28 February 2008

NAMA Negotiations

List of possible ideas on formula/flexibilities referred to by the Chairman at the Room E session held on Wednesday, 27 February 2008

As requested by Members, please find below a list of the various approaches referred to the Chairman at the formula/flexibility session held on 27 February 2008 in Room E. Numerical examples have been provided where possible to illustrate the different approaches. The numbers used in these examples are similar to those provided by the Chairman at the meeting and do not prejudge or prejudice the position of Members. The order in which some of the variants are presented in this list may differ from the order in which the Chairman had referred to them in his intervention. Lastly, it should be noted that it was not always clear under some of these scenarios what would happen to the trade cap and as a result reference has not been made to it. This absence of a reference should not be taken to mean that it has been eliminated.

1. "FLEXIBILITIES WITHIN FLEXIBILITIES"

The first set of ideas has as objective to increase the flexibility options while maintaining the level of ambition. There are two variants to this idea.

(i) *First variant*

Flexibilities under paragraph 7 (a)	Option 1	Option 2	Option 3	Option 4
% of tariff lines and trade volumes	5%	7.5%	10%	12.5%
Percentage of the formula cut	0%	25%	50%	75%

The idea under this approach is to calibrate the lines sheltered from full formula cuts with the percentage of formula cuts. So, the working principle is as follows: the more number of tariff lines are sheltered from full formula cuts, the higher is the percentage of the formula cut on those lines.

(ii) *Second variant*

Flexibilities under paragraph 7 (a)	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8	Option 9	Option 10	Option 11
% of tariff lines and trade volumes	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
Percentage of the formula cut	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	95%

The second variant provides for more permutations of the same idea described above.

2. "SLIDING-SCALE"

(i) First variant

Coefficient	% of tariff lines under paragraph 7(a)(i)	% of tariff lines under paragraph 7(a)(ii)
25	2%	1%
24	4%	2%
23	6%	3%
22	8%	4%
21	10%	5%
20	12%	6%
19	14%	7%

This approach envisages a trade-off not within the flexibilities themselves as in the previous approach, but between the coefficient and the flexibilities. The objective under this approach is to calibrate the levels of coefficient and flexibilities in a manner that yields the same level of ambition whatever the scenario. The working principle of this approach, as a result, is: the more ambitious the coefficient, the higher the level of flexibilities; the less ambitious the coefficient, the lower the level of flexibilities. In the example provided above, for a coefficient of 21, the corresponding flexibilities under paragraph 7(a) (i) and (ii) are 5% and 10%, respectively. This number would serve as the pivot, or starting point, and its choice as well as that of the increments in the flexibilities will be important. The example above provides a scenario of a 1-for-1 trade -off between coefficient and flexibilities, but there may be other permutations such as a 2-for-1 trade-off.

In terms of presenting this option to Ministers, one idea is to have either the coefficients or the flexibilities expressed in a range. So, for example, for each coefficient, a corresponding range of flexibilities would be proposed for final negotiation. It could also be done the other way, with the different levels of flexibilities set out, and a corresponding range of coefficients proposed for final negotiation.

(ii) Second variant

Coefficient	% of tariff lines under paragraph 7(a)(i)	% of tariff lines under paragraph 7(a)(ii)
24	0%	0%
21	10	5
19	14%	7%

Instead of a continuous sliding-scale as described under the first variant, another approach is to provide a limited set of options, namely three with a lower, medium and higher coefficient.

3. COMBINING FLEXIBILITIES

	% of tariff lines under paragraph 7(a)(i)	% of tariff lines under paragraph 7(a)(ii)
Option 1	10%	0%
Option 2	7.5%	1.25%
Option 3	5%	2.50%
Option 4	2.5%	3.75%
Option 5	0%	5%

This is a linear trade-off between 7(a)(i) and (ii).

4. REDUCING THE IMPACT OF THE TRADE VOLUME CAP

In those cases where the trade volume prevents a Member from using the full benefit of paragraph 7(a)(i) or (ii) flexibilities, this approach envisages that the Member would have access to a limited number of additional lines which would then be cut by 75%.

5. ADDITIONAL FLEXIBILITIES

Developing Members would have a higher number of tariff lines under the flexibilities, for example 12%. On these 12%, they can choose between the following listed options provided that no more than 5% of lines are covered by any one of the options. The options are: (a) no cut; (b) 50% of formula cut; and (c) 75% of formula cut.

For example:

5% of tariff lines at no cut
5% of tariff lines at 50% of the formula cut
2% of tariff lines at 75% of the formula cut

6. FORMULA PLUS SECTORALS

This approach would envisage the use of the formula plus sectoral(s). It would work in the following manner, a developing Member's participation in a sectoral(s) would allow it to have higher coefficient as a form of credit.

7. FORMULA PLUS AVERAGE PERCENTAGE CUT

The Swiss formula with the current flexibilities would apply to the tariff schedule, followed by an additional average percentage cut.

As an example, assuming that a coefficient of 30 is applied on a line-by-line basis to a tariff schedule, with the result that the average tariff in that schedule is reduced from 30% to 15%. If the agreed average percentage cut is 20%, then the average would come down by a further 3% (i.e. 20% of 15%). The resulting tariff average of that Member's schedule following application of this modality would be 12%.

8. URUGUAY ROUND-LIKE AGRICULTURE MODALITY

This approach combines an average cut with a tariff ceiling and a minimum line-by-line cut.