.49	17.11	0.32
26	9.23	0.65	10.82	0.58	13.03	0.50	17.58	0.32
27	9.36	0.65	11.03	0.59	13.30	0.51	18.03	0.33
28	9.48	0.66	11.24	0.60	13.56	0.52	18.48	0.34
29	9.60	0.67	11.44	0.61	13.82	0.52	18.91	0.35
30	9.72	0.68	11.63	0.61	14.07	0.53	19.34	0.36
31	9.83	0.68	11.82	0.62	14.31	0.54	19.75	0.36
32	9.93	0.69	12.01	0.62	14.55	0.55	20.16	0.37
33	10.03	0.70	12.19	0.63	14.78	0.55	20.56	0.38
34	10.13	0.70	12.36	0.64	15.00	0.56	20.95	0.38
35	10.22	0.71	12.53	0.64	15.22	0.57	21.33	0.39

Base Rate (T ₀)	For Members with Average Base Rate Equal to 5 (A=5)		For Members with Average Base Rate Equal to 10 (A=10)		For Member with Average Base Rate Equal to 20 (A=20)		For Member with Average Base Rate Equal to 50 (A=50)	
	Final Rate (T ₁)	Reduction Rate	Final Rate (T ₁)	Reduction Rate	Final Rate (T ₁)	Reduction Rate	Final Rate (T ₁)	Reduction Rate
36	10.31	0.71	12.70	0.65	15.44	0.57	21.70	0.40
37	10.40	0.72	12.86	0.65	15.65	0.58	22.07	0.40
38	10.48	0.72	13.02	0.66	15.85	0.58	22.43	0.41
39	10.56	0.73	13.18	0.66	16.05	0.59	22.78	0.42
40	10.64	0.73	13.33	0.67	16.25	0.59	23.12	0.42
41	10.72	0.74	13.48	0.67	16.44	0.60	23.46	0.43
42	10.79	0.74	13.63	0.68	16.63	0.60	23.79	0.43
43	10.86	0.75	13.77	0.68	16.82	0.61	24.12	0.44
44	10.93	0.75	13.91	0.68	17.00	0.61	24.44	0.44
45	10.99	0.76	14.05	0.69	17.18	0.62	24.75	0.45
46	11.06	0.76	14.19	0.69	17.36	0.62	25.06	0.46
47	11.12	0.76	14.32	0.70	17.53	0.63	25.36	0.46
48	11.18	0.77	14.45	0.70	17.70	0.63	25.66	0.47
49	11.23	0.77	14.58	0.70	17.87	0.64	25.95	0.47
50	11.29	0.77	14.71	0.71	18.03	0.64	26.24	0.48

WORLD TRADE ORGANIZATION

TN/MA/W/20/Corr.1¹
17 January 2003

(03-0235)

Negotiating Group on Market Access

Original: English

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Proposal of the People's Republic of China

Corrigendum

On page 2, paragraph 9, line 4 should read: "Developed country Members shall eliminate all non *ad valorem* tariffs on non-agricultural products,..." instead of "Developed country Members shall eliminate all *ad valorem* tariffs on non-agricultural products,...".

¹ In English and French only.

WORLD TRADE ORGANIZATION

TN/MA/W/27
18 February 2003

(03-1019)

Negotiating Group on Market Access

Original: English

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Communication from Ghana, Kenya, Nigeria, Tanzania, Uganda, Zambia and Zimbabwe

The following communication, dated 17 February 2003, has been received from Ghana, Kenya, Nigeria, Tanzania, Uganda, Zambia and Zimbabwe.

I. INTRODUCTION

1. Paragraph 16 of the Doha Ministerial Declaration (DMD) provides the mandate for the negotiations on market access for non-agricultural products which requires members to, inter alia,

- Reduce or eliminate tariff peaks, tariff escalation as well as non-tariff barriers with emphasis on products of export interest to developing countries,
- 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,
- Take fully into account the principle of special and differential treatment for developing and least-developed countries and
- Undertake appropriate studies and capacity-building measures to assist least-developed countries to participate effectively in the negotiations.

2. The objective of the negotiations on market access for non-agricultural products should, in our view, be to facilitate and enable the development and industrialisation processes in developing countries. The modalities and the actual negotiations should have this goal at the centre, and it should thus be central in all aspects of the work programme. The liberalisation of imports should only be seen as a possible means towards this goal, and for many developing particularly least developed country members, further liberalisation especially of products where their industrial base is weak would be counter-productive to this overriding development goal. On the other hand, liberalisation by developed country members of products that can be exported by developing and least developed country members can contribute to the development of this group of countries, although it should be noted that supply side constraints also prevent many of them from being able to take advantage of any improvement of market opportunities.

II. BACKGROUND

3. Most African countries have undertaken, in the past two decades, wide-ranging economic reform measures in the context of the structural adjustment programmes under the tutelage of the World Bank and the International Monetary Fund. The main emphasis of these reforms has been on trade liberalisation. These reforms have lowered trade barriers significantly but the broad-based development that was expected to ensue has generally remained elusive. In addition, Africa's continued dependence on few commodity exports and its persistent dismal performance in international trade is not commensurate with the liberalisation initiatives spearheaded by the Bretton Woods institutions. Indeed, empirical studies show that industrial growth has fallen behind GDP

growth in Sub-Saharan Africa since the 1980's with de-industrialization in a number of African countries being associated with trade liberalisation¹. Hence although it is argued that the potential benefit of trade can be an important engine for economic growth and poverty reduction, it is only when trade is built upon solid institutional foundations are the benefits typically realised.

4. It is also common knowledge that our countries are beneficiaries of various preferential schemes most notably, the ACP-EU Cotonou Partnership Agreement, AGOA, EBA initiative and a number of GSP schemes. We believe that improving and, at the very least, maintaining current benefits associated with these preferential schemes constitutes one of the special needs and interests of developing and least-developed countries referred to in para 16 of the DMD. Moreover, the effect of tariff reforms on government revenues need to be approached with caution especially in the light of continually declining levels of official development assistance (ODA).

5. In this regard, our delegations would like to make the following contribution to the development of the modalities for the negotiations.

III. MODALITIES

6. The modalities to be developed should, in essence, be simple and user-friendly to negotiators, policy-makers as well as those tasked with its implementation in the customs administrations. Suffice it to say that complicated formulae will only burden the weaker customs administrations. Further, the modalities must address the impediments to the fuller integration of our economies into the multilateral trading system.

7. In this regard, the modalities should be based on the following considerations:
- Developed country members should provide improved market access to developing and least developed country products by addressing the problems posed to the trade of these countries as a result of the existence tariff (peaks and escalations) and non-tariff barriers.
 - Taking into account the dismal experience of liberalisation measures taken earlier by African countries, any further liberalisation including reduction commitment should be left to be determined by them.

IV. TARIFF PEAKS AND TARIFF ESCALATION

8. Reducing and eliminating tariff peaks and tariff escalation on products of export interest to developing countries need to be given maximum attention in the development of modalities. The continued protection in major markets accorded to products of export interest to developing countries remains a matter of major concern. The practice of tariff escalation continues to impede the diversification efforts of our countries that are disproportionately dependent on commodity exports.

V. SPECIAL AND DIFFERENTIAL TREATMENT

9. In the past, the special and differential treatment accorded to developing and least developed country members has focused on lesser depth of tariff cuts and longer transition periods. This has not worked to the advantage of developing and least developed country members as their economies have suffered greatly from overexposure. While we agree with those arguing that greater openness to trade should be the ultimate aim of all members, it should not be the immediate aim of countries at early stages of industrialisation. Developing and least developed country members at early stage of industrialisation will need to go through the "learning phase" by improving their productivity and competitiveness. This takes time, as the process is unique to each sector and activity. The recent wave

¹ Economic Development in Africa: Performance, Prospects and Policy Issues- UNCTAD publication (TD/B/48/12)

of mergers and acquisitions have made entry of new comer developing country enterprises into the global market even more difficult and learning has therefore, become more complicated. Hence the need for concrete special and differential treatment based on economic benchmarks including the protection of infant industry is more justified today than some years ago. The modalities to be established must allow developing country members to use measures aimed at assisting infant industries to compete with well established enterprises in the international market. Members should therefore, view trade liberalisation as supportive of and not a substitute for trade and industrial policy.

VI. BOUND RATES VS APPLIED RATE

10. The difference between applied rates and bound rates is most noticeable in the case of developing and least developed country members. Applied rates are markedly lower than bound rates in most developing and least developed countries as a result of the autonomous liberalisation initiatives undertaken by them. In addition, the gap between the two rates provides this group of countries with appropriate space for the formulation of their trade and industrial development policies. The bound rates must, therefore, be the starting point for the negotiations. In our view, bound rates are the only legitimate basis for making WTO commitments. In addition the reduction of bound rates even above the applied rates is a valid offer, which also improves security of access and reduces the risk of reverting to other measures such as Anti-Dumping actions. The issue of increasing the scope of coverage of bound products should, however, be handled with care given that a number of developing and least developed country members particularly those from Africa would wish not to bind some products that they consider sensitive. The scope of coverage of bound products should be left to each developing member country to decide.

VII. SPECIAL INTERESTS

11. The erosion of preference margins as a result of reductions in tariffs in our export markets will inevitably lead to trade diversion. This is the crux of our concerns and need to be addressed as mandated by the Ministers to the effect that "... The negotiations shall take fully into account the special needs and interests of developing and least-developed country participants²" The modalities should therefore, include a procedure for establishing measures and mechanisms to deal with erosion of preferences, with the aim of avoiding or offsetting this problem or compensating the affected members.

VIII. LESS THAN FULL RECIPROCITY

12. The Ministers specifically included the concept of less than full reciprocity in the reduction commitments in accordance with the relevant provisions of Article XXVIII *bis* of GATT 1994 and this is a clear and unambiguous recognition that all members are not required to undertake similar levels and types of commitments due to their different levels of development. Moreover, adherence to the provisions of Article XXVIII *bis* of GATT 1994, especially as they relate to the trade, fiscal, and development concerns of all members, will raise the comfort levels of the weaker members of the organization.

IX. NON-TARIFF BARRIERS

13. As beneficiaries of the preferential schemes, non-tariff barriers are increasingly becoming one of our main market access concerns. For instance we are not able to utilise preferences to the full because of the restrictive nature of the rules of origin. Hence rules of origin may be harmful in restricting the capacity of African countries to take advantage of market access opportunities that are available. There is also a need to look at the use of other measures that in principle conform to the

² Para 16 of the Doha Ministerial Declaration adopted on 14 November 2001.

WTO rules such as Anti-Dumping and countervailing measures, SPS and TBT among other measures. While there may be legitimate reasons for these, sometimes they are used for purely protective purposes. We recognize that it may not be feasible to quantify the degree to which they act as market access impediments. However, it is crucial that they are addressed in the negotiations as whatever gains are made through tariff concessions may be nullified by the incidences of this form of market access barriers.

X. STUDIES AND CAPACITY-BUILDING MEASURES

14. Although Ministers gave instruction that the modalities to be agreed should include “appropriate studies and capacity-building measures to assist least-developed countries to participate effectively in the negotiations” we believe similar studies would equally assist low-income African country members to participate effectively in the negotiations. It is our considered view that such studies should include the effects of previous liberalisation, the effects of tariff peaks and escalation maintained in developed country markets on the prospects of this group of countries, and the implication of these for future policies. The studies will help negotiators and policy-makers from least developed and low-income African countries to make informed decisions based on past experience and thus participate more effectively in the current negotiations.

XI. ENVIRONMENTAL GOODS

15. Discussions in the Negotiating Group on Market Access for Non-Agricultural Products and the Committee on Trade and Environment, in Special Session on the question of “environmental goods” so far affirm the non-existence of universally accepted definition of the term and the associated classification problems. It would, therefore, be advisable that the negotiating group seek the expert input of the Committee on Trade and Environment before embarking on the elaboration of modalities for this class of merchandise. In the meantime, it would be futile to introduce issues like production and processing methods into the debate.

16. The legal and practical effect of transferring the locus of the “environmental goods” negotiations from the Committee on Trade and Environment in Special Session to that of the Negotiating Group on Market Access for Non-agricultural Products implies that negotiations on environmental goods must be considered as a subset of negotiations for non-agricultural products and hence the provisions and mandate of paragraph 16 of the DMD must be made applicable to environmental goods. We therefore, expect that negotiations on environmental goods will pay particular attention to “products of export interest to developing countries”; take full account of the special needs and concerns of developing and least developed countries; require “less than full reciprocity in reduction commitment” from developing and least developed countries and establish modalities for studies and capacity building measures among others.

Conclusion

17. A number of proposals submitted so far appear to make little or no distinction between developed country members on the one hand and developing and least developed country members on the other hand. Thus going against the spirit and intent of paragraph 16 Doha Ministerial Declaration. Some of these proposals are very ambitious and do not take into account the possible negative effect that the measures prescribed would have on our economies particularly on the development prospects. We wish to state that if the modalities are not designed right and do not incorporate the elements we have proposed, the consequences could be detrimental and contrary to the stated objective of the Doha Ministerial Declaration that has been touted as focusing on Development.

18. The countries presenting this proposal reserve their right to amend or supplement it in the light of the course and progress of the negotiations.
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WORLD TRADE ORGANIZATION

TN/MA/W/22
8 January 2003

(03-0048)

Negotiating Group on Market Access

Original: English

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Modalities that could be adopted for the participation of the least developed countries in the ongoing negotiations for the improvement of market access for non-agricultural products

Negotiating proposal submitted by Bangladesh on behalf of the least developed countries

The following communication, dated 23 December 2002, has been received from the Permanent Mission of Bangladesh.

I. GENERAL

1. The paper contains some preliminary ideas on the modalities that could be adopted for the participation of the least developed countries in the ongoing negotiations for the improvement of market access for non-agricultural products. It is the intention of the countries making this submission, to make a revised submission if after further examination and discussions among themselves, further clarifications of the points made are considered necessary.

II. MANDATE PROVIDED BY THE DOHA DECLARATION

2. The decision relating to the improvements in "market access for non agricultural products" adopted at the Doha Ministerial Conference, *inter alia* states that the negotiations in this area "shall aim, by modalities to be agreed, to reduce and as appropriate eliminate tariffs, including the reductions or elimination of tariff peaks, high tariffs and tariff escalation, as well as non tariff barriers, in particular products of export interest to developing countries". It further states that the negotiations shall take fully into account the "special needs and interests of least developed countries including through less than full reciprocity in reduction commitments" in accordance with the provisions of General Enabling Clause¹ and the Uruguay Round Decision on Measures in Favour of Least developed Countries and other WTO provisions, particularly those of GATT Article XXVIII.

3. The Uruguay Round Decision referred to above, recognizes the importance of preferential access by the least developed countries to the markets of other countries. In particular, it emphasizes that "the specific needs of least developed countries in the area of market access", require that "continued preferential access remains an essential means for improving their trading opportunities".

4. As regards contributions to be made by these countries in trade negotiations, it states that such contribution should be determined taking into account the principles and rules laid down by the General Enabling Clause, which *inter alia*, state that "the developed contracting parties shall not seek, neither shall least developed contracting parties be required to make, concessions that are inconsistent

¹ The Decision on Differential and More Favourable Treatment, Reciprocity and fuller Participation of Developing Countries.

with the latter's development, financial and trade needs". In addition to these provisions, the following provisions of GATT Article XXVIII are also relevant for contributions to be made by the least developed countries:

- Developing countries including least developed countries, may bind their tariff at levels which are higher than the reduced rates agreed in trade negotiations, and
- In determining the extent of reductions which these countries may make, the important role which customs duties play in raising revenue needed for meeting developmental expenditures should be taken into account.

III. TRADE POLICY DEVELOPMENTS SINCE THE CONCLUSION OF THE URUGUAY ROUND

5. The approach, which the least developed countries could adopt in the discussions on the possible modalities that could be adopted for negotiations on further liberalization of trade in the non-agricultural sector, would be greatly influenced by:

- The measures which some of the developed countries have taken for improvements in the preferential access to their imports, since the conclusions of the Uruguay Round
- Adoption by some of developing countries of preferential systems for imports of selected products from these countries and
- The serious adverse impact which the liberalization measures taken by them during the last two and a half decades is having on their industrial development, trade and economy.

These issues are discussed briefly in the paragraph below:

A. IMPROVEMENTS IN PREFERENTIAL ACCESS BY DEVELOPED COUNTRIES

6. Since the conclusions of the Uruguay Round some of the developed countries have taken major steps for broadening and deepening the scope of the preferential access which they grant to imports from the least developed countries under their Generalization System of Preferences (GSP). Under the Everything But Arms (EBA) System, the European Union allows imports of almost all products, both industrial and agriculture, on preferential duty-free and on quota free basis. Under the Africa Growth and Opportunities Act, the United States has also broadened the coverage of its GSP to allow imports on duty free basis of garments made from US yarn and fabrics and of other products from least developed and other developing countries from the African region.

7. The EU initiative to provide duty free access to imports from least developed countries and the US initiative to provide such treatment for selected products of interest to African countries, is resulting in investment by outside countries for development of industries not only for the manufacture of clothing, but also of leather and horticultural products in a number of least developed countries (like Lesotho, Malawi and Senegal) to take advantage of the preferential access to these markets. The least developed countries have therefore a vital interest in ensuring that the preferential access extended by them is maintained and continued for sufficiently long period of time and other developed countries, take measures to improve their Generalized System of Preferences to allow duty free imports of all products from least developed countries.

8. In this context it is important to note that the macro-economic studies prepared recently by the World Bank and other independent research organizations show that major beneficiaries of further reductions in tariffs on MFN basis in the industrial sector are expected to be the developed countries and the developing countries which have reached higher stage of development and have been able to

develop diversified structure for industrial production. Countries from the African region, where most of the least developed countries are situated, are expected to benefit, if at all, only marginally.

9. As against this, the macroeconomic study undertaken by the Commonwealth Secretariat in cooperation with UNCTAD, to assess the beneficial impact of EBA, and of the similar systems adopted by the QUAD countries, on trade and development of the least developed countries, has found that "non reciprocal preferential trade liberalization" targeted towards least developed countries is likely to result in gains to beneficiary countries "that are significant". At the same time, the losses arising from trade diversion for preference giving and third countries are likely to be negligible.

10. These findings are further supported by a recent analytical study by Andrew Rose, an economist from the University of California, (Berkley) which points out that the experience of the application of WTO rules shows that the main factor responsible for growth of trade of developing countries is preferential access available to them under the GSP and other preferential arrangements and not reductions in tariffs made by them on MFN basis.

B. EXTENSION OF PREFERENTIAL TREATMENT BY DEVELOPING COUNTRIES

11. Some of the developing countries have also, since the conclusion of the Uruguay Rounds, (e.g. Brazil, Hungary, Cuba etc.) adopted systems for preferential treatment for imports of limited number of products from least developed countries. Legal basis for the extension of such preferential treatment is provided by the General Waiver adopted in WTO.

C. DISMAL EXPERIENCE OF THE LEAST DEVELOPED COUNTRIES OF THE LIBERALIZATION MEASURES TAKEN BY THEM

12. Almost all least developed countries have, under the structural adjustment programmes or on an autonomous basis in pursuance of the policies adopted by them for economic reform, been taking since last two decade measures for the liberalization of their trade regimes, through reduction of tariffs and elimination of quantitative restrictions. The experience of the measures taken on their industrial development, economies and trade has been however, far from positive. The empirical studies undertaken by the Ganesh Wighnaaja, Sanjay Lal, Edward Buffie and others have found that surge of imports resulting from post 1980 liberalization has adversely affected a number of existing industries such as those producing beverages, tobacco, textiles, sugar, leather, cement and glass products, in least developed countries like Zambia, Uganda, Sierra Leone, Tanzania and in other developing countries in the African region. Many have closed down and others are struggling to survive. Lack of resources is preventing the industries which have survived from investing in technological up gradation that is necessary to become competitive. As a result, liberalization has, instead of leading to investment in new industries resulted in "deindustrialization" and in increased unemployment. These developments put serious constraints on the ability of these countries to make further reductions in tariffs in the present ongoing negotiations in WTO.

IV. OBJECTIVES OF THE LEAST DEVELOPED COUNTRY'S PARTICIPATION IN NEGOTIATIONS

13. Against the background of these, the objectives of the least developed countries in participating in the negotiations are threefold:

First, they would like to secure such improvements in the existing preferential access to the markets of developed countries as would ensure preferential duty free and quota free access for all of their products.

Second, they would wish that developing countries which have adopted preferential systems for imports from the least developed countries, broaden their product coverage and those which have not been able to do so, adopt such systems.

Third, they would like to ensure that in this round of negotiations they are not required to reduce their tariffs and are permitted to maintain the existing levels of protection, with a view to:

- Ensuring continuing viability of their existing domestic industries
- Promoting further industrial development that is export oriented and is able to take advantage of the new export opportunities that would be created by the improvements in preferential access
- Maintaining and increasing industrial employment and
- Ensuring that revenue required by the government for developmental purposes continues to be available to them.

V. NEED TO ADOPT A COCKTAIL APPROACH IN DECIDING ON MODALITIES

14. The modalities that may be adopted for negotiations would have to be determined taking into account these objectives with which the least developed countries are participating in the negotiations, in order to ensure that liberalization process is development oriented and benefits equally countries at different stages of development. These considerations would suggest that as in the Uruguay Round of trade negotiations, it would not be possible for WTO Members to adopt one common set of modalities and that would be necessary to adopt, what the WTO secretariat has called a "cocktail approach". Under this approach agreements are reached by consensus on the different types of modalities which would be used by taking into account the stages of developed among countries.

15. Some tentative proposals on the basis of which agreement could be reached on the type of modalities are made in the following paragraphs:

A. NEGOTIATION WITH DEVELOPED COUNTRIES

16. The modalities for negotiations with developed countries should provide for the adoption by all of them of separate arrangements under the umbrella of their Generalized System of Preferences, which would allow imports of all products from least developed countries on duty and quota free basis. Such modalities should also provide for review of the rules of origin and of other barriers, which affect the ability of the preference receiving countries to derive full benefits from the preferential arrangements. It should be agreed that preferential treatment extended under the arrangements shall not be modified to the disadvantage of the least developed countries during an agreed period of time (e.g. fifteen to twenty years).

17. Further in order to ensure that the erosion of preferential margins that may result from the reduction in MFN rates of tariffs, which would be made by the preference giving developed countries (in accordance with the modalities that may be agreed for negotiations among developed countries and for negotiations among developed and developing countries), do not result in sudden disruption of trade of the preference receiving countries, the modalities to be used by the least developed countries should provide for the following:

- Where a least developed country considers that preferential margins which its exports enjoy in relation to certain tariff lines or headings are of meaningful advantage in trade terms, and the reduction or erosion of preferential margins resulting from MFN reductions is likely to seriously affect its exports, it may request the preference giving countries to:

- Postpone commencement of the staging of reductions by agreed number of years (e.g. five years) or
- To spread the staging of reductions over a period of ten years instead of normal period of five years that may be agreed in the negotiations.
- The preference giving countries to whom such request are made should agree to consider such requests sympathetically and provide reasons, in cases where it is not possible for them to agree to such requests.

18. Such procedures would be consistent with the provisions in the General Enabling Clause which *inter alia*, provide that the extension of the preferential treatment under the GSP “shall not prevent” reductions being made on MFN basis, as the requests would only aim at postponing MFN reductions by agreed number of years or staging of reductions agreed in the negotiations over a longer period of time and not prevent the preference giving country from making reductions on a definitive basis.

B. NEGOTIATIONS WITH DEVELOPING COUNTRIES

19. The modalities for negotiations of the least developed countries with developing countries should provide for the extension of preferential tariff treatment by the latter countries, on non-reciprocal basis, on the basis of requests lists to be submitted by the least developed countries, indicating the products in respect of which they wish to have such treatment.

C. CONTRIBUTIONS TO BE MADE BY LEAST DEVELOPED COUNTRIES

- As regards contribution to be made by the least developed countries, the modalities for participation of the least developed countries should recognize that in this round of negotiations, they are not in a position to make reductions in tariffs in the context of multilateral trade negotiations.
 - The least developed countries could however, as a part of their contribution agree to bind their tariffs at levels which are higher than their applied rates of tariffs. The modalities should provide such bindings being offered on limited number of products or sectors, or across the board on all tariffs by giving a “ceiling binding”.
 - Further as the reductions in tariff, which they have been making on autonomous basis have been benefiting their trading partners, some mechanisms would have to be established under the modalities for giving them credit for autonomous liberalization.
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WORLD TRADE ORGANIZATION

TN/MA/W/23
15 January 2003

(03-0198)

Negotiating Group on Market Access

Original: English

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Communication from MERCOSUR (Argentina, Brazil, Paraguay and Uruguay)¹

The following communication, dated 31 December 2002, has been received from MERCOSUR (Argentina, Brazil, Paraguay and Uruguay).

1. At the Fourth Ministerial Conference of the WTO, Ministers agreed on the following broad and ambitious mandate for negotiations on non-agricultural market access:

"MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

16. *We agree to negotiations which shall aim, by modalities to be agreed, to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries. Product coverage shall be comprehensive and without a priori exclusions. 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, in accordance with the relevant provisions of Article XXVIII bis of GATT 1994 and the provisions cited in paragraph 50 below. To this end, the modalities to be agreed will include appropriate studies and capacity-building measures to assist least-developed countries to participate effectively in the negotiations."*

2. The Members of Mercosur – Argentina, Brazil, Paraguay and Uruguay – fully support the ambitious nature of this mandate and are committed to engaging constructively in negotiations with a view to achieving a substantial and balanced outcome, results that will have to be measured both in terms of the specific negotiating mandate contained in paragraph 16 of the Doha Ministerial Declaration² and taking into account in particular the need to secure an overall balance in the outcome of all WTO negotiations. Mercosur would like to emphasize that effective liberalization of world trade will not be achieved unless liberalization of world agricultural trade is fully taken into account.

3. In this respect, and in light of the agreement reached within the Negotiating Group that "...participants will aim at...reaching an agreement on...modalities by 31 May 2003", Mercosur presents the following considerations on the distinct elements that comprise the development of modalities for negotiation.

¹ This proposal is not a legal text. It is submitted solely for the purpose of negotiation and does not prejudice the position of Mercosur or its States Parties regarding the issues raised in it. Mercosur and its States Parties reserve their right to modify or complement the contents of this proposal at a later stage.

² WT/MIN(01)/DEC/1.

Base Rates and Base Period

4. Schedules of concessions of each Member of the WTO are an integral part of the WTO Agreement³, and as such reflect the balance of rights and obligations entered into among them in the context of tariff concessions, ensuring the predictability and transparency of the multilateral trading system. Therefore, bound tariffs of all WTO Members, whenever they are available, are the only viable starting point for the negotiations. The base period for the negotiations should, in principle, be the most recent year for which there is up-to-date statistical information available for the majority of Members. Mercosur underlines the need for Members to maintain their submissions to the Integrated Data Base (IDB) as current as possible, while recalling that the Consolidated Tariff Schedules (CTS) database, recently put into operation with data on bound rates for all Members, will be the primary instrument for negotiations. With a view to improving the transparency of the negotiating process, it will be essential to have precise *ad valorem* equivalents of all specific duties in the databases kept by the WTO. Additionally, during the negotiating process, Members should commit to converting their specific duties into *ad valorem* tariffs.

Tariff Peaks and Tariff Escalation

5. Mercosur understands that the inclusion of tariff peaks and tariff escalation in the Doha mandate responds to the development dimension of the multilateral trade negotiations launched at the IV Ministerial Conference, as these are distortions that affect in particular the products of export interest to developing countries. Modalities to be agreed must therefore build in mechanisms to reduce or eliminate tariff peaks and tariff escalation.

Less than Full Reciprocity

6. The mandate given by Ministers in Doha is clear in establishing 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 concept of less than full reciprocity is unambiguous, requiring deeper reduction commitments from developed country partners than those undertaken by developing countries as well as other modalities which include, *inter alia*, differentiated staging periods. This clear instruction from Ministers must be fully incorporated into the modalities to be agreed before negotiations are begun.

Special and Differential Treatment

7. Special and differential treatment (S&D) measures are also to be considered in the elaboration of modalities, and shall include, *inter alia*, deeper reduction commitments for products of export interest to developing countries and differentiated staging periods, in order to “take fully into account the special needs and interests of developing and least-developed country participants”.

Nuisance Tariffs

8. Mercosur considers that the elimination of nuisance tariffs has a negligible impact on effective additional market access and therefore should not be considered as a concession equivalent to reductions of higher tariffs.

Modalities

9. The mandate to incorporate the concept of less than full reciprocity as an integral part of modalities for negotiations, coupled with the differences in the tariff structures of WTO Members –

³ GATT 1994, Article II:7.

which in broad lines reflect the differences in their respective economic contexts – limit the range of possible modalities for non-agricultural market access negotiations.

10. One option would be to adopt a formula approach. The potential of an unbalanced impact of this approach on different tariff structures could be overcome by the use of differentiated coefficients for developing and developed country participants, and could be complemented with additional approaches, especially for the reduction and elimination of national tariff peaks that could not be effectively reduced using the formula. An alternative or complementary option is a request and offer approach, which could allow in principle for a balanced treatment of tariff peaks, tariff escalation and high tariffs, taking into account the needs of developing countries in an effective manner.

Environmental Goods

11. The term "environmental goods" has a subjective nature and lacks a universally accepted definition. Negotiations on environmental goods might be jeopardised by the absence of specific tariff lines that could distinguish "environmental goods" from other similar goods. Mercosur considers that product differentiation in light of "environmentally healthy" processes would bring a complicating element into the negotiations, since the Harmonised System does not foresee such differentiation. Mercosur suggests that the Negotiating Group on Market Access should seek input from the CTE on the definition of the concept of "environmental goods" so that the NGMA may evaluate the possible requirement of specific modalities for these goods.

Non-Tariff Barriers

12. Non-tariff barriers constitute the principle obstacle, more so than tariffs, in the enhanced access of developing country exports to developed country markets. Therefore, Mercosur attaches priority to the Ministerial mandate to reduce or eliminate NTBs in the context of the current negotiations. We fully support the initiative to initiate the consideration of this aspect through a process of notifications in order to provide the Negotiating Group a basis with which to begin consideration of the matter with a view to develop modalities for negotiations in order to achieve the effective reduction or elimination of non-tariff barriers.

Antidumping/Countervailing Measures

13. Tariff concessions aim at improving effective and predictable market access opportunities for participants. In this respect, the results of WTO negotiations in appropriate fora must ensure that such opportunities are not undermined by excessive recourse to trade remedy instruments.

WORLD TRADE ORGANIZATION

TN/MA/W/21
7 January 2003

(03-0022)

Negotiating Group on Market Access

Original: English

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Communication from Mauritius

The following communication, dated 23 December 2002, has been received from the Permanent Mission of Mauritius.

Introduction

1. One among the guiding principles that should underpin the current negotiations on market access for non-agricultural products and also of the WTO system in general, should be to achieve balanced and equitable outcomes that take on board the market access situations and conditions of each individual WTO Member State. The negotiation should, in the least, maintain or improve the current benefits associated to existing market access of the WTO Member States so that at the end of the negotiations no single country is worse off.

2. It is important to emphasize this point, as the terms and conditions under which individual Member States or groups of them trade are different. Consequently, if the specific situations of these countries are not given the required consideration, then the outcome of the negotiations could prove to be devastating for many of them. In particular, the more vulnerable among the developing countries, including the LDCs could find themselves in a situation where they would be under strong competitive pressure following the negotiations. This is borne out of the fact that any reductions in tariffs would impact on the access of countries trading under various preferential regimes, which as a matter of fact have been specifically designed to enable the poor and vulnerable developing countries to secure a certain market share. In the absence of such regimes or a substantially diluted one, they would be devoid of any access to world markets and would consequently face major set backs in their development efforts. It is therefore suggested that, with a view to establishing a more equitable and balanced multilateral system, any erosion in preferential market access resulting from the negotiations should be duly compensated. We would fully appreciate the views and suggestions of the Member States on the possible compensation mechanism that could be set up. Moreover, in the context of global coherence in policy-making that calls for closer collaboration among International Institutions, it is suggested that a competitiveness fund on the basis of contribution from the International Financial Institutions be set up to provide assistance to affected countries to enable them to undertake competitive adjustment.

Modalities

3. The modalities to be used in the negotiations, while not impeding the trade liberalisation process should be flexible enough so as to accommodate the specific situations of countries and to stagger the liberalisation process for products that are highly sensitive. An across the board formula approach would neither take account of the different regimes under which countries trade, nor would it ensure the maintenance of at least the current preferential market access of some of the poorest and

.. /.

more vulnerable countries. A trade weighted average tariff reduction, in contrast could be a more appropriate way to proceed, with a longer staging period of tariff reductions for sensitive products.

4. It is also the view of Mauritius that tariff cuts should be effected from the bound rates as opposed to the applied rates. Developing countries which have not yet bound their tariffs should, in exchange of not undertaking any reduction commitment be given the flexibility to do so at reasonable rates which are commensurate with the level of their industrial development.

5. In the context of these negotiations, credit should be given for autonomous liberalisation undertaken by the WTO Member States since 1995. The Member States could provide information on the autonomous liberalisation undertaken by them by end of January 2003 while the Secretariat in the interim could prepare a paper on how the autonomous liberalisation could be taken on board.

NTBs

6. NTBs, including those that have been disciplined at the WTO are increasingly being used as a means to impeding access to markets. Consequently, it is the view of Mauritius that priority consideration in the negotiations should be given to the elimination of NTBs, especially those that are "invisibles" or "hidden" NTBs such as administrative bottlenecks, complex distribution networks, etc. While the audit of NTBs currently being carried out based on information provided by Member States is a welcome step, it is nonetheless imperative that an independent and comprehensive exercise be undertaken by the Secretariat to draw a checklist of hidden and invisible NTBs which could serve as the basis for the negotiations.

WORLD TRADE ORGANIZATION

TN/MA/W/26
17 February 2003

(03-0983)

Negotiating Group on Market Access

Original: English

NEGOTIATING GROUP ON NON-AGRICULTURAL MARKET ACCESS

Communication from Thailand

The following communication, dated 11 February 2003 has been received from the Permanent Mission of Thailand.

I. INTRODUCTION

1. Since the Uruguay Round of trade negotiations, many studies have shown crucial facts that a wide tariff disparity between Members still exists. High tariffs, tariff peaks, and tariff escalation are still prevalent in all Members' tariff schedule, regardless of the level of development. Moreover, different types of non-tariff barriers have been created and imposed, resulting in the obstruction of trade flows between Members.
2. The Doha Ministerial Declaration has provided preliminary guideline for negotiations and a mandate for WTO Members to negotiate on tariffs of non-agricultural products aiming at reduction or as appropriate elimination thereof, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers. It also states that the product coverage must be comprehensive and without *a priori* exclusions.
3. However, the Doha Declaration also recognises the difference in development levels among Members and therefore states that any agreed negotiations modalities shall take fully into account the needs and interests of developing and least-developed Member countries, including through less than full reciprocity principle.
4. Thailand fully recognises these facts and fully supports the mandate provided by the Ministers at Doha. To this end, we would like to present our preliminary views on certain key elements in the non-agricultural market access negotiation as follows.

II. MODALITIES

We view that the following points should be considered:

5. A formula approach is an appropriate solution to achieve the negotiation objectives as mandated by the Doha Ministerial Declaration. All non-agricultural products, without prior exclusion, must be taken on board. The negotiations should aim to reduce the tariff disparity between Members and also the gap between bound and applied tariffs.
6. Zero-for-zero approach should be accepted as a voluntary method. On this basis, an emphasis should be placed on goods which are considered important exports of developing countries. Thailand proposes that the Gems and Jewelry sector (HS 71), one of the sectors included in the APEC ATL, be included under this approach.

7. Request/Offer should be accepted as a supplementary method to support tariff reduction by the formula approach.

8. Thailand fully recognises the Doha mandate to reduce or eliminate tariff peaks, high tariffs, and tariff escalation. However, before taking further steps of negotiations the definitions of these terms should be clarified, for the sake of enhancing mutual understanding among Members.

9. Two recent studies made by the WTO Secretariat, "Market Access: Unfinished Business" and "Formula Approaches to Tariff Negotiations", indicate that two sets of criteria have been used for identifying peaks: "International peaks" and "National peaks". The international peak is usually identified by using a fixed percentage, and any tariff above that figure would be considered a peak. The national peak is based on an agreed fixed number of times of the national bound tariff average. We consider that using one figure percentage i.e. international peak, across the board would not reflect the real situation of each individual country development level. Furthermore, it is difficult to justify the use of a particular figure instead of another figure, especially when it is going to be applied to different tariff levels. On the other hand, using a fixed times of the national tariff average i.e. national peaks, would better reflect those different needs. Thailand therefore supports the use of the national peak criteria in the negotiations.

III. BASIS FOR NEGOTIATIONS

10. We view that the basis for negotiations should be the committed bound rate from the previous GATT/WTO round of negotiations. In the case of unbound items, which are generally more sensitive products than bound items, the national statutory rate should be the starting-point for negotiations. Members should be allowed to bind all tariffs above the applied rate.

IV. NON-TARIFF BARRIERS

11. Admittedly, non-tariff barriers remain a significant issue which is difficult to identify and remedy. However, this is an important part of the task that needs to be undertaken during the course of the new round of non-agricultural market access negotiations, the final outcome of which should be well balanced with the aforementioned result of tariff reduction.

12. To this end, we view that NTBs should be identified and negotiated within the Negotiating Group on Non-Agricultural Products as it is the most appropriate body to discuss and remedy NTBs problems for the following reasons:

- (1) This Group has been granted full authority by the TNC to negotiate on the subject of NAMA.
- (2) It will facilitate developing and least-developed countries, which possess constraints with regards to both human resource and budget, and to help them to better focus on the NAMA topics in one single forum.
- (3) It will help facilitate developing and least-developed countries to better evaluate the overall picture of the NAMA negotiations.

13. On the subject of process for negotiating removal of NTBs, we are of the opinion that the request-offer process should be an appropriate process for the NTBs negotiations.

V. S&D

14. On the topic of Special & Differential Treatment for developing and least-developed countries, Thailand considers that S&D should be provided in the forms of, among others, the different target tariff cuts, different components of the formula, different time frames for

implementation. These elements should be discussed in light of the S&D objectives as set out in the Doha Declaration.

VI. ENVIRONMENTAL GOODS

15. Lastly, with regard to the Doha mandate to reduce or, as appropriate, eliminate tariff and non-tariff barriers to environmental goods, we are of the view that the most practical approach would be to treat environmental products in the same manner as other products under negotiations in the Non-Agriculture Market Access Group.

WORLD TRADE ORGANIZATION

TN/MA/6
5 February 2003

(03-0772)

Negotiating Group on Market Access

OVERVIEW OF PROPOSALS SUBMITTED

Introduction

1. Paragraph 3 of the "Programme of meetings for the negotiations on market access for non-agricultural products" adopted by the Group on 19 July 2002 foresees "a consolidated overview of proposals to be submitted to participants at the first meeting of the Group in 2003".
2. The overview has been prepared on the basis of written submissions by participants which were circulated in the TN/MA/W/- document series. The overview has not taken into account points made in the area of environmental goods and non-tariff barriers. In light of the rather preliminary nature of the discussion on these subjects, it was felt that an overview on these subjects would be more useful at a later stage. For the purpose of this review, more than one communication from the same delegation has been counted as one submission (this concerns the EC, US, Japan, Korea and India). In addition, a submission made by a group of participants was also considered as one submission (this concerns LDCs and Mercosur). In light of the above 18 submissions may be considered to have been received and have been taken into account in this overview
3. While the "Programme of meetings..." foresees an overview of the proposals of modalities submitted, the attention of participants is drawn to the fact that the nature of the submissions differed considerably. In some instances the submissions contained concrete proposals on modalities, in others they contained views or ideas on the negotiations and yet in others there was a mix of both. No distinction was made between the various submissions and information provided in all of them has been taken into account, if relevant to this exercise.
4. The overview is structured in the following manner. Section I contains a listing of eighteen issues which have been identified in the submissions. In addition, items 19 and 20 refer to newly acceded Members and LDCs, respectively and reflect points raised in connection with these two categories of participants. Each subject has been looked at from two angles: firstly an overview of the submissions relating to each subject has been presented and secondly the special and differential treatment/Less than full reciprocity in reduction commitments aspect of the subject as contained in the submissions has been provided. Section II sets out in a tabular form the items listed in Section I and reproduces the specifics of the submissions pertaining to each of the items as well as any special and differential treatment/Less than full reciprocity in reduction commitments aspect. Participants have also been identified in this section for ease of reference. An annex reproducing the various formulas proposed has been attached to the end of the document.

Section I:

1. **Product Coverage**

Overview of submissions

Nine submissions were identified in which reference was made to product coverage. Five of them state that all non-agricultural products should be subject to negotiations. Another submission states that in principle the entire tariff universe would be subject to negotiations. Two other submissions speak of comprehensive or broad product coverage without *a priori* exclusions. Another submission qualifies that there should be no exceptions on product coverage for developed countries.

Special and differential treatment/Less than full reciprocity in reduction commitments

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2. **Elimination of Tariffs**

Overview of submissions

Four submissions make a reference to the elimination of tariffs. In one case elimination of all duties is foreseen for 2015. In another case, elimination of tariffs on most non-agricultural products at least in OECD countries has been proposed. Another submission provides that developed Members could have as an objective to eliminate their tariffs within a certain specified period following an initial one-off reduction at the conclusion of the Doha Round. The fourth submission makes a reference to expanding the scope of duty-free trade.

Special and differential treatment/Less than full reciprocity in reduction commitments

In one of the four submissions, it is noted that, where possible, elimination of tariffs on products of interest to developing countries should take place.

3. **Core Modality**

Overview of submissions

A variety of modalities are proposed. Thirteen of the eighteen submissions suggest the use of a formula approach. In some of these cases no detail regarding the formula has been provided. Among the proposals where some detail has been provided, a distinction has been made for the purpose of this overview between formulas that apply on a line-by-line basis and formulas that foresee a reduction in the average tariff. It is to be noted that in one case the modality proposed uses both approaches. Two of the thirteen submissions foresee sectoral initiatives as being a core part of the modality along with the formula.

Of the remaining submissions, one submission proposes giving priority consideration to approaches of general application (formula cut and sectoral approaches), and the Swiss formula with different coefficients has been referred to as a possible formula. Another submission suggests the use of a formula approach as an option. The remaining three submissions propose a "cocktail approach", a "combination of approaches" and a sector-by-sector approach, respectively.

Special and differential treatment/Less than full reciprocity in reduction commitments

Thirteen submissions make a specific reference to special and differential treatment. Nine of them state that formula-based approaches could vary the cut for developing and developed countries. One example which is provided is through the use of different coefficients. Another submission speaks of higher percentage reductions to be set for developed countries than for developing countries. The percentage reduction for the latter group of countries is also to be determined in light of their dependence on customs revenue. Two of the nine submissions state that sectors and products of substantial export interest to developing country Members should be subject of priority reductions. Of the remaining four submissions, one submission states that Members should agree to deeper cuts for textiles, clothing and footwear. Another submission proposes the use of a "cocktail approach" for developing countries rather than the formula approach it has proposed for developed countries. Another submission states that once agreement has been reached on the modalities, Members can turn to "more precise and customised approaches" to take account of individual development needs. The last submission speaks of adopting a broad rather than restricted approach to the negotiations. It provides that developing countries should be able to maintain the same concession level for certain products or apply only minimum reductions to them.

4. Supplementary approaches

Overview of submissions

- Harmonization and/or sectoral elimination initiatives

Eleven submissions make a reference to sectoral initiatives. Although contained in the section entitled "supplementary approaches", there are two submissions which view sectoral initiatives as being part of the core modality. Another submission states that sectoral initiatives might be a supplementary method to a formula for sectors where a critical mass (ex. 80% of world trade) can be achieved. Three submissions speak of expanding existing sectoral agreements both in terms of their membership and products, and introducing new sectoral initiatives. Details have not always been provided regarding the sectors for which such initiatives are proposed. Additionally it is not always clear which new sector is being proposed for zero-for-zero and which for harmonization. In one submission the view was expressed that once a general formula was applied, an evaluation could be undertaken and if deemed necessary, work could be undertaken at a later stage on the basis of zero-for-zero initiatives. Another submission states that Members should be free to decide their participation in such initiatives in light of their own needs. Three submissions indicate that recourse to sectoral initiatives should be kept to a minimum, may be useful in exceptional circumstances or should be taken when reductions obtained through the formula were insufficient, respectively.

- Request/offer approach

Six submissions make a reference to the use of the request/offer process. Five of them indicate that such an approach can be used in certain circumstances, for example on a limited number of products. The sixth submission favours such an approach due to variations in tariff structures of Members.

Special and differential treatment/Less than full reciprocity in reduction commitments

- Harmonization and/or sectoral elimination initiatives

Four of the eleven submissions make a reference to this aspect. One of them states that sectoral initiatives would need to incorporate higher harmonized tariff levels, greater credit for tariff reductions and longer implementation periods for developing countries. Two submissions note that

there could be flexibility for developing countries in terms of implementation and staging periods. One submission states that particular emphasis should be put on sectors of interest to developing countries.

- Request/offer approach

5. Elimination of low/nuisance duties

Overview of submissions

Eleven submissions make a reference to the elimination of "low"/"nuisance" tariffs. Two submissions indicate that a definition of such duties is required. Of which, one states that only those "nuisance tariffs" considered to be "truly burdensome" should be eliminated. In two other submissions the view was expressed that the formula should incorporate a feature whereby duties below a specified level are eliminated. In another two cases a definition has been provided whereby duties are considered low when they stand at 2.5% or less (for developed countries) or at 5% or less, respectively. One submission considers that an elimination of such a duty is a concession like any other reduction or elimination of tariffs. While another submission states that the elimination of nuisance tariffs should not be considered as a concession equivalent to the reduction of higher tariffs. In another submission, a participant expressed the view that developed country Members should eliminate all their "lowest tariffs".

Special and differential treatment/Less than full reciprocity in reduction commitments

Two submissions make a reference to this aspect. One submission specifies that all duties beneath a floor are to be eliminated, and since such duties are mostly in developed countries, such action would benefit developing countries. The second submission states that developing country Members should be free to maintain low tariffs.

6. Tariff Peaks, Tariff Escalation and High Tariffs

Overview of submissions

Twelve submissions make a reference to these issues. One submission proposes a formula which will address the question of tariff peaks and high tariffs and indicates that for the problem of tariff escalation additional steps might need to be taken. In three submissions, an idea is advanced to have a cap on maximum level of tariffs. Another submission states that following agreement on a definition of tariff peaks an average reduction of X per cent can be agreed upon. A view is expressed in one submission that tariff peaks and tariff escalation should be rectified through zero-for-zero and harmonization sectoral approaches. It also states that tariff escalation should be subject of consultation. Another submission states that these issues may be addressed through the request/offer approach. Three of the twelve submissions speak of the need to clarify the definition of one, two or all of these terms. Of which one states that negotiations would need to discuss the methodology and definitions related to tariff escalation in order to address the issue adequately. Another submission states that a definition of these terms is not needed, while another submission defines a tariff peak as a tariff rate which is three times more than the simple average tariff level. One submission proposes that Members should not impose a tariff on any product in excess of three times their average tariff. The last submission states that mechanisms should be incorporated in the modalities to reduce or eliminate tariff peaks and tariff escalation.

Special and differential treatment/Less than full reciprocity in reduction commitments

Two of the twelve submissions refer to this aspect. One of which states that problems of tariff peaks, high tariffs, tariff escalation on products of export interest to developing countries should be effectively dealt with. Some examples of products of export interest to developing countries and on which tariff peaks are concentrated have been provided. The second submission states that a formula could tackle tariff peaks and high tariffs which are common to products of export interest to developing countries.

7. Bindings/Binding coverage

Overview of submissions

Thirteen submissions refer to the subject of binding coverage. Nine of those submissions call for an increase in the binding coverage, with six of them proposing the binding of all non-agricultural products. A tenth submission indicates that only developed countries should bind all items, while the eleventh one makes a reference to all Members binding their tariff rates "after reduction".

Special and differential treatment/Less than full reciprocity in reduction commitments

Four of the thirteen submissions make a reference to this aspect. Two submissions indicate that developing countries should have the flexibility to not bind all tariff lines. If bindings are to be made, one of the three submissions speaks of the flexibility for developing countries to bind them at levels "generally above the higher of the bound rates prevailing for bound items in a country's tariff schedule". Another one speaks of the flexibility to bind tariffs at rates commensurate with the level of the country's industrial development. One of the remaining two submissions suggests that bindings at present applied rates would be counted as concessions from poorer developing countries, while the last submission states that longer transitional periods should be given to developing countries.

8. Binding Overhang

Overview of submissions

Seven submissions refer to this subject. Five speak of narrowing the gap between bound and applied rates as an objective. The sixth speaks of an approach based on an average reduction once tariff peaks have been defined.

Special and differential treatment/Less than full reciprocity in reduction commitments

The seventh submission states that flexibility should be given to developing countries to determine the level of bindings of their tariff lines.

9. Base rates

Overview of submissions

Sixteen submissions refer to this point. Twelve of the submissions propose the use of bound rates as the starting-point of these negotiations. There is some question in certain instances as to whether reference is being made to final bound rates or to current bound rates. In two of the four remaining submissions, a proposal has been made to use applied rates as the base rate. In one case the applied rates which are closer to the start of the negotiations are to be used, while in the other applied rates as of 1 January 2002 or UR final bound levels are to be used whichever is lower. Another submission provides that developed country Members should take 2000 applied rates as base rates.

Another submission provides that for developed countries the base rates should be the target rate of 10% or the bound rate, whichever is lower. As to unbound rates, six submissions have suggested one or the other of the following rates as base rates: applied duties in force in 2001, applied rates in force at the launch of the Doha Round or applied rates in force in 2002.

Special and differential treatment/Less than full reciprocity in reduction commitments

Among the sixteen submissions, one submission proposes that for developing country Members the simple average rate between their applied rates in 2000 and their UR final bound rates should be their base rate. In another submission, it was noted that the base rate for developing countries should be the bound rate. In a third submission it was noted that for unbound tariff lines, developing countries should have the flexibility to bind the tariffs at levels generally above the higher of the bound rates prevailing for bound items in a country's schedule.

10. Base Year

Overview of submissions

Three submissions make a reference to the base/reference year. Of which two indicate that the base year should be the one for which data are available for the majority of Members. The third submission proposes 2000 because more Members notified their data for that year than 2001.

Special and differential treatment/Less than full reciprocity in reduction commitments

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11. Nomenclature

Overview of submissions

One of the five submissions referring to this issue states that HS2002 should be used. Three of the remaining four submissions state that HS96 should be used, Of which two state that the results of the negotiations should nevertheless be incorporated in HS2002. The remaining submission states that there should be flexibility to use the nomenclature in which the Member has bound its tariffs subject to concordance tables being provided, if necessary.

Special and differential treatment/Less than full reciprocity in reduction commitments

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12. Implementation and staging

Overview of submissions

Fourteen submissions reference this issue. Five of which propose five years as the implementation period. Three of them speak about linear cuts. Of the remaining nine submissions, one indicates that a short implementation period would be preferable. Another one notes that previous negotiations had as norm a maximum of five equal annual instalments. One submission proposes that developed Members should phase out all tariffs in five years in equal cuts, while another one states that longer implementation periods should be established to enable higher levels of ambition. One submission states that longer implementation periods should be given for sensitive products.

Special and differential treatment/Less than full reciprocity in reduction commitments

Nine submissions refer to this aspect. Two submissions speak of giving a longer implementation period for developing countries. Another two submissions specify that the implementation period should be seven years or extended up to ten years, respectively. Three submissions state that a system of differentiated staging periods was appropriate for developing countries. Two other submissions speak of longer than five years being given to developing countries in exchange for major cuts or deeper than average cuts, respectively.

13. Credit for autonomous liberalization

Overview of submissions

Seven submissions refer to this subject. Four of which speak about giving credit for autonomous liberalization measures which are bound. Another submission proposes that credit should be accorded for autonomous liberalization measures undertaken since 1995. Another submission speaks of negotiations being able to take account of cases in which countries have "gone beyond the trade liberalization agreed during the UR". The last submission indicates that this issue needs to be carefully handled as assessment methods for such credits are difficult.

Special and differential treatment/Less than full reciprocity in reduction commitments

14. Non *ad valorem* duties

Overview of submissions

Eight submissions refer to this subject. One submission proposes that all Members should commit to converting specific duties to *ad valorem* equivalents during the negotiating process. Two submissions foresee that only developed countries should make that conversion. Two submissions speak of the need to maximize the use of *ad valorem* rates. One submission states that Members should consider converting to *ad valorem* duties and stop using complex or mixed tariffs. While another submission indicates that Members should have the flexibility to maintain such *ad valorem* tariffs at the end of the negotiations. One proposal states that consensus is required on how to deal with this issue. It was not always clear whether the proposal to convert non *ad valorem* duties to *ad valorem* equivalents was limited to the negotiating process, or whether it was to be the status quo following conclusion of this process.

Special and differential treatment/Less than full reciprocity in reduction commitments

One of the eight submissions states that developing country Members should limit the number of their non *ad valorem* tariffs to no more than 3% of the total number of tariff lines in their national tariff nomenclature.

15. Simplification of tariff structures

Overview of submissions

Two submissions refer to this matter. One submission suggests harmonizing tariffs on similar products within similar HS headings/classifications, while the other proposes the combination of national subdivisions under HS subheadings carrying the same bound rate.

Special and differential treatment/Less than full reciprocity in reduction commitments

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16. Export taxes

Overview of submissions

Two submissions refer to this subject. One submission states that export taxes should be discussed, while the second one states that removal of export duties is required.

Special and differential treatment/Less than full reciprocity in reduction commitments

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17. Initial Negotiating Rights (INRs)

Overview of submissions

One submission refers to this issue and indicates that modalities should see how INRs are reflected in the final results of the negotiations.

Special and differential treatment/Less than full reciprocity in reduction commitments

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18. Erosion of Preferential Margins

Overview of submissions

One submission has been made on this matter and the suggestion has been made to set up a competitiveness fund on the basis of contributions from International Financial Institutions to enable countries affected by any erosion in preferential market access to undertake competitive adjustment. (see point 20 on LDCs where there is also reference to this subject).

Special and differential treatment/Less than full reciprocity in reduction commitments

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19. Newly Acceded Members

Overview of submissions

Four submissions refer to this issue. One submission envisages that newly acceded Member should only make contributions on their own initiative. Another submission provides that credit for liberalization measures undertaken as well as longer implementation periods should be accorded to newly acceded Members. One submission provides that reduction commitments of newly-acceded Members should be fully taken into consideration and no further reduction required. In addition, newly-acceded Members are to take the simple average rate of their applied rates in 2000 and their final bound rates committed in their accession negotiations as their base rates for the negotiations. Another submission indicates that consideration should be given to the conditions of accession of newly acceded Members.

Special and differential treatment/Less than full reciprocity in reduction commitments

20. Least Developed Countries

Overview of submissions

Eleven submissions have been made on the subject of LDCs. Two of them foresee exemption from tariff reduction obligations by LDCs. One of the two submissions states that LDCs should, however, substantially increase their binding ratios while the other one states that LDCs could bind tariffs at higher levels than applied rates for a limited number of products or sectors or across-the-board with ceiling binding. Another submission indicates that no reciprocal tariff concessions are required from LDC. Another proposal states that substantial reductions would in principle not be expected. Another two submissions propose that all developed countries should implement tariff and quota-free access for all products from LDCs, in one case the date of 31 May 2003 has been provided. Another proposal suggests flexibility to LDC with respect to the binding of tariffs, conversion of *ad valorem* tariffs, elimination of tariff peaks and tariff escalation. Another proposal states that LDCs may determine the coverage of their bindings on an autonomous basis. One proposal provides for the designing of an individually tailored capacity-building programme. One submission proposes the postponement of the staging of reductions, for example by five years or spread the staging of reductions over a period of ten years in cases where the preferential margins enjoyed by LDC exports is going to be seriously affected. The same submission foresees developing countries extending preferential tariff treatment on a non-reciprocal basis to products requested by LDCs, and also proposes that LDCs get credit for autonomous reductions in tariffs.

Special and differential treatment/Less than full reciprocity in reduction commitments

Section II

Main Items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
1. Product Coverage		<p>(1) Tariff reductions across-the-board for all non-agricultural products, without excluding any sector or group of products from the initial offer. (Norway)</p> <p>(2) The proposed approach will apply to all products with the exception of those listed in Annex I of the Agreement on Agriculture. (EC)</p> <p>(3) Broad product coverage without <i>a priori</i> exclusions. (Hong Kong, China)</p> <p>(4) the entire tariff universe would in principle be subject to negotiation. (Mexico)</p> <p>(5) There should be no exceptions on product coverage for developed countries. (Oman)</p> <p>(6) Negotiations should aim for a comprehensive package without <i>a priori</i> exclusion. (Japan)</p> <p>(7) Formula to be used should be applied directly to all tariff headings without exception. (Chile)</p> <p>(8) A comprehensive approach with no exclusions. (US)</p> <p>(9) All sectors should be covered. (Chinese Taipei)</p>	
2. Elimination of Tariffs		<p>(1) Modalities should include an element that secures tariff elimination on an across-the-board basis as a supplement to a formula. One possibility would be to introduce a minimum tariff rate under which rates are set at zero. Another might be to supplement the formula with a proportion of trade or tariff lines governed by WTO rules that should meet zero tariffs. The goal should be the elimination of tariffs on most non-agricultural products at least in OECD countries. (Norway)</p> <p>(2) Expand the scope of duty-free trade (Canada)</p> <p>(3) Developed Members can on top of the one-off tariff reduction implemented upon the conclusion of the DDA undertake to further reduce tariffs by equal annual cuts until all tariffs are eliminated within a specified period. (Hong Kong, China)</p>	(1) Where possible elimination of tariffs on products of interest to developing countries. (Norway)

Main Items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		(4) Elimination of all remaining duties in the form of linear cuts from 2010 to 2015. (US)	
3. Core Modality	Formula – general	<p>(1) To ensure comprehensive coverage without <i>a priori</i> exclusions, a formula approach is required. The formula must include a high minimum rate of reduction. (Norway)</p> <p>(2) Give priority consideration to approaches of general application e.g. formula cut and sectoral approaches (refer to point 3 for more details). Members could also consider applying the "Swiss formula" to harmonise and substantially reduce tariffs for non-agricultural products. Members could examine the effect of using various coefficients in the "Swiss formula" in achieving tariff reductions. A coefficient that would result in deeper cuts to give meaningful and significant market access for non-agricultural products would be favoured. (Singapore)</p> <p>(3) A one-off reduction/elimination of tariffs upon the conclusion of the DDA negotiations through the use of a formula followed by progressive elimination and reduction of tariffs by developed and developing countries, respectively. A formula has not been specified although reference was made to the Secretariat document TN/MA/S/3. (Hong Kong, China)</p> <p>(4) The basis for negotiations should be a formula which fulfils several criteria. No formula has been specified. (Switzerland)</p> <p>(5) In favour of an approach centered on a formula, such as the Swiss one. (Chile)</p> <p>(6) One option would be to adopt a formula approach which could be complemented with additional approaches. An alternative or complementary option is a request and offer approach. (Mercosur)</p>	<p>(1) Particularly substantial reductions on products of interest to developing countries should be undertaken. Tariff reductions should be undertaken by developing countries in line with their level of development particularly through the use of differentiated coefficients in the different elements of the formula and the supplementary provisions such as minimum reductions, "ceiling" and "floor" for tariff rates and rate of harmonization. (Norway)</p> <p>(2) The formula can allow different levels of tariff cut for developing Members while ensuring a common minimum level of reduction for each group of Members. Developing Members can on top of the one-off tariff reduction undertake a programme of continuous tariff cuts over a longer period of time by re-applying the agreed formula or by means agreed otherwise. To serve as guidance for drawing up such a tariff reduction programme, a common overall target reduction rate may be set (Hong Kong, China)</p> <p>(3) A formula approach may be modulated to take into account different levels of development, of trade participation and of competitiveness in international trade. (Switzerland)</p> <p>(4) Use differentiated coefficients for developing and developed country participants. Deeper reduction commitments are required from developed countries than developing countries. (Mercosur)</p>
	Formula – line by line	<p>(1) A compression mechanism which will reduce all tariff duties considerably by compressing them into a flatter range Formula has been proposed (see annex) (EC)</p> <p>(2) Developed countries are to reduce all tariffs to 10% then the Swiss formula or an equivalent harmonization formula is to be applied. The formula would also apply to all other rates below 10%. (Oman)</p> <p>(3) A 40% average reduction is to be achieved through at least a 20 per cent reduction for each bound non-agricultural product. For those products</p>	<p>(1) Members agree to deeper cuts for textiles, clothing and footwear with a view to bringing these tariffs within a narrow common range as close to zero as possible. (EC)</p> <p>(2) Use a "cocktail approach" for developing countries. Request/offer, formula (different from that used by developed countries), or a combination thereof. (Oman)</p> <p>(3) A higher percentage reduction is to be set for developed countries than for developing countries. In determining the</p>

Main Items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>whose current bound tariff rates are above either two times each Member's current simple national average tariff rate or 25 percent, the tariff rates are to be reduced by more than twenty per cent. Formulas have been provided for the amount of the reduction. If the tariff reduction through the use of the formula results in a tariff reduction which is under the 40 per cent reduction, Members will make additional tariff reduction at their own discretion to achieve the targeted 40 per cent reduction. (see annex) (Korea)</p> <p>(4) A simple percentage cut on bound tariffs of each Member. Members shall not impose a tariff on any product in excess of three times their average tariff. The average for this purpose shall be calculated after effecting the tariff reduction. (cf point 6 also) (India)</p> <p>(5) Between 2005 and 2010 tariffs above 5 per cent are to be reduced by applying the Swiss Formula with a coefficient of eight. (cf also point 4) (US)</p> <p>(6) A uniform formula for tariff reduction. A formula has been proposed (see annex) (China)</p>	<p>reduction to be effected by developing countries their dependence on customs revenue has to be kept in view. Flexibility to be available to developing countries to decide on the actual bindings of some tariff lines as a special and differential measure while still maintaining the percentage reduction on an average basis. (cf point 8 also) (India)</p> <p>(4) Once Members have secured agreement on the modalities, they should turn to more precise and customised approaches to ensure participation by developing countries consistent with their individual development needs. (US)</p> <p>(5) The actual reductions achieved through the formula approach shall reflect the needs and interests of all Members, in particular developing country Members and shall abide by the principle of less than full reciprocity in reduction commitments. Sectors and products of substantial export interest to developing country Members shall be the subject of priority reductions in the negotiations. (China)</p>
Formula Average reduction	-	<p>(1) Each Member shall reduce its trade weighted average tariff rate by 40 per cent. with a minimum 20% cut on each bound tariff. (see annex) (Korea)</p> <p>(2) A formula which relies on an average general tariff reduction by (X per cent) of the previously bound tariff for the universe of tariff headings. (Mexico)</p> <p>(3) Each Member shall set a target level of a trade-weighted average tariff rate according to a formula. Each Member will reduce its trade weighted average tariff rate to that level. Formula has been proposed (see annex). Each Member may choose to include reductions in the sectoral initiatives for the calculation of its trade weighted average target tariff rate. (cf also point 4). Important to ensure the flexibility of each Member regarding the level of tariffs on forest and fishery products. (Japan)</p> <p>(4) A trade weighted tariff reduction would be the more appropriate way to proceed. (Mauritius).</p>	<p>(1) The modalities shall take into account the current tariff structures of Members which reflect their respective levels of development. (Korea)</p> <p>(2) Adopt a broad rather than restricted approach to the negotiations. Should not be limited to setting longer time-limits for implementation on sensitive products. Developing countries should be able to maintain the same concession levels for certain products or apply only minimum reductions to them. (Mexico)</p> <p>(3) A target level of a trade-weighted average tariff rate is set which corresponds to the level of development of each Member and takes into account its current trade weighted average tariff rate. (Japan)</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
	Others	<p>(1) A combination of approaches will be required including sectoral agreements (cf also point 4), formula-based approaches and the request/offer process. (Canada)</p> <p>(2) Favours a sector-by-sector approach to the negotiations with the possibility to use differing modalities depending on the sector. Participation in existing zero-for-zero agreements broadened to include the critical mass of trading partners participating in world trade for each of the sectors involved. Special consideration to be given to the treatment of exhaustible natural resource sectors. (Chinese Taipei)</p> <p>(3) Adopt a "cocktail approach", under which agreement could be reached on the different types of modalities which would be used by taking into account the stages of development among countries. (LDCs)</p>	<p>(1) With respect to formula-based approaches these should be sensitive to the varying circumstances of Members. (Canada)</p>
4. <u>Supplementary approaches</u>	Harmonization and/or sectoral elimination initiatives	<p>(1) Sectoral agreements based on a zero-for-zero approach at a multilateral or plurilateral level might be a supplementary method for sectors where a critical mass (normally representing a minimum of 80% of world trade) can be established. However, such an approach should not lead to an unbalanced result favouring major trading partners. (Norway)</p> <p>(2) In this regard, proposals to advance discussions based on notable sectoral initiatives accomplished in the Uruguay Round, such as the pharmaceutical zero-for-zero, ITA, and chemical harmonisation are supported. Discussions could cover issues such as expanding the list of products covered by the initiatives, increasing the number of participating Members, reducing the rates of harmonised tariffs, and introducing new sectors to be covered by zero-for-zero initiatives. (Singapore)</p> <p>(3) Broaden the membership and expand product coverage within existing sectoral agreements. New "zero-for-zero" sectoral agreements in areas such as fish products, forest products, fertilizers, energy-related equipment and non-ferrous metals should be negotiated. Additional sectors might be of interest. (Canada)</p>	<p>(1) In case of zero-for-zero or tariff harmonization agreements are reached, implementation periods could include some country-specific flexibility. (Canada)</p> <p>(2) Higher harmonised tariff level for developing countries; greater credit for tariff reductions by developing countries; and longer implementation periods would need to be incorporated in sectoral initiatives. (India).</p> <p>(3) Developing countries may implement zero-for-zero or harmonization sectoral agreements in a special and different manner with regard to implementation period and staging. (Japan)</p> <p>(4) Particular emphasis to be put on sectors of interest to developing countries. (Switzerland)</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>(4) Supplemental "zero for zero" proposals are to be kept to a minimum. (India)</p> <p>(5) Using a formula approach as a basis does not preclude the possibility of supplementary approaches such as sectoral initiatives or harmonization proposals which may be useful in exceptional circumstances. (Hong Kong, China)</p> <p>(6) Once a general formula has been applied, the degree of liberalization achieved by Members can be evaluated, and if deemed necessary, it would be possible to work at a later stage on the basis of zero-for-zero initiatives. (Mexico)</p> <p>(7) For existing agreements on ITA and Chemicals, expand membership and product coverage. ITA should include consumer electrical products, optical fibres. New sectoral initiatives are proposed for the following sectors: consumer electrical products, bicycles, rubber and articles thereof, glass and articles thereof, ceramic products, cameras, watches, toys, electrical machinery parts, titanium and articles thereof, motor vehicles, textiles and clothing, machine tools, construction equipment, bearing, certain articles of iron or steel and paper. No support for sector-specific tariff reduction, including zero-for-zero or harmonization, in the forest products sector in addition to the general tariff reduction formula. No support for a zero-for-zero approach in the fishery sector. (Japan)</p> <p>(8) Supplement a formula based approach with new sectors or products to zero for zero or harmonisation initiatives at a very low level. Increase the number of participating Members in existing initiatives and expand the coverage of such initiatives as well as reduce the rates of harmonized tariffs on chemical products. In this context, special consideration should also be given to substantially lowering or eliminating tariffs on pharmaceutical products needed to treat diseases referred to in paragraph 1 of the Doha Declaration on the TRIPs agreement and public health. (Switzerland)</p> <p>(9) The sectoral approach should only be used to complement the formula approach when the reductions obtained through the chosen formula are insufficient (Chile)</p> <p>(10) As soon as possible, but no later than 2010 elimination of tariffs in the UR zero-for-zero sectors (including agricultural equipment, construction</p>	

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>equipment, furniture, medical equipment, paper, pharmaceuticals, steel and toys) in addition to tariffs covered by ITA and Agreement on Trade in Civil Aircraft. As soon as possible, but no later than 2010 eliminate tariffs in the following additional sectors and others as agreed by Members: wood products, non-ferrous metals, bicycle parts, certain chemicals and allied products including soda ash and photograph film, electronics, fish and fishery products, scientific equipment, and environmental goods. (US)</p> <p>(11) Sector approach could promote the negotiations forward and supplement the formula approach. Members shall be free to decide their participation in light of their own needs. (China)</p>	
	Request/offer approach	<p>(1) Limited use of request/offer approach, when necessary. (Korea)</p> <p>(2) Using a formula approach as a basis does not preclude the possibility of supplementary approaches such as request/offer which may be useful in exceptional circumstances. (Hong Kong, China)</p> <p>(3) Once a general formula has been applied, the degree of liberalization achieved by Members can be evaluated, and if deemed necessary, it would be possible to work at a later stage on the basis of request/offer methods. (Mexico)</p> <p>(4) For a limited number of sensitive products, a request/offer approach could be envisaged in parallel to a formula. However, the use of this approach should not have the effect of sheltering specific sectors from concessions. (Switzerland)</p> <p>(5) The request/offer approach should only be used to complement the formula approach when the reductions obtained through the chosen formula are insufficient (Chile)</p> <p>(6) Supports the use of a request/offer approach because of variations in tariff structures. Such an approach can be used to address the issues of tariff peaks, high tariffs and tariff escalation. (Chinese Taipei)</p>	
4. <u>Elimination of low/nuisance duties</u>		<p>(1) To eliminate "nuisance" tariffs, the formula should be supplemented with a "floor" where the calculations using the formula results in all rates below the "floor" being set at zero. (Norway)</p> <p>(2) Negotiations would need to define what constitutes nuisance tariffs, and then they should be eliminated. (Singapore)</p>	<p>(1) All duties beneath a specific floor – to be negotiated – to be eliminated by all WTO Members. This would benefit developing countries comparably more since tariffs at such a low level are generally applied by developed countries (EC)</p> <p>(2) Developing country Members shall be free to maintain</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>(3) Favour elimination of "nuisance duties". (Canada)</p> <p>(4) Other features such as elimination of tariffs below a specified level may be added to the formula (Hong Kong, China)</p> <p>(5) Developed countries should eliminate duties of 2.5% or lower (Oman)</p> <p>(6) Low duties should also be the subject of negotiations. However, an elimination of such duties is a concession like any other reduction or elimination of tariffs. (Switzerland)</p> <p>(7) Elimination by 2010 of tariffs on all products with tariffs at or below 5% <i>ad valorem</i>. (US)</p> <p>(8) Define the scope of "nuisance" tariff and eliminate only those considered to be truly burdensome. (Chinese Taipei)</p> <p>(9) Developed country Members shall eliminate all their lowest tariffs. (China)</p> <p>(10) Elimination of "nuisance tariffs" should not be considered as a concession equivalent to reductions of higher tariffs. (Mercosur)</p>	<p>their low tariffs. (China)</p>
6. <u>Tariff Peaks, Tariff Escalation and High Tariffs</u>		<p>(1) The definitions of the terms tariff peak, high tariff and tariff escalation should be clarified. (Korea)</p> <p>(2) The modalities should set a maximum tariff rate and generally reduce high tariffs more than lower ones. This means that the formula needs to include an element of tariff harmonisation, and be supplemented by a "ceiling" for all tariffs. (Norway)</p> <p>(3) Negotiations would need to define what constitutes tariff peaks and then they should be substantially reduced, if not eliminated. Negotiations would need to discuss the methodology and definitions related to tariff escalation in order to address the issue adequately. (Singapore)</p> <p>(4) Members shall not impose a tariff on any product in excess of three times their average tariff. The average for this purpose shall be calculated after effecting the tariff reduction. (cf point 2 also) (India)</p> <p>(5) Compression mechanism will result in tariff peaks and high tariffs being eliminated. In case of tariff escalation, the mechanism shall – if necessary – be complemented by additional steps aimed at compressing</p>	<p>(1) Tariff peaks, tariff escalation and high tariffs, on products of export interest to developing countries, should be effectively dealt with. Tariff peaks often concentrated in products that are of export interest to developing countries such as in textiles and clothing, leather, rubber, footwear and travel goods; transport equipment; fish and fish products need to be effectively dealt with (India).</p> <p>(2) Tariff peaks and high tariffs which are common in products of export interest to developing countries can be tackled with such a formula. (Hong Kong, China)</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>disparities between tariff headings corresponding to products at different stages of production. (EC)</p> <p>(6) The formula to be agreed can tackle tariff peaks and high tariffs by introducing deeper cuts for higher tariff rates. A cap on a maximum level of tariffs might be added. (Hong Kong, China)</p> <p>(7) Once a definition has been agreed on tariff peaks, an average reduction of (X per cent) can be agreed upon. This would assist in reducing the gap between bound tariffs and applied tariffs. (Mexico)</p> <p>(8) Tariff peaks and tariff escalation should be rectified through "zero-for-zero" or "harmonization" sectoral approaches. Tariff escalation would be subject to consultation although its definition and the way to measure it are not easy. (Japan)</p> <p>(9) The mechanism of a "tariff ceiling" may be a good way of dealing with those goods which even after the formula has been applied still maintain high tariffs. No need to define the terms before the choice of a modality. (Chile)</p> <p>(10) Definition of these terms needs to be clarified. The definition of "international peaks" and "national peaks" may be used as a benchmark to clarify these definitions. Request/offer approach can be used to address these issues (Chinese Taipei)</p> <p>(11) Tariff peak of a Member shall be defined as a tariff rate three times more than the simple average tariff level of that Member. Supports the reduction of tariff peaks. Members shall take concrete measures to reduce tariff escalation in their respective tariff regime. (China)</p> <p>(12) Modalities to be agreed must build in mechanisms to reduce or eliminate tariff peaks and tariff escalation. (Mercosur)</p>	
7. Bindings/Binding coverage		<p>(1) The modalities should include a commitment to bind all tariff lines for non-agricultural products, at the rate resulting from the negotiations, and where in exceptional cases no tariff reduction takes place, as a minimum at the present applied rate. (Norway)</p> <p>(2) Increase binding coverage. (Singapore)</p> <p>(3) Reduce and bind applied tariff levels which are not yet bound (Canada)</p>	<p>(1) Count binding of present applied rates as concessions from poorer developing countries. (Norway)</p> <p>(2) Developing countries should have the flexibility to not bind certain unbound tariff lines considered highly sensitive or strategically important (cf. also point 1). For unbound tariff lines, developing countries should have the flexibility to bind them at levels generally above the higher of the bound rates prevailing for bound items in a country's tariff schedule.</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>(4) WTO Members, other than least developed countries have as close to 100 per cent bindings as possible. (EC)</p> <p>(5) All countries will have to commit to binding the entire universe of tariff headings for non-agricultural goods as from the implementation of the results of this negotiating process. (Mexico)</p> <p>(6) Developed countries should bind all items. (Oman)</p> <p>(7) Improve the binding ratio by binding as many tariff lines as possible. (Japan)</p> <p>(8) Coverage of bound tariffs must be improved with a view to having all tariff lines bound in the schedules of all Members. The binding level should, in principle, be at the applied rates in 2001 with the possibility of a binding at a higher rate. (Switzerland)</p> <p>(9) All tariff lines should be bound. (US)</p> <p>(10) Members should commit to bind all their non-agricultural tariff lines at the conclusion of these negotiations. (Chinese Taipei)</p> <p>(11) All Members shall bind their tariff rates after reduction. (China)</p>	<p>(cf also point 8) (India).</p> <p>(3) However, longer transitional periods could be given to developing countries. (China)</p> <p>(4) Developing countries which have not yet bound their tariffs in exchange of not undertaking any reduction commitment be given the flexibility to do so at reasonable rates which are commensurate with the level of their industrial development. (Mauritius)</p>
8. Binding overhang		<p>(1) Narrow the variance between ceiling bindings and applied rates as far as possible (Singapore).</p> <p>(2) There must be a significant narrowing of the gap between some bound and applied rates. Reduce high bound rates and re-bind them at lower rates. (Canada)</p> <p>(3) The reduction of the gap between the bound and applied tariffs is of high interest to many WTO Members. Open to discussion on the minimum level of credit which should be given practical effect in the negotiations to assess tariff bindings and reductions, including what constitutes a meaningful rate of bindings. (EC)</p> <p>(4) Important to rectify the great differences between bound tariff rates and applied tariff rates. (Japan)</p> <p>(5) Reduction of large gaps between bound and applied rates is an objective. (Switzerland)</p>	<p>(1) Flexibility to be available to developing countries to decide on the actual bindings on some tariff lines as a special and differential measure while still maintaining the percentage reduction on an average basis. For unbound tariff lines, developing countries should have the flexibility to bind them at levels generally above the higher of the bound rates prevailing for bound items in a country's tariff schedule. (cf point 7 also) (India)</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		(6) Once a definition has been agreed on tariff peaks, an average reduction of (X per cent) can be agreed upon. This would assist in reducing the gap between bound tariffs and applied tariffs. (Mexico)	
9. Base rates		<p>(1) The base rates for tariff reduction shall be the final bound rates agreed at the UR negotiations. The base rates for unbound tariff lines shall be the applied rates for the year 2001. (Korea)</p> <p>(2) The starting-point should be the bound tariff rates after the implementation of the Uruguay Round results, and where such bound rates do not exist, the generally applied rate at the start of the Doha Round. (Norway)</p> <p>(3) Applied rates should be used as the base rates for the negotiations. The reference year for the base rates should be the one that is closer to the start of the negotiations. (Singapore)</p> <p>(4) Bound rates should be used as the basis for the negotiations, bearing in mind the requirement that there must be significant narrowing of the gap between some bound and applied rates. In those cases where rates are not bound, the applied rate in place at the beginning of the Round should be the basis for negotiation. (Canada)</p> <p>(5) For bound tariff lines, reductions should be undertaken only from bound levels. (India)</p> <p>(6) Final bound UR rates and other bound rates as per Members' Schedules, or in the case of unbound duties, on a level related to the applied duties as of 14 November 2001. (EC)</p> <p>(7) Start with current WTO bound tariff levels. (Mexico)</p> <p>(8) For developed countries, base rates should be the target rates of 10% or the bound rates, whichever is lower. (Oman)</p> <p>(9) Basis for the negotiations should in principle be bound rates. (Japan)</p> <p>(10) Bound rates at the end of the implementation period of the UR should be used. If there is no bound rate, the applied rates in the year of the launch of the Doha negotiations (2001) should be taken as the basis. (Switzerland)</p>	<p>(1) Base rate for developing countries should be the bound rate. (Oman)</p> <p>(2) For unbound tariff lines, developing countries should have the flexibility to bind them at levels generally above the higher of the bound rates prevailing for bound items in a country's tariff schedule. (India)</p> <p>(3) Developing country Members to take the simple average rate between their applied rates in 2000 and their UR final bound rates. (China)</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>(11) Bound rates must be the basis for the negotiations. For unbound rates, no tariff higher than that applied at the date of launching the DDR should be used as the basis. (Chile)</p> <p>(12) Applied rates as of 1 January 2002 or UR final bound levels, should be used whichever is lower. (US)</p> <p>(13) Bound rates to be used as the basis of the negotiations. In case of unbound dues, applied rates in effect in 2002 should be used in conjunction with the standstill and non-roll-back principle. (Chinese Taipei)</p> <p>(14) Developed country Members to take 2000 applied rates as base rates. (China)</p> <p>(15) Tariff cuts should be effected from the bound rates. (Mauritius)</p> <p>(16) Bound tariffs of all WTO Member whenever they are available are the only viable starting-point for the negotiations. (Mercosur)</p>	
<u>10. Base year</u>		<p>(1) In principle base year should be the most recent year in which data are available for the majority of Members. (Canada)</p> <p>(2) The use of import data of values for the year 2000 as basic statistics is proposed because more Members notified their data for the year 2000 than for the year 2001. (Japan)</p> <p>(3) The base period for the negotiations should, in principle, be the most recent year for which there is up-to-date statistical information available for the majority of Members. (Mercosur)</p>	
<u>11. Nomenclature</u>		<p>(1) HS96 should be used for the negotiations. (Korea)</p> <p>(2) HS2002 should be used. (Japan)</p> <p>(3) HS96 should be used, however results of the negotiations should be published in HS2002. (Switzerland)</p> <p>(4) Flexibility to use the nomenclature in which Member has bound its tariffs, be it HS96 or HS2002 but tariff nomenclature concordance tables would be required. (Chinese Taipei)</p> <p>(5) Tariff reduction shall be made on the basis of HS96 and final results</p>	

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
12. <u>Implementation periods and staging</u>		<p>scheduled in HS2002. (China)</p> <p>(1) The implementation period for tariff reduction is five years. The cuts are to be equal annual cuts. (Korea).</p> <p>(2) A short implementation period and a simple linear staging within such a period would be preferable (Norway).</p> <p>(3) It was noted that previous non-agricultural negotiations had as norm a maximum of five equal annual instalments beginning on the date of entry into force of the agreement (Singapore)</p> <p>(4) A five-year time-frame combined with the use of linear cuts. Members would be free to make a case for longer or shorter transition periods depending on circumstances. (Canada)</p> <p>(5) Developed Member should commit to the phasing out all tariffs on non-agricultural products in five years in equal annual cuts. (Hong Kong, China)</p> <p>(6) Staging may be five years, in principle, with equal instalments on the basis that implementation periods will begin in January 2005. (Japan)</p> <p>(7) Five years as a general rule (Switzerland)</p> <p>(8) Establish longer implementation periods to enable higher levels of ambition. (Chile)</p> <p>(9) Staging should be over five years, in principle commencing either from the conclusion of their implementation periods already committed to each Member in its schedule or from the conclusion of the negotiations, whichever is the later. (Chinese Taipei)</p> <p>(10) Stagger the liberalization process for products that are highly sensitive. Longer period for tariff reductions for sensitive products. (Mauritius)</p>	<p>(1) The implementation period should be seven years. The cuts are to be equal annual cuts. (Korea)</p> <p>(2) There should be various staging periods for non-agricultural tariff reductions in order to enable developing countries to be given more flexibility to make substantive tariff commitments, and to take into consideration product sensitivity. (Singapore)</p> <p>(3) The precedent set in the Uruguay Round may be followed and developing countries should be permitted to implement tariff commitments over a longer period of time than developed countries. The duration will depend on the extent of commitments undertaken. For developing countries it should extend up to a ten-year period. (India)</p> <p>(4) Different timetables for the implementation of tariff commitments depending on status of Member and level of results (EC).</p> <p>(5) A programme of progressive reduction of tariffs for a longer period of time is appropriate for developing countries. (Hong Kong, China)</p> <p>(6) Longer than five years should be allowed for developing countries that implement deeper than average cuts among developing countries. (Japan)</p> <p>(7) Longer than five years in exchange for major cuts on sensitive products for developing countries. (Switzerland)</p> <p>(8) Longer implementation period to be given to developing country members. (China)</p> <p>(9) Modalities should include differentiated staging periods. (Mercosur)</p>
13. <u>Credit for autonomous liberalization</u>		<p>(1) The modalities need to include ways to acknowledge autonomous tariff reductions representing significant steps towards liberalising international trade, to the extent that members having made such autonomous tariff reductions as a minimum are prepared to bind tariff rates as part of their</p>	

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>commitments. (Norway)</p> <p>(2) Credit should be given for prior autonomous liberalization which goes beyond existing UR commitments. This is on the understanding that credit would be given only in those cases where changes have been bound or will be bound as a result of the current negotiations (Canada).</p> <p>(3) A number of developing countries have reduced and bound their tariffs since the Uruguay Round, and credit for such autonomous liberalization of tariffs should be given. (India)</p> <p>(4) Ready to discuss guidelines concerning the assessment of the credit arising from initiatives of autonomous liberalization undertaken by members since the end of the UR or to be undertaken during the course of the DDA negotiations provided final rates are bound. (EC)</p> <p>(5) Negotiations should be able to take account of cases in which the countries have gone beyond the trade liberalization agreed during the Uruguay Round. (Mexico)</p> <p>(6) As to voluntary liberalization, since assessment methods for credits are difficult and are likely to be arbitrary, careful handling is required. (Japan)</p> <p>(7) Credit should be given for autonomous liberalization undertaken by Members since 1995. The Member States could provide information on the autonomous liberalisation undertaken by them by end of January 2003 while the Secretariat in the interim could prepare a paper on how the autonomous liberalisation could be taken on board. (Mauritius)</p>	
14. <u>Non ad valorem duties</u>		<p>(1) Non <i>ad valorem</i> duties are to be reduced on the basis of their <i>ad valorem</i> equivalents. Following the reduction, Members shall have the discretion to convert the non <i>ad valorem</i> tariffs or maintain non <i>ad valorem</i> tariffs. (Korea)</p> <p>(2) Members should also consider converting to <i>ad valorem</i> tariffs and cease using complex or mixed tariffs. (Singapore)</p> <p>(3) Maximize the use of <i>ad valorem</i> rates (Canada).</p> <p>(4) Consensus needs to be built on how to deal with the matter of use of specific duties. (India)</p> <p>(5) Developed countries should convert all specific duties to <i>ad valorem</i></p>	<p>(1) Developing country Members shall limit their number of non <i>ad valorem</i> tariffs to no more than 3% of the total number of tariff lines in their national tariff nomenclatures. (China)</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>tariffs. (Oman)</p> <p>(6) Maximize the use of <i>ad valorem</i> rates. (US)</p> <p>(7) Members shall convert their existing non <i>ad valorem</i> tariffs into <i>ad valorem</i> form through a uniform method and use them as the basis for tariff reductions. Developed country Members shall eliminate all non <i>ad valorem</i> tariffs on non-agricultural products. (China)</p> <p>(8) Members should commit to converting their specific duties into <i>ad valorem</i> tariffs during the negotiating process. (MERCOSUR)</p>	
15. <u>Simplification of tariff structures</u>		<p>(1) Harmonize tariffs on similar products within similar HS headings/classifications. This would lessen substantially the complications arising from levying taxes on similar products with varying tariff rates (Singapore).</p> <p>(2) Examine the simplification of subdivisions under HS subheadings, for example, combine national subdivisions as long as those subdivisions carry the same bound rates (Japan)</p>	
16. <u>Export taxes</u>		<p>(1) Negotiations should address export duties. A level playing field does require the removal of export restrictions, and in particular export duties, which are the flip-side to tariff escalation. (EC)</p> <p>(2) Export tax should be discussed in the negotiations on market access for non-agricultural products. (Japan)</p>	
17. <u>INRs</u>		(1) Modalities should see how INRs are reflected in the final results of the market access negotiations (Switzerland).	
18. <u>Erosion of Preferential Margins</u>		(1) Any erosion in preferential market access resulting from the negotiations should be duly compensated. Would appreciate ideas of Members on the possible compensation mechanism that could be set up. It is suggested that a competitiveness fund on the basis of contribution from the International Financial Institutions be set up to enable them to undertake competitive adjustment. (Mauritius) (cf also point 20 on LDCs)	
19. <u>Newly Acceded Members</u>		<p>(1) General modalities should not apply to newly acceding countries which may make contributions at their initiative. (Oman)</p> <p>(2) Allow newly-acceded Members a longer staging period and credit for</p>	

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>autonomous liberalization. (Chinese Taipei)</p> <p>(3) Reduction commitments of newly-acceded Members shall be fully taken into consideration and no further reduction required. Newly-acceded Members shall take the simple average rate of their applied rates in 2000 and their final bound rates committed in their accession negotiations as their base rates for the negotiations. (China)</p> <p>(4) Consideration should be given to the terms of accession of a number of recently acceded Members. (Switzerland)</p>	
20. Least Developed Countries		<p>(1) Least developed country Members to be exempted from the tariff reduction obligations, but are required to substantially increase their tariff binding ratios. (Korea)</p> <p>(2) No reciprocal tariff concessions are expected from least-developed countries. As a minimum, elimination of tariffs for products of importance to LDCs. (Norway)</p> <p>(3) There should be various staging periods for non-agricultural tariff reductions in order to enable LDCs to be given more flexibility to make substantive tariff commitments, and to take into consideration product sensitivity. (Singapore)</p> <p>(4) Developed countries should implement tariff and quota-free access for all products from least developed countries by 31 May 2003. The most developed of developing countries are invited to join this initiative. All WTO Members other than LDCs should have as close to 100% bindings as possible. All duties beneath a specific floor – to be negotiated – to be eliminated by all WTO Members. This would benefit LDCs comparably more since tariffs at such a low level are generally applied by developed countries (EC)</p> <p>(5) The formula can allow different levels of tariff cut for least developed Members. (Hong Kong, China)</p> <p>(6) All Members are to use the trade-weighted average target tariff formula with the exception of LDCs. GSP providers should study the possibility of reviewing the scheme based on the enabling clause, taking into account the competitiveness of the products and improving market access for LDC products. Appropriate capacity-building should be carried out. (Japan)</p> <p>(7) Particular emphasis to be put on sectors of interest to LDCs.</p>	

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>Substantial reductions from LDCs would in principle not be expected. (Switzerland)</p> <p>(8) Once Members have secured agreement on the modalities, they should turn to more precise and customised approaches to ensure participation by LDCs consistent with their individual development needs. (US)</p> <p>(9) LDCs may determine the coverage of their binding undertakings on an autonomous basis. Design a capacity-building programme which is individually tailored to the particular needs of each of the Member concerned, which also contain certain milestones and assessment criteria to show what progress a country is making internally with the capacity-building assistance already provided. (Chinese Taipei)</p> <p>(10) More flexibility to least developed country Members with regard to binding of tariffs, conversion of <i>ad valorem</i> tariffs, elimination of tariff peaks and tariff escalation. Sectors and products of substantial export interest to LDCs shall be the subject of priority reductions in the negotiations. (China)</p> <p>(11) Adoption by all developed countries of separate arrangements under the umbrella of their Generalized System of Preferences, which would allow imports of all products from least developed countries on duty and quote free basis. Preferential treatment extended under the arrangements should not be modified to the disadvantage of the least developed countries during an agreed period of time (e.g. fifteen to twenty years).</p> <p>- In order to ensure that the erosion of preferential margins do not result in sudden disruption of trade of the preference receiving countries, the modalities to be used by the least developed countries should provide for the following:</p> <p>Where a least developed country considers that preferential margins which its exports enjoy in relation to certain tariff lines or headings are of meaningful advantage in trade terms, and the reduction or erosion of preferential margins resulting from MFN reductions is likely to seriously affect its exports, it may request the preference giving countries to:</p> <ul style="list-style-type: none"> - Postpone commencement of the staging of reductions by agreed number of years (e.g. five years) or - To spread the staging of reductions over a period of ten years instead of normal period of five years 	

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>that may be agreed in the negotiations.</p> <p>The preference giving countries to whom such request are made should agree to consider such requests sympathetically and provide reasons, in cases where it is not possible for them to agree to such requests.</p> <ul style="list-style-type: none"> - Developing countries should extend preferential tariff treatment on a non-reciprocal basis, on the basis of request lists to be submitted by the least developed countries. - Modalities should recognize that in this round of negotiations, LDCs are not in a position to make reductions in tariffs in the context of multilateral trade negotiations. - LDCs could agree to bind their tariffs at levels which are higher than their applied rates of tariffs. The modalities should provide such bindings being offered on limited number of products or sectors, or across the board on all tariffs by giving a "ceiling binding". - LDCs should get credit for reductions in tariffs which they have been making on an autonomous basis. (LDCs) 	

Annex

Korea (TN/MA/W/6/Add.1)

1. Korea proposes that each Member reduce its trade weighted average tariff rate by 40 percent. Members will achieve this goal in accordance with the following tariff reduction formulae:

(a) The bound tariff rate for each non-agricultural product shall be reduced at least by 20 percent with no exceptions.

(b) For those products whose current bound tariff rates are above either two times each Member's current simple national average tariff rate or 25 percent, the tariff rates shall be reduced by more than 20 percent.

- The tariff rates above two times the national average, after minimum reduction of 20 percent, shall be further subtracted by 70 percent of the difference between them and two times the simple national average. For example, if the national average tariff rate is 3 percent and the tariff rate for product A is 15 percent, the final tariff rate for product A shall be less than 5.7 percent.

$$T_1 = (T_0 * 0.8) - 0.7 * (T_0 - 2 * T_a)$$

T_1 : maximum tariff rate after reduction

T_0 : tariff rate before reduction (above 2 times the national average)

T_a : national average tariff rate

- The tariff rates above 25 percent, after minimum reduction of 20 percent, shall be further subtracted by 70 percent of the difference between them and 25 percent. For example, if the tariff rate for product B is 50 percent, the final tariff rate for product B shall be less than 22.5 percent.

$$T_1 = (T_0 * 0.8) - 0.7 * (T_0 - 25)$$

T_1 : maximum tariff rate after reduction

T_0 : tariff rate before reduction (above 25 percent)

- If a tariff rate is above two times the simple national average and at the same time above 25 percent, the final tariff rate shall be whichever is lower after the reduction as described above.

(c) If the result of tariff reduction in accordance with the formulae as described above is under the targeted 40 percent reduction of the trade weighted average tariff rate, Members shall make additional tariff reduction at its own discretion to achieve the targeted 40 percent reduction. However, if the result of tariff reduction in accordance with the formulae as described above goes beyond the targeted 40 percent reduction, Members shall apply the result.

EC (TN/MA/W/11/Add.1)

$$\left\{ \begin{aligned} f(x) &= B_1^L + (x - B_0^L) * \frac{(B_1^U - B_1^L)}{(B_0^U - B_0^L)}, \end{aligned} \right.$$

with B_0^L and B_0^U as lower and upper limits in base bracket,
and B_1^L and B_1^U as same limits in the new bracket,
and where x = initial duty.

Japan (TN/MA/W/15 and Corr.1)

$$t^t = \frac{t_o * A}{t_o + A} + \alpha$$

$t_o \leq 10\%$, $A = 10$
 $10\% < t_o \leq 20\%$, $A = 20$
 $20\% < t_o \leq 30\%$, $A = 30$
 $30\% < t_o$, $A = 40$

$\alpha = 0.3$
 t^t : trade-weighted average target tariff rate
 t_o : bound rate (trade-weighted average)

China (TN/MA/W/20)

$$T_1 = \frac{(A + B \times P) \times T_0}{(A + P^2) + T_0}$$

T_0 : Base rate
 T_1 : Final rate
 A : Simple average of base rates
 P : Peak factor, $P = T_0/A$
 B : Adjusting coefficient, e.g. for the year 2010, $B=3$; for the year 2015, $B=1$

Swiss formula

$$T_1 = \frac{A \times T_0}{A + T_0}$$

T_0 : Base tariff
 T_1 : New tariff
 A : Coefficient (US - TN/MA/W/18 : $A=8$)

FORMULA APPROACHES TO TARIFF NEGOTIATIONS

Note by the Secretariat¹

Addendum

1. Introduction

1. This document has been prepared to assist Members to better understand the various proposals for modalities that include a formula approach for tariff negotiations. It adds to the material contained in TN/MA/S/3/Rev.1 and complements the document TN/MA/6 entitled "Overview of Proposals Submitted". It confines itself to illustrating the properties of several formulae using a hypothetical tariff profile and with numerical examples presented in tables and graphs.

2. The document does not address the specifics of the various proposals such as the base period, implementation, product coverage, treatment of *non-ad valorem* duties and their application by Members. It also does not present all the formula proposals listed in document TN/MA/6 because not all of them include a clearly defined functional form and explicitly specified parameters or coefficients. It is not possible to calculate the reductions for given initial tariff rates without such information.

2. Methodology

3. The methodology for presenting the various proposals is similar to that used in TN/MA/S/3/Rev.1. A hypothetical tariff profile is used to evaluate the effect of implementing a specific proposal, including the effects on a benchmark tariff escalation scenario. This approach allows the reader to use the intuition behind the general formulaic expressions illustrated in TN/MA/S/3/Rev.1 to interpret the proposals for formula modalities. For the proposals that include the tariff average as a parameter, the average tariff of the hypothetical tariff profile is used. This means that the reductions calculated for the various initial duty rates do not apply to real tariff profiles, where the average is lower or higher than the average of the hypothetical tariff profile. In these cases, where possible, the properties of the formula with respect to the different profiles are discussed.

4. It should be noted that for presentation purposes, the notation for the formulae in this paper has been standardised. In all cases the original tariff rate is denoted as t_0 and the final rate as t_1 . The text does not distinguish between bound and applied rates, since the purpose of the document is to illustrate the use of different formula methodologies.

5. Formulae that propose a reduction of the average weighted tariff have to be distinguished from those that propose a methodology for a line by line reduction. Following the classification made in document TN/MA/6 regarding weighted tariff average reductions and line by line reductions, they have been presented in different figures and tables.

¹ This document has been prepared under the Secretariat's own responsibility and without prejudice to the positions of Members and to their rights and obligations under the WTO.

3. Proposals

(a) China²

6. The Chinese formula is specified as:

$$t_1 = \frac{(t_a + (B \times P)) \times t_0}{(t_a + P^2) + t_0}$$

where,

t_a is the simple average of the base rates (A in TN/MA/20).

P is a peak factor defined as the ratio of the tariff rate over the average rate (t_0/t_a)

B is an adjusting coefficient for the year of implementation. $B=1$ for 2015 or $B=3$ for 2010.

7. The formula is very similar to the well known Swiss formula but instead of a fixed coefficient, a variable factor based on the simple average of the base rates t_a , a peak factor and an additional parameter for the year of implementation has been used. The properties of the Chinese formula are similar to what is known about the properties of the Swiss formula discussed in Section III.B.2.b of TN/MA/S/3 Rev.1, such as higher cuts for higher rates. Furthermore it can be shown that for $B=1$ the formula reduces any initial tariff rate below a maximum level which is the current average of the base rates. This is equivalent in its effect to the standard Swiss formula using the tariff average as coefficient.

8. The percentage cuts for any given tariff rate will depend on the tariff average of the Member concerned. For the same tariff rate, Members with lower tariff averages will experience relatively higher reduction rates than Members with higher tariff averages. Therefore, the overall result of applying this formula will depend on the statistical properties of different Members' tariff profiles.

(b) European Communities³

9. The EC proposal is within the class of linear tariff dependent formulae, however, with an adjustment, which gives it the properties of a step-wise linear function. The formula is applied across a set of ranges and the overall cuts depend upon the upper and lower bound of the applicable range.

10. The formula is specified as:

$$t_1 = B_1^L + (t_0 - B_0^L) \times \left[\frac{B_1^U - B_1^L}{B_0^U - B_0^L} \right]$$

where B_j^i are the upper and lower bounds of the respective bands. The subscripted number represents the applicable range. The superscripted letters U and L are, respectively, the upper and lower bounds of the range. Technically, the number of ranges that can be specified is unlimited. In the most simple case two ranges could be used.

11. The EC submission did not parameterise the formula but presented a chart showing a possible 'Duty Reduction Scenario'.⁴ Nevertheless, it is still possible to examine the properties of the proposed EC formula without precise values given the specification of the formula. For example, the term in

² TN/MA/W/20.

³ TN/MA/W/11/Add.1.

⁴ Reproduced in document TN/MA/M/4.

the first set of brackets must be greater than zero, since a given tariff within a range must be greater than or equal to the value of the lower bound of the range within which it falls.⁵ The term in the square brackets is simply a constant since the upper and lower bands of the ranges are given as constants. Furthermore, its value must be less than one, since the overall objective of the formula is to 'compress' the tariff rates. That is, any given range will be smaller with the application of the formula.⁶ The expression also indicates how the cut in the tariff is sensitive to the specification of the bands. For example, high tariffs within the same band are reduced by more than low tariffs within the same band.⁷ Technically, the number of ranges that can be specified is unlimited. For the application of the formula the upper and lower limits of the old and new ranges need to be clearly specified.

(c) Japan⁸

12. Japan proposes that each Member sets 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. Each Member will retain flexibility on ways to realize the target tariff level. The formula is specified as:

$$t_{1a}^w = \frac{A \times t_{0a}^w}{A + t_{0a}^w} + \alpha$$

where, t_{0a}^w is the weighted tariff average prior to the application of the formula and t_{1a}^w is the weighted average after the application of the formula. A is a constant whose values varies as follows:

$$\begin{aligned} t_{0a}^w \leq 10\%, & \quad A = 10 \\ 10\% < t_{0a}^w \leq 20\%, & \quad A = 20 \\ 20\% < t_{0a}^w \leq 30\%, & \quad A = 30 \\ 30\% < t_{0a}^w, & \quad A = 40 \end{aligned}$$

13. The term α in this specification has been proposed as a constant equal to 0.3.

14. The formula applies to the reduction of the trade-weighted *tariff average* as opposed to a reduction of the tariff rates on a line by line basis. This means that the formula is used to determine the end result, or the objective of the tariff negotiations. A lower coefficient will yield a higher cut and a higher coefficient a lower cut. The Japanese proposal can, therefore, be summarised as

⁵ Intuitively, if $t_0 < B_0^L$ it would be in another band.

⁶ Using this information the EC formula can be rewritten as:

$$t_1 = B_1^L + (t_0 - B_0^L) \times \gamma_1 \quad \text{where} \quad \gamma_1 = \left[\frac{B_1^U - B_1^L}{B_0^U - B_0^L} \right] \quad \text{and} \quad 0 < \gamma_1 \leq 1$$

The above expression makes it easier to understand the intuition behind the EC proposal. It says that the new tariff is the sum of the lower bound of the new range (lower than the lower bound of the old range), plus weighted difference between the original tariff and the old lower bound.

⁷ The intuition behind this is that a unit increase in the original tariff rate will increase the new tariff rate above the lower bound of a specified range by less than unity (since the constant is less than one). Accordingly, the greater the increase in the tariff rate, the smaller will be the proportionate increase to the lower bound of the specified range.

⁸ TN/MA/W/15.

proposing that Members with higher weighted tariff averages face a lower reduction than those with lower rates.⁹

(d) Republic of Korea¹⁰

15. The objective of this proposal is to lower the weighted tariff average of Members by 40 percent. This is achieved by applying a reduction formula that results in a higher reduction of tariff peaks. The starting point is a 20 percent minimum reduction by tariff line, which is followed by a further reduction aimed at harmonizing the tariff profile. Two criteria are used to distinguish which tariffs should be addressed and the applicable methodology. These are twice the national average and 25 percent.

16. For the case where tariffs are above twice the national average *after* the minimum reduction of 20 percent, the following formula is applicable which includes the initial 20 per cent reduction:

$$t_1 = (t_0 \times 0.8) - (0.7 \times (t_0 - 2 \times t_a))$$

17. If the tariff rate is less than twice the national average, but still above 25 percent the following formula is applicable which includes the initial 20 per cent reduction:

$$t_1 = (t_0 \times 0.8) - (0.7 \times (t_0 - 25))$$

18. In cases where the tariff rate is above two times the simple national average and at the same time above 25 percent, the final tariff rate shall be whichever is lower after the reduction.

19. The formula reduces higher tariff rates in a way that takes into account individual tariff profiles since the cut is dependent on the tariff average. This means tariff profiles that have duties predominantly below 25 percent but above twice the national average will still be subject to further tariff reductions. Alternatively, profiles with duties predominantly above 25 percent, but with high overall averages will still be subject to reductions since the 25 percent rule will apply.

20. The overall result of applying this formula will, therefore, depend on the statistical properties of each Members' tariff profile. It should be noted though that for all tariff profiles with an average of above 12.5 percent the tariff rate reductions in percentage are identical for a given tariff rate because the 25 percent rule applies in all cases where twice the national average is greater than 25 percent.

21. The Korean proposal is similar to the Japanese proposal in that both seek a reduction of the weighted tariff average. However, the application of the Korean formula for the targeted reduction of weighted tariff averages differs slightly from that of the Japanese proposal as illustrated in figure 3.

⁹ The high rates in the lowest band (up to 10%) would have a lower percentage reduction than the higher rates in higher bands.

¹⁰ TN/MA/W/6/Add.1.

(e) United States¹¹

22. The United States has proposed a modality which includes the elimination of tariffs at or below 5 percent and the application of a Swiss formula on the tariff profile for all other tariff rates. The proposed coefficient is 8, which converts the general Swiss Formula into the following specification:

$$t_1 = \frac{8 \times t_0}{8 + t_0}$$

23. The general properties of this formula are described in TN/MA/S/3/Rev.1. What is important to note about the US proposal is the value of 8 for the coefficient. This implies a maximum tariff rate of 8 percent after tariff reductions for any tariff profile.

4. Tariff reduction simulations with hypothetical tariff profile

24. The reduction effects of the formulae presented above applied to a hypothetical tariff profile similar to the one used in TN/MA/S/3/Rev.1 are illustrated in tables 1 to 3 and figures 1 to 3. The proposals using line by line reductions and those targeting reductions of average weighted tariff rates are shown separately because they are not strictly comparable in their implications.

25. Table 1 shows, based on the hypothetical tariff profile, the base rates before and after application of the various formulae. For those formulae that use the tariff average as parameter the average of the hypothetical tariff profile has been used, i.e. $t_a=30$. The application of the Chinese proposal to tariff profiles with lower/higher tariff averages would, for a given tariff rate, result in a higher/lower cut than that shown in the tables and figures. In the case of the Korean proposal for line by line cuts, tariff profiles with a tariff average below 12.5 percent would be subject to higher cuts than those shown in the examples given in the tables and figures. Descriptive statistics before and after reduction highlight the overall effects of the application of the various proposals on the hypothetical tariff profile.

26. Table 2 illustrates how the application of the formulae results in different percentage reductions for the different tariff rates and indicates also the reduction of the simple average of the hypothetical tariff profile. For sake of comparison only, the tables and figures also include the effects of a hypothetical 50% linear reduction. Table 3 illustrates the same point for the formulae for reductions of weighted tariff averages.

27. The information shown in the tables is also displayed in graphical form in figures 1 to 3 corresponding to tables 1 to 3. In figures 1 and 2 for the Chinese formula only, the version with coefficient $B=1$ has been included.

5. General Observations

28. Formulae by their very nature are technical. Nevertheless, it is extremely important to understand their properties in the context of their application to the tariff profiles of Members. In this regard, despite the diversity of innovative proposals on the use of formulae as a modality for market access negotiations, some common elements can be highlighted.

¹¹ TN/MA/W/18.

29. The following general observations can be made:

- All the proposals make the reduction rate dependent on the initial tariff rate.
- All proposals reduce higher rates by proportionately more than lower rates. This is accomplished through different specifications.
- All proposals have similar effects at higher levels of tariffs, although with different absolute impacts due to different parameters.
- Some proposals take into account the diversity of the Members profiles via an explicit provision in the functional design of the formula for the current level of base rates.
- The treatment of the lower tariff rates differs significantly amongst the proposals.

Table 1

Impact on tariff rates of various line by line formula proposals on the hypothetical tariff profile

Tariff line	Initial tariff rate	China $t_a=30, B=1$	China $t_a=30, B=3$	European Communities	Korea $t_a=30$	USA	Linear cut 50%
Line 1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Line 2	2.5	2.3	2.3	1.7	2.0	0.0	1.3
Line 3	5.0	4.3	4.4	3.3	4.0	0.0	2.5
Line 4	7.5	6.0	6.1	5.0	6.0	3.9	3.8
Line 5	10.0	7.6	7.7	6.7	8.0	4.4	5.0
Line 6	12.5	8.9	9.2	8.3	10.0	4.9	6.3
Line 7	15.0	10.1	10.4	10.0	12.0	5.2	7.5
Line 8	17.5	11.2	11.6	11.1	14.0	5.5	8.8
Line 9	20.0	12.2	12.7	12.1	16.0	5.7	10.0
Line 10	22.5	13.0	13.7	13.2	18.0	5.9	11.3
Line 11	25.0	13.8	14.6	14.3	20.0	6.1	12.5
Line 12	27.5	14.6	15.4	15.4	20.3	6.2	13.8
Line 13	30.0	15.2	16.2	16.4	20.5	6.3	15.0
Line 14	32.5	15.9	17.0	17.5	20.8	6.4	16.3
Line 15	35.0	16.4	17.7	18.6	21.0	6.5	17.5
Line 16	37.5	17.0	18.3	19.6	21.3	6.6	18.8
Line 17	40.0	17.5	18.9	20.7	21.5	6.7	20.0
Line 18	42.5	17.9	19.5	21.8	21.8	6.7	21.3
Line 19	45.0	18.3	20.1	22.9	22.0	6.8	22.5
Line 20	47.5	18.8	20.6	23.9	22.3	6.8	23.8
Line 21	50.0	19.1	21.1	25.0	22.5	6.9	25.0
Line 22	52.5	19.5	21.6	25.0	22.8	6.9	26.3
Line 23	55.0	19.8	22.1	25.0	23.0	7.0	27.5
Line 24	57.5	20.1	22.5	25.0	23.3	7.0	28.8
Line 25	60.0	20.4	23.0	25.0	23.5	7.1	30.0
Average	30.0	13.6	14.7	15.5	16.7	5.4	15.0
Maximum	60.0	20.4	23.0	25.0	23.5	7.1	30.0
Std. Dev	18.4	5.9	6.7	8.1	7.4	2.2	9.2
Coeff. Var.	61.3	43.5	45.5	52.0	44.6	40.7	61.3
Escalation (line13/line5)	3.0	2.0	2.1	2.5	2.6	1.4	3.0

Note:

Std. Dev: *Standard Deviation* is a measure of absolute dispersion of the tariff profile. It is dependent on the average level of the tariffs.

Coeff. Var: *Coefficient of Variation* is a measure of relative dispersion. It is defined as the standard deviation divided by the average and usually presented in percent, i.e. multiplied by 100. It is not affected by the average levels of tariffs.

Table 2

Percentage reduction arising from the application of various line by line formula proposals

Tariff line	Initial tariff rate	China $t_a=30$, $B=1$	China $t_a=30$, $B=3$	European Communitie s	Korea $t_a=30$	USA	Linear cut 50%
Line 1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Line 2	2.5	7.5	6.9	33.3	20.0	100.0	50.0
Line 3	5.0	13.9	12.9	33.3	20.0	100.0	50.0
Line 4	7.5	19.5	18.1	33.3	20.0	48.4	50.0
Line 5	10.0	24.4	22.7	33.3	20.0	55.6	50.0
Line 6	12.5	28.7	26.8	33.3	20.0	61.0	50.0
Line 7	15.0	32.6	30.4	33.3	20.0	65.2	50.0
Line 8	17.5	36.1	33.6	36.7	20.0	68.6	50.0
Line 9	20.0	39.2	36.6	39.3	20.0	71.4	50.0
Line 10	22.5	42.0	39.2	41.3	20.0	73.8	50.0
Line 11	25.0	44.6	41.6	42.9	20.0	75.8	50.0
Line 12	27.5	47.0	43.9	44.2	26.4	77.5	50.0
Line 13	30.0	49.2	45.9	45.2	31.7	78.9	50.0
Line 14	32.5	51.2	47.8	46.2	36.2	80.2	50.0
Line 15	35.0	53.0	49.5	46.9	40.0	81.4	50.0
Line 16	37.5	54.8	51.1	47.6	43.3	82.4	50.0
Line 17	40.0	56.3	52.6	48.2	46.3	83.3	50.0
Line 18	42.5	57.8	54.0	48.7	48.8	84.2	50.0
Line 19	45.0	59.2	55.3	49.2	51.1	84.9	50.0
Line 20	47.5	60.5	56.6	49.6	53.2	85.6	50.0
Line 21	50.0	61.7	57.7	50.0	55.0	86.2	50.0
Line 22	52.5	62.9	58.8	52.4	56.7	86.8	50.0
Line 23	55.0	64.0	59.8	54.5	58.2	87.3	50.0
Line 24	57.5	65.0	60.8	56.5	59.6	87.8	50.0
Line 25	60.0	66.0	61.7	58.3	60.8	88.2	50.0
Average	30.0	43.9	41.0	42.3	34.7	75.8	48.0

Table 3

Applying different formulae to hypothetical weighted tariff averages
(Initial and final tariff rate and reductions by case in percent)

Hypothetical cases	Initial weighted average	Weighted average rates after reduction			Reductions in percent		
		Japan	Korea cut 40%	Linear cut 50%	Japan	Korea cut 40%	Linear cut 50%
Case 1	0.0	0.3	0.0	0.0	n.a	0.0	0.0
Case 2	2.5	2.3	1.5	1.3	8.0	40.0	50.0
Case 3	5.0	3.6	3.0	2.5	27.3	40.0	50.0
Case 4	7.5	4.6	4.5	3.8	38.9	40.0	50.0
Case 5	10.0	5.3	6.0	5.0	47.0	40.0	50.0
Case 6	12.5	8.0	7.5	6.3	36.1	40.0	50.0
Case 7	15.0	8.9	9.0	7.5	40.9	40.0	50.0
Case 8	17.5	9.6	10.5	8.8	45.0	40.0	50.0
Case 9	20.0	10.3	12.0	10.0	48.5	40.0	50.0
Case 10	22.5	13.2	13.5	11.3	41.5	40.0	50.0
Case 11	25.0	13.9	15.0	12.5	44.3	40.0	50.0
Case 12	27.5	14.6	16.5	13.8	46.7	40.0	50.0
Case 13	30.0	15.3	18.0	15.0	49.0	40.0	50.0
Case 14	32.5	18.2	19.5	16.3	43.9	40.0	50.0
Case 15	35.0	19.0	21.0	17.5	45.8	40.0	50.0
Case 16	37.5	19.7	22.5	18.8	47.6	40.0	50.0
Case 17	40.0	20.3	24.0	20.0	49.3	40.0	50.0
Case 18	42.5	20.9	25.5	21.3	50.8	40.0	50.0
Case 19	45.0	21.5	27.0	22.5	52.3	40.0	50.0
Case 20	47.5	22.0	28.5	23.8	53.7	40.0	50.0
Case 21	50.0	22.5	30.0	25.0	55.0	40.0	50.0
Case 22	52.5	23.0	31.5	26.3	56.2	40.0	50.0
Case 23	55.0	23.5	33.0	27.5	57.3	40.0	50.0
Case 24	57.5	23.9	34.5	28.8	58.5	40.0	50.0
Case 25	60.0	24.3	36.0	30.0	59.5	40.0	50.0

Figure 1: Comparison of formula proposals for line by line reductions

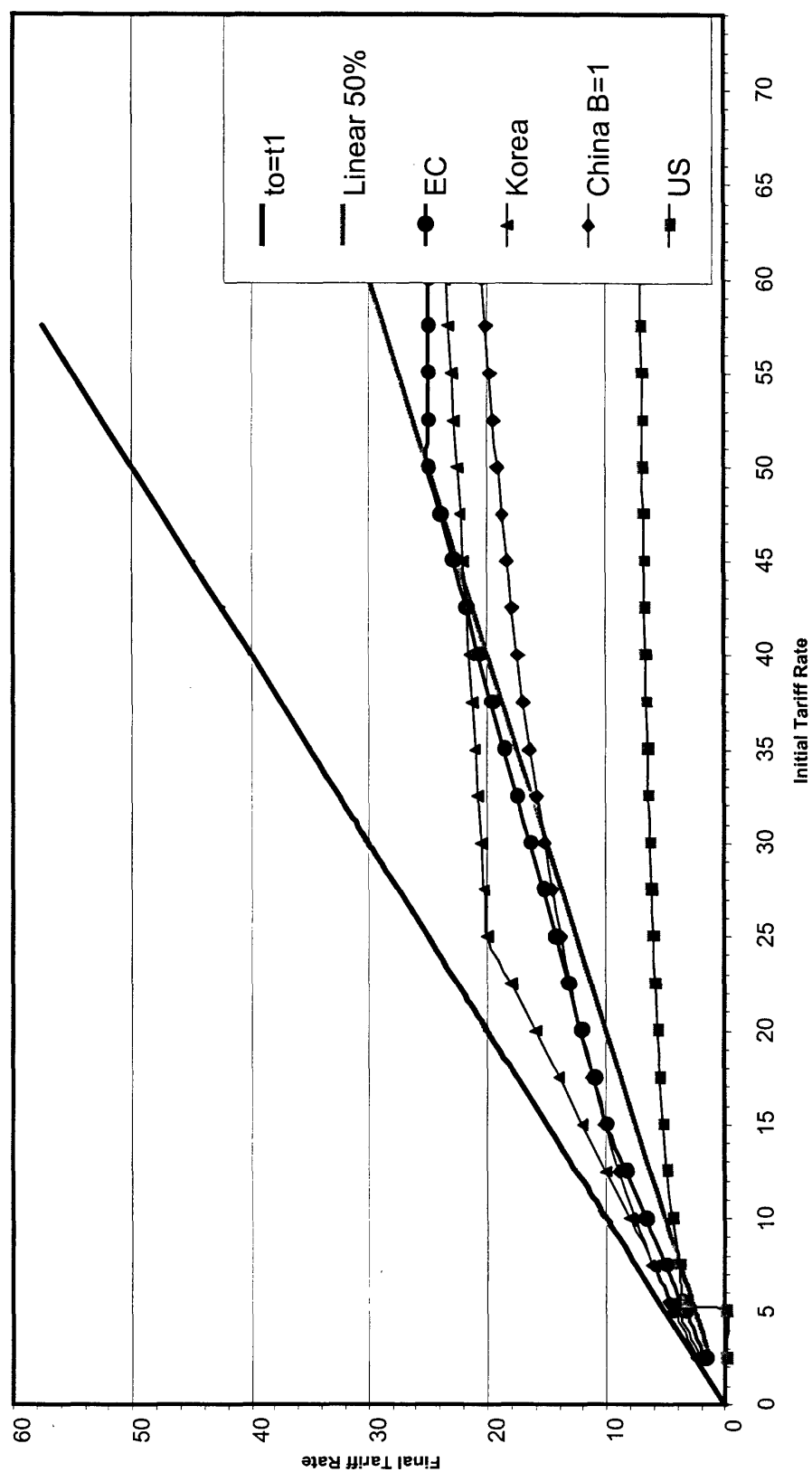


Figure 2: Reductions in percent of initial tariff rates

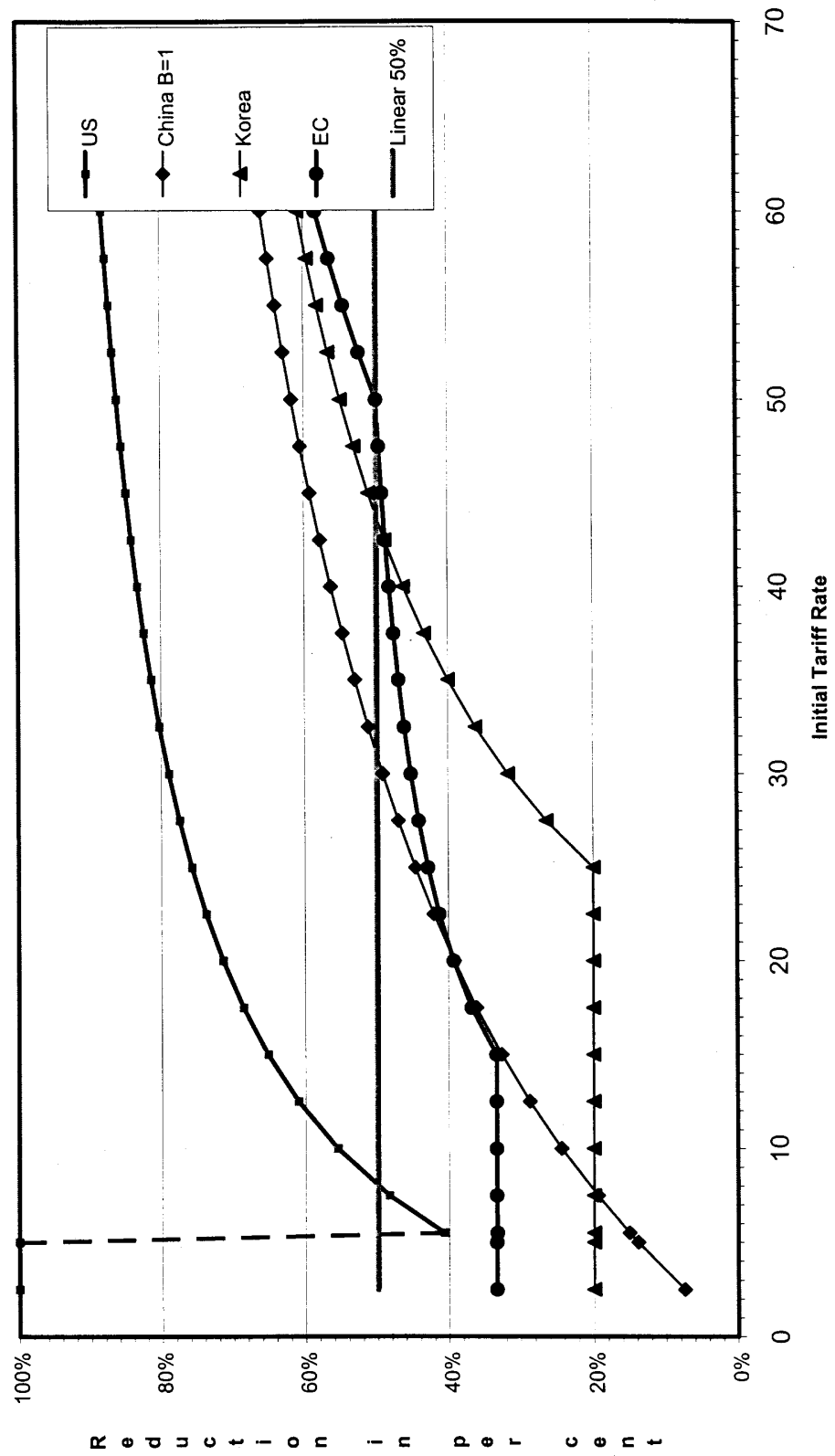
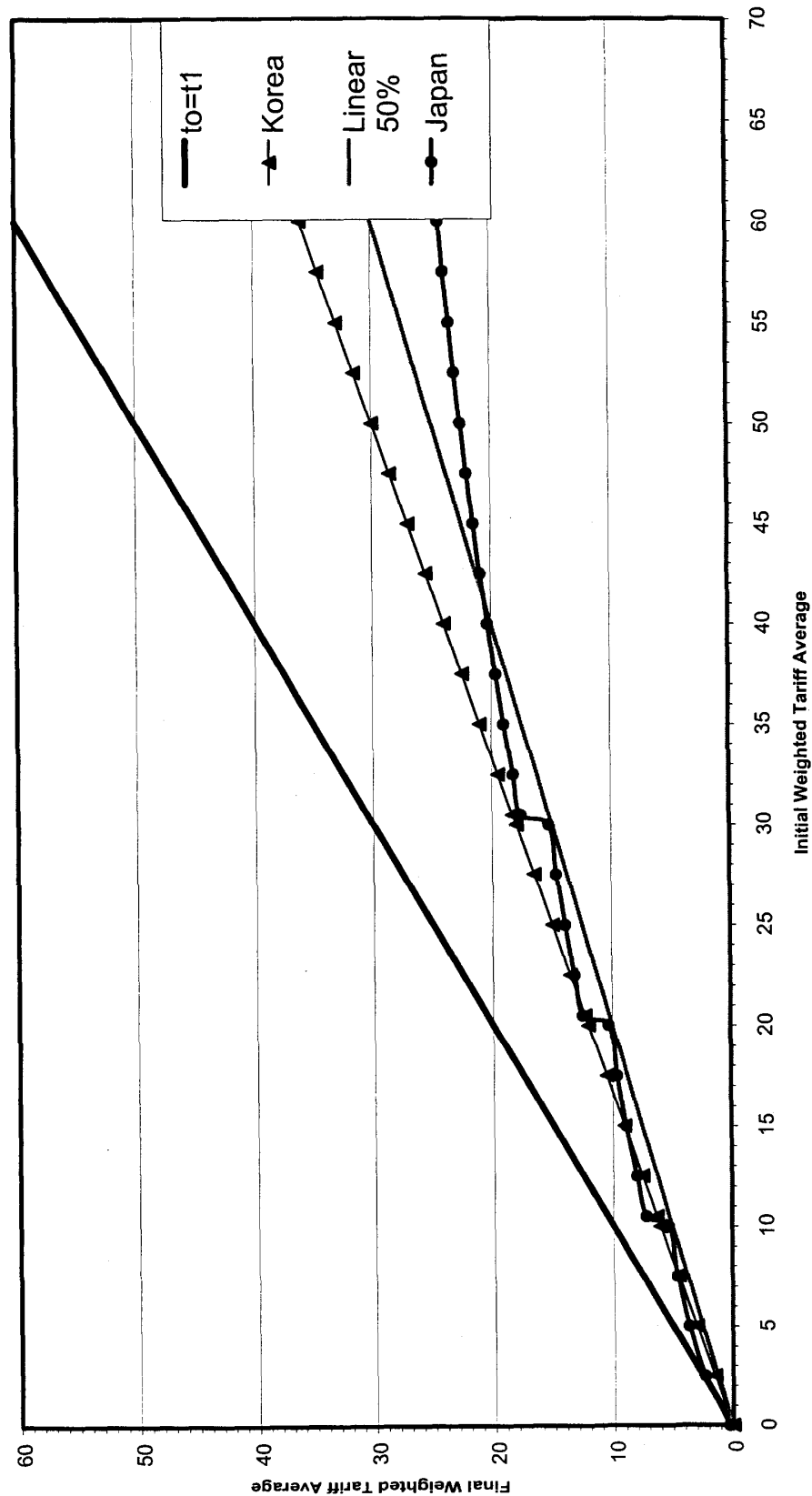


Figure 3: Comparison of formula proposals for weighted average tariff reductions



WORLD TRADE ORGANIZATION

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Negotiating Group on Market Access

NEGOTIATING GROUP ON MARKET ACCESS

Report by the Chairman, Ambassador Girard, to the Trade Negotiations Committee

I. STATUS OF WORK

1. Since its last meeting on 2-3 December 2002 (an oral report of this meeting was provided to the TNC at its meeting of 4-6 December 2002), the Negotiating Group met once on 19-21 February 2003. It was a very substantive three-day meeting with the first day dedicated to the discussion of papers submitted by participants since the Group's last meeting. There was a very interactive session with many questions raised and many comments made regarding these papers.
2. As provided for in the "Programme of Meetings for the Negotiations on Market Access for Non-Agricultural Products" (TN/MA/3), an "Overview of Proposals Submitted" (TN/MA/6) was prepared for participants at this meeting. The overview listed eighteen issues pertaining to modalities for the negotiations on tariffs which had been identified. The question of newly acceded Members and LDCs was also addressed in the paper. In addition I had circulated an illustrative list of questions on each of the 20 items (JOB(03)/27) with a view to stimulating discussions. The discussion which ensued was focussed and assisted in clarifying points of divergence and convergence on the various issues. It was agreed that the overview paper would be updated to take account of the corrections indicated by participants at the meeting as well as any additional proposals on modalities submitted before 14 March 2003. As not all the issues could be discussed at this meeting, the Group is expected to return to the remaining items at the next meeting as well as revisit some issues on which a further exchange of views would be useful.
3. The Group held a very substantive discussion on non-tariff barriers (NTBs) based on lists of NTBs¹ notified by participants pursuant to a request I had addressed to them. Additionally, another very useful input to the debate was ideas or proposals on modalities for the negotiations on NTBs which were put forward by certain participants. The discussion on this part of the Group's mandate was more focussed than at any other time and in this respect progress was made. The importance of taking account of special and differential treatment in any proposal on modalities for negotiations on NTBs was also stressed. In view of the fact that the target date for agreement on modalities for negotiations on tariffs and NTBs was 31 May 2003, the Group agreed that any additional proposal on modalities for negotiations on NTBs should be made before 14 March 2003.
4. The Secretariat introduced its paper on "Formula Approaches to Tariff Negotiations" (TN/MA/S/3/Rev.1/Add.1) which demonstrated on a hypothetical tariff profile and to the extent possible the effects of the various proposed formulas. Additionally, a technical assistance workshop by the Secretariat was conducted on 21 February 2003 to provide more explanations on this paper.
5. Based on the Secretariat document entitled "Current Data Availability in the Integrated Data Base" (TN/MA/S/9), the Group noted that gaps still existed in the WTO tariff and trade data base. I

¹ These notifications were compiled in an advance copy of document TN/MA/W/25.

recalled that in my letter sent in October 2002 I had requested more timely submissions of tariff and import data to the IDB and had suggested to Members to authorize the Secretariat to source official data from other international agencies until they themselves could report directly to the Secretariat. Unfortunately, responses to this letter have been very limited. I drew the attention of participants to the fact that not having comparable data in the IDB would seriously affect the capacity of those Members to participate in the negotiations and to make full use of the tools and assistance offered by the Secretariat. In this regard, I urged delegations to respond positively to my request.

II. OUTSTANDING ISSUES

6. Further submissions are expected from participants concerning proposals on modalities for negotiations on tariffs as well as NTBs by 14 March 2003.

III. FUTURE WORK

7. The Group will pursue its work on a possible outline of modalities for the negotiations on tariffs and NTBs at its meeting scheduled for 14-16 April 2003, with due emphasis on NTBs, with a view to reaching an agreement on such modalities by 31 May 2003.
