

TN/MA/W/35: POSSIBLE OPTIONS

A number of proposals for amendments to the "Draft Elements" (TN/MA/W/35) have been put forth since it has been circulated. As a result, the following adjustments to the "Draft Elements" are being proposed by the Chairman for consideration.

1. Formula

The basic formula, as set out in the "Draft Elements" would remain unchanged:

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

However, adjustments to certain parameters of the formula may be considered, for example:

1. For the parameter "t_a", participants could consider 'capping' the value of "t_a" at a certain level. This level would need to be determined by the participants.
2. The calculation of "t_a" could be disassociated from the calculation of the base rates. For example, one could consider calculating "t_a" using a 50/50 weighting of the average of all bound rates (after full implementation of current concessions) and the average of all applied rates.¹ The base rates (t₀) used in the formula would remain unchanged.
3. Participants with a binding coverage of non-agricultural tariff lines that is less than 35 percent would be exempted from making tariff reductions arising from the application of the formula. Instead, they would be expected to bind 100 percent of non-agricultural tariff lines at the overall level of the average bound tariffs of all developing countries after full implementation of current concessions [27.5 percent].

2. Additional Provisions for Developing and Least-Developed Participants

In order to take into account comments raised with respect to paragraph 8.a) of the "Draft Elements", it is proposed that this sub-paragraph could be amended as follows:

"for developing country participants, longer implementation periods for tariff reductions would be applicable. In addition, they would be given flexibility through the option of keeping tariff lines unbound or not applying formula cuts to up to 5 percent of tariff lines provided that a) they do not exceed 5 percent of the total value of a Member's imports, calculated for the reference period², and b) no more than 1 percent (1 percent of tariff lines providing they do not exceed 1 percent of the Member's imports) could be taken in one HS Chapter."

¹ However, if the average of the 2001 MFN applied rates exceeds the average of the final bound rates, the average of the bound rates would be used.

² Does not apply to those products included in the sectorial tariff elimination approach.

3. Newly Acceded Members

Instead of providing special treatment to this group of participants through a different coefficient "B" in the formula, it is proposed that participants consider a) longer implementation periods or b) a "grace period" of length "x", to be determined by the participants, which would commence after implementation of current commitments.

4. Non-Tariff Barriers (NTBs)

In addition to the provisions already set out in paragraph 13 of the "Draft Elements" for NTBs, participants could consider adding special provisions for the treatment of developing and least-developed participants. It is noted that the section on tariffs already incorporates S&D provisions, but the section on NTBs does not currently contain similar treatment. While it may be premature to have specific language regarding S&D given that the type of NTBs and their modalities are still to be determined, the recognition of such treatment could be included as part of paragraph 13.
