

*Restoring Multilateral Trade Cooperation  
Dialogue*

# **Non-Agricultural Market Access Negotiations and Major Developing Economies**

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# Main NAMA proposals of interest/concern to major developing economies

- ▶ Swiss formula to be applied on the basis of comprehensive product coverage with lower coefficient for developed and a range of coefficients for developing Members
- ▶ Reduction, harmonisation or elimination of tariffs in identified sectors

# Aspects of stand of major developing economies on NAMA negotiations

- ▶ Flexibility to either keep certain number of tariff lines unbound or apply to them cuts lower than formula
- ▶ Full account to be taken of autonomous liberalisation
- ▶ Acceptance of sectoral initiatives to be voluntary

# Flexibility proposed to be given to developing economies in Rev.3

- ▶ Flexibility for exclusion of certain number tariff lines from binding commitments or for applying lower than formula cut to them.
- ▶ However, the proposal is designed to encourage them to minimise the utilisation of these flexibilities.
- ▶ For unbound tariffs the base rate is to be established on the basis of a non-linear mark up of 25 percentage points on MFN applied rate as on 14 November 2001.

# Developed economy arguments for major developing economies to do more in NAMA

- ▶ In India, Brazil and some other emerging economies (not including China) there is a large gap between bound and applied MFN duties. The binding overhang is a source of unpredictability in tariff regimes.
- ▶ Where the bound rates are higher than applied rates, reduction of tariffs under the formula will not result in improved access to them in meaningful commercial terms. Businesses are not interested in reduction of bound rates unless the applied rates also come down.

# Position of major developing economies on the binding overhang issue

- ▶ In GATT/WTO tariff negotiations the bound level constitutes the basis for negotiations and not the applied level.
- ▶ At the end of each negotiating round, balance is struck in the interest of each Member on the basis of the specific commitments on bound tariffs undertaken by each.
- ▶ In India's case the big difference in bound and applied duties was a consequence of steep reduction of duty undertaken unilaterally and autonomously after the Doha Round had been launched.

# Is commercially meaningful concessions a legitimate issue in WTO negotiations?

- ▶ Traditionally WTO/GATT negotiations have resulted in incremental improvement of access and not in big bang changes in applied tariffs.
- ▶ Since the bound MFN tariffs in the major developed Members are already very low, it may equally be asserted that application of the proposed formula will also not also yield anything commercially meaningful on a vast majority of tariff lines for the trading partners.
- ▶ Application of the proposed formula on four per cent with a coefficient of eight will bring it down to 2.67 per cent. Is this commercially meaningful?
- ▶ In India average applied tariffs have been brought down from 35 per cent to 10 per cent after the negotiations commenced. Is it fair to ask India to make further reduction to make improved access commercially meaningful.

# Is less than full reciprocity in trade negotiations the issue for major developing economies?

- ▶ In GATT/WTO tariff negotiations the standard technique used among equal trading partners is of reciprocity, measured on the basis of trade coverage multiplied by the depth of reduction.
- ▶ GATT 1994 and the Doha Ministerial Declaration commit Members to less than full reciprocity in trade negotiations between developed and developing country Members.
- ▶ However, if the Swiss formula is applied as proposed, in actual fact developing country Members would be ending up with full reciprocity, far removed from the concept of less than full reciprocity.
- ▶ Less than full reciprocity is not the issue: what developing countries want to avoid is that they are not compelled to offer more than full reciprocity.



# Why are developing economies opposed to joining sectoral initiatives on a mandatory basis?

- ▶ If developing economies are also required to undertake reductions on a sectoral basis there would be a reciprocity deficit against them.
- ▶ Elimination of duty on sectoral basis can result in distortions such as inverted tariff structure and in India this has happened as a result of the Information Technology Agreement.
- ▶ Before developing countries agree to eliminate tariffs in any sector they need to be given time: they need to build world class infrastructure including transport infrastructure and bring about changes in land, labour and taxation laws in order to become competitive.
- ▶ China completed accession negotiations in the same year as the Doha Round was launched, with substantial reduction of tariff. Expecting it to do more than apply the formula is not equitable.

# What is the outlook in NAMA negotiations after Bali?

- ▶ While most delegations are willing to work on the basis of the current text (Rev. 3) the USA has maintained the stand that all issues should be discussed afresh.
- ▶ For most Members a fresh technical exercise to construct alternative modalities is an unacceptable proposition.
- ▶ There is a general sense that Members may seek to lower the level of their ambition in this area as in other areas and the new buzz words are recalibration and what is doable.
- ▶ There was a suggestion that negotiations for liberalisation in all the three groups (NAMA, Agriculture and Services) could be based on request-offer procedures but this did not receive any support.

# What is the way forward?

- ▶ It is apparent that if the Doha Round is to be concluded speedily the number of issues need to be reduced.
- ▶ It is not the level of ambition that should be lowered but the scope of the negotiations. NTBs can wait. Attention should be given exclusively to obtaining results in tariffs.
- ▶ In the context of the proliferation of regional and mega-regional agreements what the world needs is a big dose of multilateral tariff liberalisation in the Doha Round.
- ▶ Doha Round should be followed by another ambitious Round so that the MFN tariffs on non-agricultural products are reduced even further and the adverse effect of regional and mega agreements for non-participants is minimised.

# What needs to be done in the area of tariffs?

- ▶ Since the major area of discord is acceptance of elimination of tariffs in certain sectors negotiations should be centred on this area.
- ▶ Major developing countries should consider joining sectoral initiatives in at least three sectors proposed by the USA and the EU namely Chemicals, Industrial Machinery and Gems and Jewellery. All other sectors could be taken up on the basis of acceptance by a critical mass of Members.
- ▶ To make it easier for major developing countries to consider joining these initiatives the principal sectoral modality should be “zero for x” as suggested in paragraph 11 of Rev.3.and “x” should be defined as 5 per cent.
- ▶ All other proposals relating to tariffs should be included in the package. Proposals on NTBs need not be pursued.

Thank You