

## Discussion Paper

### Modality for Formula and Flexibilities

1. The Ministerial mandate requires that the reduction commitments of Members should follow the hierarchy of developed countries making the greatest tariff reductions; the developing countries applying the formula come next; and finally the SVEs offer lesser tariff reductions than the other developing countries.
2. Given the SVE proposal that they will be offering a tariff reduction of up to [40%] on the average for the highest band, the developed countries should, therefore, offer a reduction of at least [50%]. Given the developed country tariff average of 5.9%, this can be achieved through a Swiss coefficient of 5<sup>1</sup>.
3. The developing countries applying the formula then should offer a reduction between [40% and 50%] on the average. Given the developing country average bound rate<sup>2</sup> of 28.5%, a coefficient of **28.5** or **30** would result in a developing countries concerned offering a tariff reduction of about 50%
4. Regarding the flexibilities for developing countries, the present proposal of 10/5% exceptions can be built on further and converted into a graduating scale whereby on one end of the scale would be the Mexican proposal of a higher coefficient for no flexibilities and on the other side of the scale would be the higher flexibilities for lower coefficients. The following may be taken as an example of this concept

Coefficient	Flexibility
33	No Flexibility
30	10/5% tariff lines
27	13/6.5% tariff lines
24	15/7.5% tariff lines

5. Regarding the trade limitation, the MFN trade covered by the tariff lines would also correspondingly increase. Since the tariff commitments do not affect the preferential trade, the trade coverage shall not be taken into consideration for calculating the trade coverage.

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<sup>1</sup> This has been demanded by several developed countries as well as developing country Members

<sup>2</sup> This is the figure being used in the NAMA negotiations, however as an option we could consider calculating the average bound rate of only the formula applying developing countries