Elements of NAMA Modalities that meet the Ministerial Directions

Submitted by the ACP Group; the African Group; the NAMA 11 Group of Developing Countries[1]; and Small, Vulnerable Economies

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This paper is submitted in response to the NGMA Chairman's exhortation for written proposals, as a contribution towards the drafting of NAMA modalities. In this submission the cosponsors offer an array of positions which represent their interests in a broad way and respect the letter and the spirit of the Doha Mandate, the July Framework and the Hong Kong Declaration.

1. **Ambition:** The Doha Round is about development of developing countries, especially Least Developed Countries, amongst them. Centrality of agriculture in the Doha Ministerial Declaration cannot be wished away. Agriculture is the unfinished agenda of the Uruguay Round and significant progress in this area is critical for establishing a fair and equitable global trading regime and to obtain a balanced and development friendly outcome from this Round.

   Agriculture determines the ambition of the Round. NAMA modalities have to be built around and lead to a result comparable to what is achievable in agriculture.

2. **Formula and Tariff Reduction Modalities:** The crucial aspect of the formula or the tariff reduction modality is that it must require from developing countries "*less than full reciprocity in reduction commitments*". This creates a hierarchy in the *reduction commitments* to be undertaken by Members. Developed country Members should offer greater reductions than developing countries. Amongst developing countries, the small, vulnerable economies are to undertake lesser reduction commitments.

   The reduction commitments are to be measured from the agreed base rates[2]. Responding to the principle of less than full reciprocity, the reduction commitments shall be in percentage terms and shall be higher for developed countries than for developing countries. The reduction commitments when effected using Swiss formula with coefficients, i.e., one coefficient for developed countries and higher coefficients for developing countries shall fully comply with the principle of "*less than full reciprocity in reduction commitments*".

   Target binding averages have been proposed for certain other developing country members, such as the small, vulnerable economies and the paragraph 6 countries.

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[1] Argentina, Bolivarian Republic of Venezuela, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa and Tunisia

[2] Bound rates for bound tariff lines or (applied tariff as on 14 November 2001 + mark up) for unbound tariff lines

Following from the above, proposals that seek to impose reduction commitments on developing countries, including the SVEs, which are higher than that for developed countries, cannot be accepted.

3. **Flexibilities for Developing Members:** Flexibility is a crucial element addressing the development dimension of this Round. Developing countries have demonstrated their diverse need for flexibilities, for both tariff lines and trade covered. Some have suggested that there should not be limits to the trade covered as is the case in agriculture; some have submitted that there is the need for additional flexibilities to preserve the common external tariff in customs unions; some to address social economic and labour concerns; and others to address concerns arising from a large number of low applied and unbound tariffs. The final outcome of this development round must capture this diversity in development needs by making available the flexibility provisions to the appropriate and adequate extent.

4. **Product Coverage**: The NAMA formula and modalities shall apply to a common list of non-agricultural tariff lines of all Members without exceptions. The cosponsors reject 'second best' options that seek to exempt a few countries from adhering to this requirement.

5. **Mark-up for Unbounds:** In view of the fact that binding of tariff lines is a concession in itself, the cosponsors agree that a mark-up of 30 for the presently unbound tariffs is appropriate.

6. **Implementation Period:** The mandate provides that the implementation period shall be longer for developing countries, to address their need to manage the impact of tariff reduction on domestic industry. The implementation period shall be 5 years for developed countries and at least 10 years for developing countries. For SVEs longer implementation period shall be considered. Similarly, for the RAMs additional time to meet their tariff reduction obligations is appropriate.

7. **Supplementary Modalities:** Voluntary sectoral negotiations and request-offer process covering all negotiating areas can be important to address the diverse needs and negotiating objectives of various Members. Adequate time for supplementary modalities has to be factored into the timelines. Although the sectoral negotiations are non-mandatory in respect of participation, the process needs to be sensitive to the significant adverse impact that these negotiations could have on some sectors in non-signatory preference-dependent countries.

8. **Small, Vulnerable Economies (SVEs)**: The recognized economic vulnerability of this group of developing countries demands that the modalities finally agreed for these Members, impose lower reduction obligations on them than those on developed and other developing country Members. In this regard, the cosponsors support the small, vulnerable economies approach for a banded solution outside the formula.

9. **Least Developed Countries (LDCs)**: Cosponsors of this paper reiterate the decision that the LDCs may undertake tariff binding commitments that they are comfortable with and that meet their developmental objectives. They also recognize the importance of improvement in their market access.

Accordingly, time bound, full and faithful implementation of the *Decision on Measures in Favour of Least-Developed Countries* contained in Annex F - Proposal 36 of the Hong Kong Ministerial Declaration (the "Decision") with information on the schedule for providing duty free and quota free treatment must be provided. Simplification and transparency of applicable rules of origin and commitments on capacity building and technical assistance are crucial for the LDCs and must be included in the modality package.

10. **'Paragraph 6':** The cosponsors reaffirm the relationship between the scope of binding coverage and the overall average bound tariff rate. They support the proposal of the 'Paragraph 6' countries that they be required to increase their binding coverage to up to 70% at an overall average tariff of 28.5%.

11. **Recently acceded Members**: Considering the extensive commitments undertaken by the RAMs during the accession process, it is appropriate that they be provided more flexible treatment in the modalities applicable to them.

12. **Non-Tariff Barriers (NTBs):** We reiterate that the mandate on NTBs is to remove them, particularly those that affect the export interest of developing countries. All those proposals that have gathered support and consensus should be mentioned in the revised text for further discussions.

    Immediate initiation of text based negotiations on the "*Proposal on Procedures for the Facilitation of Solutions to NTBs*" contained in document TN/MA/W/88 is necessary to ensure inclusion of the procedures in the final Doha Package. The text based negotiations should retain the structure and character of the above mentioned proposal in its entirety.

13. **Preference Erosion:** Recognizing that the core issue in this element is to ensure that preference dependant industries in certain long term preference receiving countries retain their competitiveness after the MFN liberalization of tariffs, and that the main concern is to have preference erosion effectively managed to smooth the transition, the co-sponsors stress on a longer implementation period of at least 10 years for the reductions affecting such tariff lines. The cosponsors further call for the inclusion of commitments from the preference giving developed countries to simplify the applicable rules of origin and provide aid, including technical assistance. There must be a comprehensive package of measures to address the concerns expressed in addition to longer implementation periods.

14. **Non-Agricultural Environmental Goods:** The co-sponsors reiterate that it is for the CTE-SS to decide on the mandate under Paragraph 31(iii) of the DMD in its entirety, i.e., tariffs and non tariff issues relating to the trade in agricultural and non-agricultural environmental goods and services. In case that negotiating body requires any assistance or support from the NGMA the same could be provided by the NGMA, in accordance with the terms of such request as and when made.