

JOB(06)/200

22 June 2006

**Negotiating Group on Market Access**

## **TOWARDS NAMA MODALITIES**

### **Introduction**

I present this document for submission to the Trade Negotiations Committee in response to the request of Members for proposed language of full modalities for the Non-Agricultural Market Access (NAMA) negotiations. I regret that I am unable to fulfil that mandate, as a result of the failure of the Negotiating Group to find consensus on many important issues, and that the present report is, at best, a step in the direction of full modalities. This explains the title of my document.

This also explains why I decided to preserve the structure of my April 28, 2006 report to the TNC for this document. I believe that this format remains an effective mechanism to display the mandate of the negotiations, the results of the negotiations thus far and the principal issues and options on questions that remain unresolved. To recall this format:

- the first column contains Annex B of the General Council decision of 1 August 2004 (commonly referred to as the "NAMA Framework"), as amended or supplemented by the relevant paragraphs of the Hong Kong Ministerial Declaration. The additions from the Ministerial Declaration have been indicated in bold;
- the second column shows possible modalities language. In some cases the issue has matured and the language is agreed. In other cases it was a simple transposition of the language in the July Framework. In yet other instances, it is language that I felt I could risk proposing on my own responsibility. Rest assured, those instances are a few: I took such initiative only in those cases where I felt that the points of divergence were not that entrenched and could be bridged at this time; and
- the third column is the Chair's commentary on the issues. I have not given an exhaustive narrative of the position of Members. Instead, I have briefly presented the issues and, in some instances, taken the liberty of providing some guidance for future discussions. In others instances, I felt I could not provide guidance because Members were unable to create that opportunity for me.

Where this document diverges from my April report is in the inclusion of an Annex. In this Annex, I have reproduced the various textual proposals submitted to the Negotiating Group on issues on which we do not yet have consensus and where the divergence is too great for me to bridge at this time. While this will certainly give Members a comprehensive picture of where we stand on all NAMA issues, it will not make their lives any easier. On some issues, as you will discover, the Annex represents a complex menu of options which Members will not have an easy time navigating.

There is another important dimension to the NAMA negotiations and to the interpretation of both the agreed modalities and the possible options for resolving outstanding issues presented in this document. This is what I have referred to as the "brackets" on the entire NAMA negotiations – that is, the agriculture negotiations. The simple fact is that progress in the NAMA negotiations have, at all times, been both constrained by and conditional upon progress in the agriculture negotiations. This is true both in respect of the overall negotiations and in respect of specific issues, including the level of ambition in the formula, the overall degree of flexibilities, and the treatment of preference erosion, small, vulnerable economies and recently acceded Members.

Over the past few weeks, I have been trying to obtain agreement on the “architecture” for resolving each of the issues. My intent was to prepare a final stage in the negotiations which would be concentrated only on the numbers – the level of ambition. I cannot claim much success. We were able to confirm the architecture of the treatment of paragraph 6 countries and to agree on the substance of the issues related to least-developed countries. On other issues, I can claim only partial success. In respect of small, vulnerable economies and recently acceded Members, we have tentatively agreed only partial elements of the final solution. On the remaining issues, I can offer no more than possible approaches to finding an eventual solution.

I have faithfully adhered to the principle of the bottom-up approach, and this document is a reflection of the degree of convergence between Members on the issues.

<b>July Framework, modified or supplemented by the Hong Kong Ministerial Declaration (in bold), as appropriate</b>	<b>Modalities</b>	<b>Chairman's remarks</b>
<p>1. This Framework contains the initial elements for future work on modalities by the Negotiating Group on Market Access. Additional negotiations are required to reach agreement on the specifics of some of these elements. These relate to the formula, the issues concerning the treatment of unbound tariffs in indent two of paragraph 5, the flexibilities for developing-country participants, the issue of participation in the sectorial tariff component and the preferences. In order to finalize the modalities, the Negotiating Group is instructed to address these issues expeditiously in a manner consistent with the mandate of paragraph 16 of the Doha Ministerial Declaration and the overall balance therein.</p> <p>2. We reaffirm that negotiations on market access for non-agricultural products shall aim 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. We also reaffirm the importance of special and differential treatment and less than full reciprocity in reduction commitments as integral parts of the modalities.</p> <p>3. We acknowledge the substantial work undertaken by the Negotiating Group on Market Access and the progress towards achieving an agreement on negotiating modalities. We take note of the constructive dialogue on the Chair's Draft Elements of Modalities (TN/MA/W/35/Rev.1) and confirm our intention to use this document as a reference for the future work of the Negotiating Group. We instruct the Negotiating Group to continue</p>	<p style="text-align: center;"><b><u>Preamble</u></b></p> <p>We recall paragraph 16 of the Doha Ministerial Declaration in which we agreed "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 <i>a priori</i> 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 <i>bis</i> 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."</p> <p>Further to the Doha mandate, and building on the results reached in Annex B of the General Council Decision of 1 August 2004 (NAMA Framework) and paragraphs 13 to 24 of the Hong Kong Ministerial Declaration, we establish the modalities for the NAMA negotiations as set out below.</p>	

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<p>its work, as mandated by paragraph 16 of the Doha Ministerial Declaration with its corresponding references to the relevant provisions of Article XXVIII <i>bis</i> of GATT 1994 and to the provisions cited in paragraph 50 of the Doha Ministerial Declaration, on the basis set out below.</p>		
<p>4. We recognize that a formula approach is key to reducing tariffs, and reducing or eliminating tariff peaks, high tariffs, and tariff escalation. We agree that the Negotiating Group should continue its work on a non-linear formula applied on a line-by-line basis which 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.</p> <p><b>14. We adopt a Swiss Formula with coefficients at levels which shall <i>inter alia</i>:</b></p> <ul style="list-style-type: none"> <li>- <b>Reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs and tariff escalation, in particular on products of export interest to developing countries; and</b></li> <li>- <b>Take fully into account the special needs and interests of developing countries, including through less than full reciprocity in reduction commitments.</b></li> </ul> <p><b>15. We reaffirm the importance of special and differential treatment and less than full reciprocity in reduction commitments, including paragraph 8 of the NAMA Framework, as integral parts of the modalities. We instruct the Negotiating Group to finalize its details as soon as possible.</b></p>	<p style="text-align: center;"><b><u>Formula</u></b></p> <p>We agree that the following Swiss Formula shall apply on a line-by-line basis:</p>	<p style="text-align: center;"><b><u>Formula</u></b></p> <p><i>Architecture of the formula</i></p> <p><i>There is no consensus on the structure of the formula.</i></p> <p><i>There continue to be two Swiss formula options on the table - one is the simple Swiss formula with two coefficients (one for developed and one for developing country Members) and the other is the so-called ABI formula.</i></p> <p><i>On the basis of the discussions of the Negotiating Group and my consultations with Members, I believe that there is broader and stronger support for the simple Swiss formula with two coefficients and that the discussions should focus on this structure as the more likely to attract a consensus. It should be noted, however, that this support depends on the level of the coefficients and whether they will deliver on Members' interpretations of the Doha mandate and/or paragraph 24 of the Hong Kong Ministerial Declaration. Putting this in different terms, the key questions are: (1) the interpretation of "less than full reciprocity in reduction commitments"; (2) the extent to which "real market access" must also be achieved; and (3) the comparability of any outcome in NAMA to the ambition achieved in Agriculture.</i></p>

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		<p><u>Formula coefficients</u></p> <p><i>There is no consensus on the coefficients for the tariff-reduction formula. I do not believe that the discussions in the Negotiating Group provide a basis on which to establish the coefficients, or even to propose a range of numbers within which to focus the discussion</i></p>
<p>5. We further agree on the following elements regarding the formula:</p> <p>– Product coverage shall be comprehensive without <i>a priori</i> exclusions.</p> <p><b>18. We take note of the level of common understanding reached on the issue of product coverage and direct the Negotiating Group to resolve differences on the limited issues that remain as quickly as possible.</b></p>	<p style="text-align: center;"><u>Elements regarding the formula</u></p> <p>We further agree on the following elements regarding the formula:</p> <p>(a) Product coverage shall be comprehensive without <i>a priori</i> exclusions as reflected in document [...].</p>	<p style="text-align: center;"><u>Elements regarding the formula</u></p> <p><u>Product Coverage</u></p> <p><i>There is no consensus on product coverage. There is a wide view that the ideal outcome would be an agreed list with no deviations. However, in light of the impasse in the Negotiating Group, I tabled a proposal for an agreed list (JOB(06)/126/Rev.1) that would include a footnote recording the deviation of two Members without altering the rights of other Members.</i></p> <p><i>Most Members are in favour of an agreed list and were uncomfortable with the proposed footnote. Notwithstanding their reluctance, some Members have expressed a willingness to accept my proposal. Others have insisted on an agreed list with no footnotes or have indicated that they would add their own deviations to the footnote, exacerbating the problem.</i></p> <p><i>It would be unfortunate if we were not able to achieve full agreement on the products covered in the NAMA negotiations. This is essential for the tabling of</i></p>

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<p>– tariff reductions or elimination shall commence from the bound rates after full implementation of current concessions; however, for unbound tariff lines, <b>we adopt a non-linear mark-up approach to establish base rates for commencing tariff reductions.</b></p> <p>– the base year for MFN applied tariff rates shall be 2001 (applicable rates on 14 November);</p>	<p>(b) Tariff reductions or elimination shall commence from the bound rates after full implementation of current concessions; however, for unbound tariff lines, we adopt a constant non-linear mark-up of [...] percentage points to the MFN applied rate in the base year to establish base rates for commencing tariff reductions.</p> <p>(c) The base year for MFN applied tariff rates shall be 2001 (applicable rates on 14 November);</p>	<p><i>schedules and also enhances transparency for traders. It may also avoid disputes in the area of classification and resolve the ambiguities from the Uruguay Round.</i></p> <p><i>In short, my first best solution is to have an agreed list with no deviations. My second-best solution is to have an agreed list with full transparency of any deviation</i></p> <p><b><u>Unbound Tariffs</u></b></p> <p><b><u>Treatment</u></b></p> <p><i>There is consensus on the architecture of the treatment of unbound tariffs, which is a constant, non-linear mark-up.</i></p> <p><b><u>Mark-up</u></b></p> <p><i>There is no consensus on the level of the mark-up, but it is clear that the range is between 5 and 30 percentage points. While Members have their preferences, and there continue to be sensitivities over low and high unbound rates, a great deal of flexibility has been signalled. This flexibility was even more apparent after the simulations of the effects of various formula approaches were issued, as these demonstrated that the effect of the mark-up is relatively small once the formula is applied.</i></p> <p><b><u>Base year</u></b></p> <p><i>There is consensus on this issue.</i></p>

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<ul style="list-style-type: none"> <li>– credit shall be given for autonomous liberalization by developing Members provided that the tariff lines were bound on an MFN basis in the WTO since the conclusion of the Uruguay Round;</li>   <li>– all non-<i>ad valorem</i> duties shall be converted to <i>ad valorem</i> equivalents on the basis of <b>the methodology outlined in document JOB(05)166/Rev.1</b> and bound in <i>ad valorem</i> terms;</li>   <li>– negotiations shall commence on the basis of the HS96 or HS2002 nomenclature, with the results of the negotiations to be finalized in HS2002 nomenclature;</li> </ul>	<ul style="list-style-type: none"> <li>(d)</li>   <li>(e) all non-<i>ad valorem</i> duties shall be converted to <i>ad valorem</i> equivalents on the basis of the methodology outlined in document JOB(05)166/Rev.1 and bound in <i>ad valorem</i> terms;</li>   <li>(f) negotiations shall commence on the basis of the HS96 or HS2002 nomenclature, with the results of the negotiations to be finalized in HS2002 nomenclature to the extent possible.</li> </ul>	<p><u><i>Credit for bound autonomous liberalization by developing countries</i></u></p> <p><i>There is no consensus on this issue. Few developing Members have bound autonomous tariff reductions since the Uruguay Round. While some Members have noted the importance of this issue, they have also acknowledged that it is a difficult concept to operationalize. Perhaps as a result, until very recently, no proposal had been tabled and no discussion had been held on this subject. However, a proposal was tabled just before the preparation of this document. The proposal suggests that an unspecified number of additional points should be added to the coefficient in the formula for those lines which were bound autonomously. There has been no discussion of this proposal, which does not provide specifics on how to assess the value of the liberalization for the purpose of adjusting the coefficient.</i></p> <p><u><i>Ad valorem equivalents</i></u></p> <p><i>A useful multilateral verification process of AVE submissions is ongoing and will need to be concluded soon after the establishment of modalities.</i></p> <p><u><i>Nomenclature</i></u></p> <p><i>Members have the option of submitting schedules in HS96 or HS2002. However, in the former case, the question of finalizing the results in HS2002 will present a challenge to Members and/or the Secretariat due to time constraints. My proposal would be to make the finalization of results in HS2002 a “best efforts” provision.</i></p>

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<p>- the reference period for import data shall be 1999-2001.</p>	<p>(g) the reference period for import data shall be 1999-2001</p> <p>(h) the implementation period for tariff reductions for developed-country Members shall be [...] years and for developing country Members [...] years, to be implemented [...].</p>	<p><b><u>Reference period</u></b></p> <p><i>There is consensus on this issue.</i></p> <p><b><u>Implementation period</u></b></p> <p><i>I suggest that the question of implementation periods be addressed in a new paragraph which would include both the longer implementation periods for developing Members subject to formula cuts (currently addressed in paragraph 8), but also the implementation period for developed countries. Regarding the number of years proposed for implementation, Members' positions are not yet certain enough for me to propose numbers at this stage. My language also leaves open the question of how the tariff reductions will be implemented (e.g. staging etc.), as this has not yet been agreed by Members.</i></p>
<p>6. We furthermore agree that, as an exception, participants with a binding coverage of non-agricultural tariff lines of less than [35] percent would be exempt from making tariff reductions through the formula. Instead, we expect them to bind [100] percent of non-agricultural tariff lines at an average level that does not exceed the overall average of bound tariffs for all developing countries after full implementation of current concessions.</p>	<p><b><u>Flexibilities for developing Members with low binding coverage<sup>1</sup></u></b></p> <p>We furthermore agree that, as an exception, participants with a binding coverage of non-agricultural tariff lines of less than 35 percent would be exempt from making tariff reductions through the formula. Instead, we expect them to bind [70-100] percent of non-agricultural tariff lines at an average level that does not exceed the overall average of bound tariffs for all developing countries after full implementation of current concessions which is at 28.5%.</p>	<p><b><u>Flexibilities for developing Members with low binding coverage</u></b></p> <p><i>There is consensus on the architecture of this exception. The negotiation is now focussed on the binding that such Members would be expected to make. I would note that the proponents of this paragraph have indicated that their acceptance of the 28.5% average binding level was conditional upon an acceptable level of binding coverage. While most other Members are willing to show some flexibility on the binding coverage, they have generally indicated that 70% is unacceptably low. They recognize that other developing Members availing of paragraph 8 flexibilities will have the possibility to maintain 5% of</i></p>

<sup>1</sup> Developing Members concerned are: Cameroon; Congo, Côte d'Ivoire; Cuba; Ghana; Kenya; Macao, China; Mauritius; Nigeria; Sri Lanka; Suriname; and Zimbabwe.



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		<p><i>tariff lines unbound and, as a result, they are willing to consider a 95% percentage binding coverage for these Members. Others have shown greater flexibility. Some have suggested that, as the target tariff average was fixed on the basis of the "overall average of bound tariff for all developing countries after full implementation of current concessions", the same rationale could be used to determine their binding coverage (i.e. 81% if all developing countries except LDCs are included; 93% if the paragraph 6 countries are removed.).</i></p>
<p>7. We recognize that a sectorial tariff component, aiming at elimination or harmonization is another key element to achieving the objectives of paragraph 16 of the Doha Ministerial Declaration with regard to the reduction or elimination of tariffs, in particular on products of export interest to developing countries. We recognize that participation by all participants will be important to that effect. We therefore instruct the Negotiating Group to pursue its discussions on such a component, with a view to defining product coverage, participation, and adequate provisions of flexibility for developing-country participants.</p> <p><b>16. In furtherance of paragraph 7 of the NAMA Framework, we recognize that Members are pursuing sectoral initiatives. To this end, we instruct the Negotiating Group to review proposals with a view to identifying those which could garner sufficient participation to be realized. Participation should be on a non-mandatory basis.</b></p>	<p style="text-align: center;"><b><u>Sectoral negotiations</u></b></p> <p>1. We reaffirm that the sectoral tariff reduction component is another key element to achieving the objectives of Paragraph 16 of the Doha Ministerial Declaration. Participation in sectoral initiatives is on a non-mandatory basis. Such initiatives shall aim to reduce, harmonize or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs and tariff escalation, over and above that which would be achieved by the formula modality, in particular on products of export interest to developing countries.</p> <p>2. We recognise the progress made in a variety of sectors, where discussions among participants in the sectorals have focused on: defining the critical mass which may include the share of world trade and level of participation of competitive producers; the scope of product coverage; the implementation schedule; and special and differential treatment for developing-country participants.</p> <p>3. At the Hong Kong Ministerial Conference, Ministers instructed members to identify sectors which could garner sufficient participation. Members have</p>	<p style="text-align: center;"><b><u>Sectoral negotiations</u></b></p> <p><i>As there is wide agreement on the core issues, I have taken the initiative of proposing compromise language on sectoral negotiations. I believe that, at the Hong Kong Ministerial, Ministers resolved the most contentious issue on sectoral negotiations – the non-mandatory nature of participation in such initiatives. I believe that the other concerns which have been voiced concerning language proposed by ten Members and circulated as JOB(06)/125 can be bridged. I have used this document as the basis for my proposed text.</i></p> <p><i>I would note that a concern was raised that, given the lack of clarity on matters such as critical mass and the potential impact that sectorals could have on products of export interest to least-developed countries, sectorals should not be part of the modalities language. However, it is difficult for me to ignore the fact that Ministers have agreed that sectorals are a "key element" in the NAMA negotiations. I believe that such concerns could be accommodated through dialogue between concerned Members and the proponents of sectoral initiatives, especially in the area of product coverage, implementation periods and special and differential measures.</i></p>

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	<p>started submitting specific textual proposals on the following sectors: Autos and related parts, Bicycles and related parts, Chemicals, Electronics/Electrical products, Fish and fish products, Forest products, Pharmaceuticals and medical devices, Gems and Jewelry, Raw materials, Sports equipment, Hand Tools and Textiles, Clothing and Footwear.</p> <p>4. We instruct Members participating in the sectoral initiatives to intensify their work and finalise the details of each sector in order to be in a position to incorporate any outcomes of such negotiations on a conditional basis in the draft comprehensive schedules of participating members at the time of their submission. Work could continue thereafter, if necessary, to encourage broader participation in the sectoral initiatives referred to under paragraph 3 above or in any additional sectoral initiatives aiming at greater-than-formula reduction or elimination of tariffs in particular on products of export interest to developing countries.</p>	<p><u>Harmonization proposal on the Textiles and Clothing Sector</u></p> <p><i>A sectoral proposal on tariff harmonization in the textile and clothing sector has been submitted by Turkey. Many Members, including the proponent, have acknowledged that it is a sectoral initiative which is different in nature from the other sectoral initiatives on which work is currently ongoing. It proposes mandatory participation and leaves open the possibility of an outcome that is not over and above that which would be achieved by the formula. While this proposal enjoys the support of some Members, it is also firmly opposed by many others, who argue that it does not satisfy the requirements of the mandate</i></p>

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		<i>from Ministers. It is clear that the proponents will be challenged to garner sufficient support for this proposal.</i>
<p>8. We agree that developing-country participants shall have longer implementation periods for tariff reductions.</p> <p>In addition, they shall be given the following flexibility:</p> <p>(a) applying less than formula cuts to up to [10] percent of the tariff lines provided that the cuts are no less than half the formula cuts and that these tariff lines do not exceed [10] percent of the total value of a Member's imports; or</p> <p>(b) keeping, as an exception, tariff lines unbound, or not applying formula cuts for up to [5] percent of tariff lines provided they do not exceed [5] percent of the total value of a Member's imports.</p> <p>We furthermore agree that this flexibility could not be used to exclude entire HS Chapters.</p>	<p><b><u>Flexibilities for developing Members subject to the formula</u></b></p> <p>Developing-country participants shall be given the following flexibility:</p> <p>(a) applying less than formula cuts to up to [10] percent of the national tariff lines provided that the cuts are no less than half the formula cuts and that these tariff lines do not exceed [10] percent of the total value of a Member's non-agricultural imports; or</p> <p>(b) keeping, as an exception, tariff lines unbound, or not applying formula cuts for up to [5] percent of national tariff lines provided they do not exceed [5] percent of the total value of a Member's non-agricultural imports.</p> <p>We furthermore agree that this flexibility could not be used to exclude entire HS Chapters.</p>	<p><b><u>Flexibilities for developing Members subject to the formula</u></b></p> <p><u>Implementation Period</u></p> <p><i>(See section on implementation period above.)</i></p> <p><u>Architecture</u></p> <p><i>There is consensus on the architecture of paragraph 8 flexibilities.</i></p> <p><u>Numbers</u></p> <p><i>There is no consensus on the percentage of tariff lines that will be covered by these flexibilities. However, while some Members continue to believe that the current numbers in 8(a) and 8(b) are the minimum or maximum of what should be offered, my sense is that Members could agree to the numbers already in the brackets provided the coefficients in the formula are satisfactory. My advice, therefore, would be to treat these numbers as a working hypothesis and focus discussions on the coefficients in the formula.</i></p> <p><u>Alternative to the use of paragraph 8 flexibilities</u></p> <p><i>There is no consensus on the proposal submitted by Mexico which suggested adding 5 points to the coefficient for any developing Member that did not exercise its right to use paragraph 8 flexibilities. Some Members have supported this proposal but</i></p>

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		<i>indicated reservations about the number of additional points to be added to the coefficient. Others have expressed opposition to the proposal, arguing that it would establish a precedent for an “a-la-carte” application of the formula.</i>
<p><b>21. We note the concerns raised by small, vulnerable economies, and instruct the Negotiating Group to establish ways to provide flexibilities for these Members without creating a sub-category of WTO Members.</b></p>	<p style="text-align: center;"><b><u>Small, Vulnerable Economies</u></b></p> <p><u>The criteria</u></p> <p>With the exception of developed countries, Members having a share of NAMA trade (exports and imports) of less than [0.1%] of world trade for a reference period of 1999 to 2001, or best available data, as contained in document TN/MA/S/18 may use the following modality for tariff reduction:</p> <p>It is understood that this does not create a sub-category of WTO Members.</p>	<p style="text-align: center;"><b><u>Small, Vulnerable Economies</u></b></p> <p><u>The criteria</u></p> <p><i>There is consensus on the use of this criterion to determine eligibility for additional flexibilities as a small, vulnerable economy.</i></p> <p><i>While recognizing that this benchmark establishes only that an economy is small, in terms of its NAMA trade, Members have acknowledged the difficulties of articulating additional criteria to establish that economies are also vulnerable and can accept the single criterion.</i></p> <p><i>The proponents have proposed additional criteria related to agricultural trade and total goods (both NAMA and agriculture) trade. Many Members oppose the use of such criteria, arguing that this would create a new sub-category of Members. I would note, in this regard, that it is important for many Members that the treatment of small, vulnerable economies in these negotiations does not create a precedent for future negotiations.</i></p> <p><i>Finally, it was noted that this criterion should be understood as only a “trigger” for eligibility – that is, the criterion alone should not define the group of countries that will have access to these flexibilities. Members will recall that the proponents do not include all countries with trade below this threshold.</i></p>

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	<p><u>The treatment</u></p>	<p><u>The treatment</u></p> <p><i>There is no consensus on the treatment of small, vulnerable economies.</i></p> <p><i>There are two basic options on the table: a paragraph 6-type solution or a paragraph 8-type solution. The <u>first option</u> has two variations, one put forward by the SVEs proponents and the second by Norway. The SVE proponents have suggested a banded approach while Norway's proposal is more similar in structure to paragraph 6, with a single target tariff average. The <u>second option</u> is to use a paragraph 8-type solution, which would envisage increasing the flexibilities in paragraph 8. There are different permutations of this option including adding percentage points to the existing numbers in paragraph 8; removing the trade limitation, combining sub-paragraph (a) and (b), and by extending the implementation period.</i></p> <p><i>Unfortunately, I am unable to provide much guidance on this issue. I would note that one factor which has made this discussion difficult is the diverse tariff profiles of the SVE proponents. Beyond this, I can only repeat my view that a satisfactory contribution from these Members can be achieved using either the paragraph 8 or paragraph 6 approach. The central question, therefore, is how great a contribution is required of these Members.</i></p>

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<p>9. We agree that least-developed country participants shall not be required to apply the formula nor participate in the sectorial approach, however, as part of their contribution to this round of negotiations, they are expected to substantially increase their level of binding commitments.</p>	<p style="text-align: center;"><b><u>Least-Developed Countries (LDCs)</u></b></p> <p><u>Flexibilities for LDCs</u></p> <p>We recall the decision of July 2004 General Council to exempt LDCs from participating in the formula for tariff reduction and the sectorial approach. However, as part of their contribution to this Round of negotiations, LDCs are expected to substantially increase their level of tariff binding commitments. We therefore reaffirm that individual LDCs will determine the extent and level of tariff binding commitments in accordance with their individual development objectives.</p>	<p style="text-align: center;"><b><u>Least-Developed Countries (LDCs)</u></b></p> <p><u>Flexibilities for LDCs</u></p> <p><i>There is consensus on this language.</i></p>
<p>10. Furthermore, in recognition of the need to enhance the integration of least-developed countries into the multilateral trading system and support the diversification of their production and export base, we call upon developed-country participants and other participants who so decide, to grant on an autonomous basis duty-free and quota-free market access for non-agricultural products originating from least-developed countries by the year [...].</p>	<p><u>Market Access for LDCs</u></p> <p>We reaffirm the need to help LDCs secure beneficial and meaningful integration into the multilateral trading system. In this regard, we recall the <i>Decision on Measures in Favour of Least-Developed Countries</i> contained in decision 36 of Annex F of the Hong Kong Ministerial Declaration (the "Decision"), and reaffirm our commitment to fully implement the Decision as agreed.</p> <p>We reaffirm our commitment to ensuring that preferential rules of origin applicable to imports from LDCs will be transparent, simple and contribute to facilitating market access in respect of non-agricultural products.</p> <p>We also reaffirm our commitment to progressively achieve compliance with the Decision referred to above, taking into account the impact on other developing countries at similar levels of development.</p>	<p><u>Market Access for LDCs</u></p> <p><i>There is consensus on this language, subject to confirmation from capitals by some Members.</i></p>

<b>July Framework, modified or supplemented by the Hong Kong Ministerial Declaration (in bold), as appropriate</b>	<b>Modalities</b>	<b>Chairman's remarks</b>
	<p>We reaffirm that developing country Members shall be permitted to phase in their commitments and enjoy appropriate flexibility in coverage.</p> <p>Accordingly, by the time Members submit their comprehensive draft schedules of concessions, developed-country Members shall, and developing-country Members declaring themselves in a position to do so should:</p> <ul style="list-style-type: none"> <li>- inform the WTO of the products that are currently covered under duty free and quota free market access for LDCs;</li> <li>- notify the internal procedures by which they will implement the Decision; and</li> <li>- provide an indication of the possible time frame within which they intend to fully implement the Decision as agreed.</li> </ul>	
<p>11. We recognize that newly acceded Members shall have recourse to special provisions for tariff reductions in order to take into account their extensive market access commitments undertaken as part of their accession and that staged tariff reductions are still being implemented in many cases. We instruct the Negotiating Group to further elaborate on such provisions.</p>	<p style="text-align: center;"><b><u>Recently Acceded Members (RAMs)</u></b></p> <p>In recognition of their extensive market access commitments undertaken as part of their accession and that staged tariff reductions are still being implemented in many cases, the Recently Acceded Members shall have an additional implementation period of [ ] years in respect of [ ].</p> <p>In recognition of their extensive market access commitments undertaken as part of their accession and their current economic circumstances, Armenia, Kyrgyz Republic and Moldova shall not be required to undertake tariff reductions.</p>	<p style="text-align: center;"><b><u>Recently Acceded Members (RAMs)</u></b></p> <p><u>Who is a RAM?</u></p> <p><i>An informal understanding was reached that for the purposes of complying with paragraph 58 of the Hong Kong Declaration concerning RAMs, the relevant negotiating bodies should consider the situation of all those Members who have acceded to the WTO since its establishment, with the exception of those who have since become members of the European Union and those who are LDCs. In addition, any further countries which acceded before the conclusion of the negotiations under the DDA should also be considered. It is also understood that if Bulgaria becomes a member of the European Union before the</i></p>

July Framework, modified or supplemented by the Hong Kong Ministerial Declaration (in bold), as appropriate	Modalities	Chairman's remarks
		<p><i>conclusion of the Round, it would not be considered a RAM for the purposes of paragraph 58 of the Hong Kong Declaration.</i></p> <p><i>On that basis, the potential list of RAMs for the purposes of paragraph 58 of the Hong Kong Declaration would be as follows: Ecuador, Bulgaria, Mongolia, Panama, Kyrgyz Republic, Jordan, Georgia, Albania, Oman, Croatia, Moldova, China, Chinese Taipei, Armenia, Former Yugoslav Republic of Macedonia and Saudi Arabia.</i></p> <p><u><i>Treatment of RAMs</i></u></p> <p><i>There is consensus that additional flexibility in the form of longer implementation periods should be extended to all recently acceded Members. However, Members have differing views on how such longer implementation periods should apply. Some have argued that the extension should apply to all tariff lines while others would restrict the extension to tariff lines on which accession commitments have not yet been fully implemented.</i></p> <p><i>There is also consensus that the small, low-income economies in transition (Armenia, Moldova and Kyrgyz Republic) should be given special consideration.</i></p> <p><i>There is a widely held view among Members that, in addition to these flexibilities, RAMs should also make use of other flexibilities for which they are eligible (for example, there may be a number of RAMs who may be eligible to use the flexibilities for developing countries that apply the formula, or for small, vulnerable economies).</i></p>



<b>July Framework, modified or supplemented by the Hong Kong Ministerial Declaration (in bold), as appropriate</b>	<b>Modalities</b>	<b>Chairman's remarks</b>
		<i>A proposal was submitted by China providing options for additional flexibilities that might be accorded to RAMs, including a higher coefficient, greater paragraph 8 flexibilities and grace periods for the implementation of the formula. In addition to these flexibilities, Croatia proposed that the grace period and implementation period be increased. Little support was expressed for these proposals.</i>
<p>12. We agree that pending agreement on core modalities for tariffs, the possibilities of supplementary modalities such as zero-for-zero sector elimination, sectorial harmonization, and request &amp; offer, should be kept open.</p>	<p style="text-align: center;"><b><u>Supplementary Modalities</u></b></p> <p>We agree that Members may use the request &amp; offer approach as a supplementary modality following agreement on the core modalities.</p>	<p style="text-align: center;"><b><u>Supplementary Modalities</u></b></p> <p><i>Supplementary modalities will be used once the formula has been agreed to. In my view, the only supplementary modality which is feasible from a practical point of view, once the core modality is agreed to, is the request &amp; offer modality. I would note that sectoral negotiations provide a vehicle for zero-for-zero tariff elimination and tariff harmonization, and that the doors remain open to new proposals on sectoral agreements. I do not know what other type of supplementary negotiation is available, so am not sure of the relevance of the term "such as" in the July Framework language. In other words, the language in the July Framework strikes me as being outdated. I have proposed some new language in the middle column to take account of the evolution of the negotiations</i></p>
<p>13. In addition, we ask developed-country participants and other participants who so decide to consider the elimination of low duties.</p>	<p style="text-align: center;"><b><u>Elimination of low duties</u></b></p> <p>In addition, we ask developed-country participants and other participants who so decide to consider the elimination of low duties.</p>	<p style="text-align: center;"><b><u>Elimination of low duties</u></b></p> <p><i>Presumably, the question of elimination of low duties will be taken up after agreement on the formula and at the discretion of Members. Therefore, I believe that the language can be transferred from the July Framework to the middle column.</i></p>

<b>July Framework, modified or supplemented by the Hong Kong Ministerial Declaration (in bold), as appropriate</b>	<b>Modalities</b>	<b>Chairman's remarks</b>
<p>14. We recognize that NTBs are an integral and equally important part of these negotiations and instruct participants to intensify their work on NTBs. In particular, we encourage all participants to make notifications on NTBs by 31 October 2004 and to proceed with identification, examination, categorization, and ultimately negotiations on NTBs. We take note that the modalities for addressing NTBs in these negotiations could include request/offer, horizontal, or vertical approaches; and should fully take into account the principle of special and differential treatment for developing and least-developed country participants.</p> <p><b>22. We note that the Negotiating Group has made progress in the identification, categorization and examination of notified NTBs. We also take note that Members are developing bilateral, vertical and horizontal approaches to the NTB negotiations, and that some of the NTBs are being addressed in other fora including other Negotiating Groups. We recognize the need for specific negotiating proposals and encourage participants to make such submissions as quickly as possible.</b></p>	<p style="text-align: center;"><u><b>Non-tariff barriers (NTBs)</b></u></p> <p>We reaffirm that negotiations on NTBs are an integral and equally important element to achieving the objectives of paragraph 16 of the Doha Ministerial Declaration. The NTB initiatives shall aim to reduce or eliminate, as appropriate, non-tariff barriers, in particular on products of export interest to developing countries and to enhance market access opportunities achieved through the tariff formula modality and sectoral initiatives.</p> <p>Progress has been made in the identification, examination and categorization of non-tariff barriers. Discussions have focused on defining the nature of the barrier, the scope of products affected and potential solutions. Some Members have also already submitted specific requests and specific negotiating proposals, including on horizontal issues such as export taxes, export restrictions, remanufactured goods and a future mechanism for resolving NTBs, as well as on vertical initiatives on automobiles, electronic products, textiles, clothing and footwear and wood products.</p> <p>Members have expressed different views regarding these proposals and negotiations are now required to obtain results in line with the mandate.</p> <p>Members are instructed to finalize their NTB work in 2006 before the conclusion of the tariff negotiations in order to multilateralize the outcomes through <i>inter alia</i> incorporating them where appropriate into Part III of schedules. We recall that these non-tariff barrier negotiations can include request/offer, horizontal and vertical approaches and they should also take fully into account the principle of special</p>	<p style="text-align: center;"><u><b>Non-tariff barriers (NTBs)</b></u></p> <p><i>As there is wide agreement on the core issues, I have taken the initiative of proposing compromise language on NTBs. This text merges two textual proposals on the table - one from the US/EC and the other from the NAMA-11 group of developing Members, which based itself on the US/EC text.</i></p> <p><i>Important details remain to be sorted out in respect of all the proposals, but in respect of some proposals the unresolved issues are more fundamental than for others. In particular, many Members oppose the proposals to negotiate disciplines in respect of export taxes or export restrictions, arguing that these issues fall outside the explicit mandate and the balance of issues struck in Doha. Others note that there is no agreed definition of a non-tariff barrier to guide the discussions. While no decisions on specific NTB proposals are required at this time, I make these points only to underline that, while we may be able to agree on modalities language on the process, a consensus on the substance of some NTB proposals remains, at best, uncertain.</i></p>

<b>July Framework, modified or supplemented by the Hong Kong Ministerial Declaration (in bold), as appropriate</b>	<b>Modalities</b>	<b>Chairman's remarks</b>
	and differential treatment for developing and least-developed country participants.	
<p>15. We recognize that appropriate studies and capacity building measures shall be an integral part of the modalities to be agreed. We also recognize the work that has already been undertaken in these areas and ask participants to continue to identify such issues to improve participation in the negotiations.</p>	<p><b><u>Appropriate Studies and Capacity Building Measures</u></b></p> <p>We commit ourselves to exploring and enhancing effective delivery mechanisms to assist LDCs, and Members in the early stages of development, through trade capacity-building measures to assist them in addressing challenges that may arise from increased competition as a result of MFN tariff reduction and inherent supply side capacity constraints. These mechanisms shall be designed to enable LDCs, and Members in the early stages of development, to take advantage of increased market access opportunities and shall assist them to meet technical standards/requirements and to address product and market diversification as well as to overcome other non-tariff measures.</p>	<p><b><u>Appropriate Studies and Capacity Building Measures</u></b></p> <p><i>This language has very wide support. Some Members expressed concerns about the fact that the scope of the paragraph may have been expanded through the inclusion of the phrase "Members in the early stages of development". In their view this paragraph was only meant for LDCs. However, others noted that the language in the July Framework did not specify that such measures were for LDCs uniquely. In any event, no Member disputes that such assistance should be provided to LDCs, nor that the broader Aid-for-Trade initiative should include similar assistance for other developing Members.</i></p>
<p>16. We recognize the challenges that may be faced by non-reciprocal preference beneficiary Members and those Members that are at present highly dependent on tariff revenue as a result of these negotiations on non-agricultural products. We instruct the Negotiating Group to take into consideration, in the course of its work, the particular needs that may arise for the Members concerned.</p> <p><b>20. As a supplement to paragraph 16 of the NAMA Framework, we recognize the challenges that may be faced by non-reciprocal preference beneficiary Members as a consequence of the MFN</b></p>	<p><b><u>Non-reciprocal preferences</u></b></p>	<p><b><u>Non-reciprocal preferences</u></b></p> <p><u>Assessment of the scope of the problem</u></p> <p><i>Pursuant to Ministers' instructions at Hong Kong, the Negotiating Group continues to assess the scope of the preference erosion problem. This assessment was greatly assisted by a Secretariat analysis of the key products, key countries and key markets concerned. While no final conclusions have been reached, Members agreed that this was a useful analysis, which should be pursued and which could provide the basis for a discussion of possible solutions.</i></p>

<b>July Framework, modified or supplemented by the Hong Kong Ministerial Declaration (in bold), as appropriate</b>	<b>Modalities</b>	<b>Chairman's remarks</b>
<p><b>liberalization that will result from these negotiations. We instruct the Negotiating Group to intensify work on the assessment of the scope of the problem with a view to finding possible solutions.</b></p>		<p><u>Possible solutions</u></p> <p><i>There is no consensus on possible solutions. The Negotiating Group will need to turn to this question after Members are satisfied that the scope of the problem has been sufficiently defined. Having said this, Members have expressed views – indeed, strong views – on possible solutions.</i></p> <p><i>All Members support targeted Aid-for-Trade to address the underlying challenges faced by preference receiving countries – the diversification of their exports and strengthening of their competitiveness. Many Members are at least open to a discussion of a trade solution, in addition to Aid-for-Trade, but only in respect of longer implementation periods. There is little support for a correction coefficient, the other measure suggested by the proponents of this issue. However, some Members are opposed to any trade measures to respond to the preference problem, as this would be at the expense of their own access to major markets.</i></p> <p><i>There has also been some discussion of whether special consideration should be given to Members who are not beneficiaries of preferences and who may be most affected as a result of a trade solution, such as a longer implementation period for tariff reduction on the key products. A proposal was presented by Sri Lanka suggesting immediate access to preferential regimes for such affected Members. Support for this proposal was mixed but some Members have signalled their possible support for special consideration for these countries through shorter implementation periods.</i></p> <p><i>I would also underline that the resolution of this issue is, even more than others, intimately linked to a</i></p>

<b>July Framework, modified or supplemented by the Hong Kong Ministerial Declaration (in bold), as appropriate</b>	<b>Modalities</b>	<b>Chairman's remarks</b>
		<p><i>satisfactory approach being taken in the agricultural negotiations on the same questions.</i></p> <p><u><i>Tariff Revenue Dependency</i></u>  <i>No textual proposal has been submitted on the issue of tariff revenue dependency. It is my sense, therefore, that the proponents are satisfied that this issue is being resolved through other parts of the modalities.</i></p>
<p>17. We furthermore encourage the Negotiating Group to work closely with the Committee on Trade and Environment in Special Session with a view to addressing the issue of non-agricultural environmental goods covered in paragraph 31 (iii) of the Doha Ministerial Declaration.</p>	<p><b><u>Non-agricultural environmental goods</u></b></p>	<p><b><u>Non-agricultural environmental goods</u></b></p> <p><i>There is no consensus on this subject, beyond the existing mandate.</i></p> <p><i>A proposal was put forward by a group of Members concerning the treatment of environmental goods in the context of the NAMA negotiations. These Members proposed tariff elimination on those products, to be defined by the CTESS. However, this proposal was met with opposition. An alternative textual proposal was submitted by another group of countries proposing that the work of the CTESS to define the approach and a possible list of environmental goods must be completed before any discussion of the treatment of such goods can be taken up in the NAMA negotiations.</i></p> <p><i>Many Members also believe that participation in any initiative in respect of environmental goods should be non-mandatory, while others feel that there is a mandate in 31 (iii) to do something more on these products than on those treated under the formula or the sectoral negotiations.</i></p> <p><i>As there is no progress on this issue to record at this time, my suggestion would be to transfer the July Framework language to the modalities paper.</i></p>

July Framework, modified or supplemented by the Hong Kong Ministerial Declaration (in bold), as appropriate	Modalities	Chairman's remarks
<p><b>24. We recognize that it is important to advance the development objectives of this Round through enhanced market access for developing countries in both Agriculture and NAMA. To that end, we instruct our negotiators to ensure that there is a comparably high level of ambition in market access for Agriculture and NAMA. This ambition is to be achieved in a balanced and proportionate manner consistent with the principle of special and differential treatment.</b></p>	<p><b><u>Paragraph 24</u></b></p>	<p><b><u>Paragraph 24</u></b></p> <p><i>A proposal (TN/MA/W/67) has been made in respect of operationalizing this paragraph. While there was some support for this proposal, and most Members thought it a useful contribution to the negotiations, many of the Members who have taken the floor during discussions on this issue were of the view that individual Members will judge for themselves whether the requirements of this paragraph have been met.</i></p>

**ANNEX:**  
**Specific textual proposals on issues in which broad divergences remain**

**I. FORMULA**

**A. ARCHITECTURE**

**Option 1: A Simple Swiss formula with two coefficients, one for developing and the other for developed Members:**

$$t_1 = \frac{(a \text{ or } b) \times t_0}{(a \text{ or } b) + t_0}$$

where,

- t<sub>1</sub>= Final bound tariff
- t<sub>0</sub>= Base rate
- a = Coefficient for developed Members
- b = Coefficient for developing Members subject to the formula.

*or*

**Option 2: ABI formula**

$$t_1 = \frac{B \times t_a \times t_0}{B \times t_a + t_0}$$

where,

- t<sub>1</sub> is the final rate, to be bound in *ad valorem* terms
- t<sub>0</sub> is the bound base rate
- t<sub>a</sub> is the average of the current bound rates
- B is a coefficient, its value(s) to be determined by the participants

B. COEFFICIENTS

**Option 1: Proposal by Pakistan** (*TN/MA/W/60*)

These coefficients should be based on an objective criterion; taking the overall average of the bound tariff lines for developed and developing countries as their respective coefficients. These averages have been worked out to be 5.48% for developed countries, and 29.12% for developing countries<sup>2</sup>. For the sake of simplicity these could be taken as 6 and 30.

**Option 2: Proposal by Canada; Hong Kong, China; New Zealand, Switzerland, Chinese Taipei and the United States** (*Room document of 8 June 2006*)

The coefficient for developed countries (A) shall be at most five less than the developing country coefficient (B). For example, the developed country coefficient (A) would be [10 or less] provided that the coefficient for the developing countries applying the formula is within five points of the developed country coefficient.

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<sup>2</sup> The calculation was based on the data taken from document TN/MA/S/4/Rev.1/Corr.1. The developed countries mean, Australia, Canada, EC, Iceland, Japan, New Zealand, Norway, Switzerland, and the US, and those developing countries that will apply the formula (i.e. excluding countries under Paragraph 6 & 9).



## II. ELEMENTS REGARDING THE FORMULA

### A. CREDIT FOR BOUND AUTONOMOUS LIBERALIZATION MEASURES BY DEVELOPING COUNTRIES

#### - **Proposal by the NAMA-11** (*Room document of 16 June 2006*)

(d) Noting that some developing countries have bound<sup>3</sup> their tariffs on an MFN basis in the WTO since the conclusion of Uruguay Round, credit shall be given for such autonomous liberalization provided that the tariff lines were bound before commencement of the Doha Round. Credit will be effected by allowing the relevant developing country Member to use a coefficient [ ] points higher than the applicable coefficient to that Member in the agreed formula, for undertaking further reduction of these autonomously bound tariff lines.

## III. SECTORALS

### A. HARMONIZATION PROPOSAL ON THE TEXTILES AND CLOTHING SECTOR

#### - **Proposal by Turkey** (*Presentation of 14 June 2006*)

##### *Methodology:*

Parallelism with certain aspects of the formula:

- The same coefficients will be utilized.
- Different average rates of harmonization for developed and developing countries.
- Maximum tariff rate for a Chapter will be the Swiss Formula coefficient.
- Harmonization will be at the average rates derived through the application of the Swiss Formula with "to be agreed" coefficients in each Chapter.

Reduction in each tariff line with no exception.

## IV. PARAGRAPH 8 FLEXIBILITIES

### A. ALTERNATIVE TO THE USE OF PARAGRAPH 8 FLEXIBILITIES

#### - **Proposal by Mexico** (*Room document of 21 April 2006*)

Developing country Members that do not use the flexibilities provided for in paragraph 8 of Annex B of the July framework, will be allowed 5 additional points in the coefficient in the application of the tariff reduction formula.

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<sup>3</sup> India (WT/Let/374), Korea (WT/Let/302), Pakistan (WT/Let/424), Sri Lanka (WT/Let/398)

**V. SMALL, VULNERABLE ECONOMIES**

**A. PARAGRAPH 6-TYPE SOLUTION**

**Option 1: Proposal by the SVE group** (*Room document of 15 June 2006*)

The treatment proposed for small, vulnerable economies would be that these countries would not be subject to formula cuts, but would bind 100% of their non-agricultural tariff lines at average levels reflected in the following bands:

<b>Current Bound Average %</b>	<b>Average % Cut</b>	<b>Expected Final Bound Average %</b>
≤ 37	[...]	[...]
38 – 47	[...]	[...]
48 – 57	[...]	[...]
≥ 58	[...]	[...]

1. Tariff reduction for SVEs shall be on the basis of lower tariff cuts for those in the lower bands and higher cuts for those in the higher bands
2. In meeting this requirement, beneficiaries would make minimum reductions of [ ] percent on a maximum of [ ] percent of individual tariff lines
3. In the specific case of Fiji with less than 50% binding coverage, Fiji shall be allowed to keep [5%] of their lines unbound while binding the remaining [95%] at an average of [ ].
4. The implementation of the tariff reduction commitments should be staged over a longer period than other developing countries in order to ensure a smooth liberalisation process and not jeopardise the industrial and social development prospects of the small, vulnerable economies.

**Option 2: Proposal by Norway** (*Room document of 6 June 2006*)

Such Members will bind [100%] of their non-agricultural tariffs. The average bound tariff level of such a Member will not exceed [X] percent after the implementation period. In meeting this requirement, beneficiaries would make minimum reductions of [Y] percent on individual tariff lines.

**B. PARAGRAPH 8-TYPE SOLUTION**

**Option 3: Proposal by Costa Rica and Uruguay** (*Room document of 30 May 2006*)

Developing countries that have been identified by the above mentioned criteria to be small and vulnerable economies will benefit from a unique [X] additional percentage points to the figure currently in brackets in Paragraph 8(a) or Paragraph 8(b)<sup>4</sup>.

**Option 4: Proposal by the NAMA-11** (*Room document of 6 June 2006*)

- i. Once the number in brackets of paragraph 8 (a) and (b) has been agreed for developing countries, additional flexibility beyond that shall be identified for SVEs; further relaxation of the trade limitation, in particular, is an avenue worth exploring, considering the economic situation of SVEs, with a longer implementation period; or
- ii. The SVEs could be permitted access to paragraphs 8 (a) and (b) cumulatively, with a longer implementation period.

## VI. RECENTLY ACCEDED MEMBERS

### **Option 1: Proposal by China** (*Room document of 12 June 2006*)

**Croatia proposed some changes which have been incorporated below**

1. The coefficient for the Swiss formula applicable to Recently Acceded Members shall be 1.5 times of that for developing-country participants.
2. In addition, the Recently Acceded Members shall be given the flexibility of applying less than formula cuts to up to 15 percent of tariff lines provided that the cuts are no less than half the formula cuts; or  
  
the Recently Acceded Members may choose exemption from formula cuts for up to 10 percent of tariff lines.
3. The Recently Acceded Members shall have an implementation period [3-5] years longer than that for developing-country participants.
4. The Recently Acceded Members shall have a grace period for [3-5] years before the start of implementation of DDA commitments.

### **Option 2: Proposal by the NAMA-11** (*JOB(06)/194*)

NAMA 11 recognises the diversity in the tariff profiles of the RAMs as well as their specific situations. Accordingly, it would be appropriate that RAMs that declare themselves to be akin to developed countries should adopt the modalities applicable to developed countries. Other RAMs should adopt the modalities applicable to developing countries or LDCs, as the case may be, with all the attendant flexibilities and special and differential provisions. The NAMA 11 also proposes that the RAMs be allowed a longer implementation period.

The particular situation of some recently-acceded low income economies in transition shall be considered separately, to allow them adequate and appropriate flexibilities.

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<sup>4</sup> The additional [X] percentage points will depend on the share of NAMA trade to be agreed in the selection criteria. These [X] percentage points would be higher if the threshold of NAMA trade is lower, and vice versa.

## VII. NON-RECIPROCAL PREFERENCES

### A. POSSIBLE SOLUTIONS

#### - **Proposal by the NAMA-11** (*JOB(06)/194*)

In this regard, the NAMA 11 proposes a two-pronged solution:

*i) A longer implementation period for the reductions affecting such tariff lines.* This implementation period for those developed country Members who provide preferences shall not be longer than the implementation period set for developing country Members.

*ii) Additional technical and financial assistance, including through the Aid for Trade initiative,* to help address supply constraints, promote diversification of markets, export basket and sources of imports and mitigate the costs of adjustment and restructuring.

Developed countries who have been granting long standing preferences shall explore ways to achieve the fuller utilization of existing schemes, including, for example through the simplification of rules of origin.

The developed countries shall ensure that adequate steps will be taken to remedy the disproportionate adverse effects on non-beneficiaries by any measures agreed in this regard.

### B. TREATMENT OF MEMBERS MOSTLY AFFECTED BY A TRADE SOLUTION

#### - **Proposal by Sri Lanka** (*Room document of 16 June 2006*)

As it has proposed by some Members<sup>5</sup>, a longer implementation period for the reductions, affecting tariff lines sensitive to preference erosion, becomes a part of modalities; steps should be taken to remedy its adverse effects, at a disproportionate level, on some non-beneficiaries of preferences. The Secretariat paper identifies, in the case of the United States, small group of countries with such disproportionate impact<sup>6</sup>.

To minimize the adverse impact on non-beneficiaries whose exports under “tariff lines sensitive to the preference erosion”, to the particular developed country market, cover Y% of total exports should be provided preferential access<sup>7</sup> to that market, from the beginning of the implementation period.

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<sup>5</sup> ACP and NAMA-11.

<sup>6</sup> These include Bangladesh, Cambodia and Sri Lanka. The share of exports of the 22 most sensitive products from the ACP list to the United States consists of over 48.2% for Sri Lanka, 52.9% for Bangladesh and 59.4% for Cambodia.

<sup>7</sup> Most favourable non-reciprocal preference extended to ACP member with similar rules of origin.

## VIII. NON-AGRICULTURAL ENVIRONMENTAL GOODS

### **Option 1: Proposal by Canada, the EC, New Zealand, Singapore, Switzerland and the United States** (*Room document of 14 June 2006*)

Further to paragraph 31(iii) of the Doha Ministerial Declaration we agree to eliminate tariffs on environmental goods as soon as possible, but no later than 2008 for developed countries and those developing countries declaring themselves in a position to do so. For other developing countries, tariffs should be eliminated by X years thereafter. Further flexibilities for developing countries may include exclusions for a limited number of products (e.g., similar to a “complementary” or “development” list). ”

### **Option 2: Proposal by the NAMA-11** (*Room document of 16 June 2006*)

The Committee on Trade and Environment in Special Session (CTE-SS) is addressing the mandate contained in paragraph 31 of the Doha Declaration with a view to enhancing the mutual supportiveness of trade and environment. Without prejudging the outcome of the negotiations, this could be achieved by means, inter alia, of the CTE-SS agreeing on approaches to the reduction or, as appropriate, elimination of tariffs and non-tariff barriers to consensually defined environmental goods and services.

While encouraging the Negotiating Group on NAMA to work closely with the CTE-SS on relevant issues, Ministers note that treating environmental goods in the NGMA before the CTE-SS has fulfilled its mandate would amount to prejudging the outcome of negotiations under paragraph 31 iii.

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