

WORLD TRADE ORGANIZATION

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Negotiating Group on Market Access

NEGOTIATING GROUP ON MARKET ACCESS

Progress Report by the Chairman, Ambassador Don Stephenson, to the Trade Negotiations Committee

I. STATUS OF WORK

1.1 Since the last report to the TNC, the NAMA Group has held one meeting from 18 to 21 April which was convened through an organizational fax dated 11 April 2006. At that meeting, I circulated a report on the consultations I had undertaken the preceding weeks (to be issued as a JOB document). In addition, the Group undertook a multilateral review of the AVE submissions of the following Members: Switzerland, US, India, New Zealand, Japan, Norway, Chinese Taipei, EC, Canada, Korea, Former Yugoslav Republic of Macedonia, Australia and Pakistan. Questions were raised on the submissions from the US, India, New Zealand, Japan and Australia. It was agreed that the Group would revert to these files and take up new submissions at a future meeting.

1.2 Several new documents were presented in plenary namely: a paper by the US entitled "Progress Report: Sectoral Discussions on Tariff Elimination in the Chemicals Sector (TN/MA/W/18/Add.13). Five papers by Japan entitled: (1) "Progress Report: Proposal for enhanced Transparency on Export Restrictions" (JOB(06)/21/Rev.1); (2) "Tariff Elimination in the Electronics/Electrical Sector, Illustrative Product List" (JOB(06)/84); (3) "Sectoral Initiative for Tariff Elimination in Automotive and Related Parts Sector" (JOB(06)/87); (4) "Modification History of the Text for Enhanced Transparency on Export Restrictions" (JOB(06)/29/Rev.2); and (5) "Text-Based Proposal for Negotiation on Enhanced Transparency on Export Restrictions" (TN/MA/W/15/Add.4). A paper by Japan, Singapore, Thailand and the United States entitled "Tariff Elimination in the Electronics/Electrical Sector" (JOB(06)/85). Four papers by the EC entitled (1) "Negotiating Proposal on Export Taxes"; (2) "Negotiating Proposal on Non-Tariff Barriers in the Automotive Sector"; (3) "Negotiating Proposal on Non-Tariff Barriers in the Electronics Sector"; and (4) "Negotiating Proposal on Non-Tariff Barriers in the Textiles/Clothing and Footwear Sector" (these documents will be issued in the TN/MA/W/_ series). Turkey also referred to its proposal entitled "Harmonization in the Textiles and Clothing Sectors" (JOB(06)/60). Finally, I drew attention of the Negotiating Group to a document which had been circulated by the Secretariat entitled "[Draft] Doha Schedules on Goods: Guidelines for preparation and procedures for submission" (JOB(06)/99), and I indicated that this paper would be taken up at a future meeting of the Negotiating Group.

1.3 In view of the end-April deadline for full modalities, the meeting also had as objective to accelerate the movement to a text-based negotiation. This was done in the context of several open-ended Room W sessions where proposed texts on various issues were considered. We made progress on some elements such as: (1) reaching an understanding on the architecture for the treatment of unbound tariff lines; (2) an understanding on some technical issues in paragraph 8; (3) establishing the threshold for paragraph 6 Members; (4) having more or less agreed language in respect of paragraph 9 of the NAMA framework concerning the contribution of LDCs to the NAMA negotiations; and (5) having more specific proposals from proponents, in the form of texts. However, on the core modalities, which will define the level of ambition, there was no progress. Members refused to

engage in a substantive manner on these issues and, in fact, we seemed to be at risk of going backwards.

1.4 In this connection, I felt that it would be useful to draw up the attached annex, which I hope will help focus our work towards full modalities. The annex is divided into three columns. 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 language for full modalities. In some cases, this is language on which there is agreement. In other cases, there is sufficient consensus on the issue or the language that I have taken the liberty of proposing modalities language. The third column is the Chair's remarks, which contains proposed text on which there is no consensus, as well as my very brief notes on what the issues are that remain to be decided. The middle column reflects how far we have advanced on the path to full modalities; as you can see, it is rather blank. My intention is to use this document as a "rolling document" with the objective of filling in the middle column as quickly as possible in the weeks ahead. It should be understood that the proposed modalities language (the second column) is built on informal consensus in the Negotiating Group or a simple transposition from the Framework and Hong Kong Ministerial Declaration. However, until there is explicit agreement in the Negotiating Group, this language remains a proposal by the Chair.

II. OUTSTANDING ISSUES

2.1 As already indicated, on the core issues, which will define the level of ambition of the NAMA negotiations, no movement can be reported. At the same time, on issues such as treatment of paragraph 6 Members, small and vulnerable economies, non-reciprocal preferences, and newly acceded Members progress remains slow.

III. FUTURE WORK

3.1 There is a consensus that the Negotiating Group must now move to a process of intensive and continuous negotiations. It should be a process that continues to move us to a text-based discussion. In addition, it must be Geneva-based and respect the "bottom-up" approach.

3.2 As regards the sequencing of our negotiations, I believe that the issue of ambition in NAMA will only be resolved when the same question is determined in the agricultural negotiations. However, we cannot afford to wait for the agriculture negotiation to progress before we begin to find solutions for any of the issues in NAMA. Nor can we leave all issues to be dealt with at the end of the negotiation. We all know that is a recipe for failure. We need to clear the way for the issue of ambition to be resolved - together with agriculture and perhaps ultimately by Ministers - and we need to do this by solving as many other issues as possible. In my view, therefore, we have to continue to work to address the questions related to exceptions and outstanding technical issues, as a first priority, and leave the question of ambition to be resolved as a second step. The details of this process are as follows:

Week	Proposed work
24 – 28 April	Bilateral meetings, particularly with proponents, to advance proposals sufficiently to warrant further discussion in the Negotiating Group.
1 - 5 May	Plurilateral consultations (typically Room E format) focused on exceptions and outstanding technical issues.
8 - 19 May	NAMA Weeks, focused on finalizing the modalities defining who would be covered by what exception, where necessary, and the level of their contribution to the NAMA outcome.

22 May – 26 May	Bilateral and plurilateral consultations on the different issues, as required.
29 May – 2 June	Plurilateral consultations (typically Room E format) focused on the formula, the mark-up for unbound tariffs and paragraph 8 flexibilities.
5 June - 16 June	NAMA Weeks, focussed on finalizing the modalities defining the level of ambition.

Annex “A”

July Framework, modified or supplemented by the Hong Kong Ministerial Declaration (in bold), as appropriate	NAMA modalities	Chairman's remarks
<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 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>We recall that in paragraph 16 of the Doha Ministerial Declaration 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 agree to the following modalities for the NAMA negotiations as set out below.</p>	

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<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>14. We adopt a Swiss Formula with coefficients at levels which shall <i>inter alia</i>:</p> <ul style="list-style-type: none"> - 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 - Take fully into account the special needs and interests of developing countries, including through less than full reciprocity in reduction commitments. <p>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.</p>	<p><u>Formula</u></p> <p>We agree that the following Swiss Formula shall apply on a line-by-line basis:</p>	<p><i>No progress has been made since the Hong Kong Ministerial on the formula.</i></p> <p><i>The two options on the table are:</i></p> <p><i>(a) <u>a Simple Swiss Formula with two coefficients, one for developing and the other for developed Members:</u></i></p> $t_1 = \frac{(a \text{ or } b) \times t_0}{(a \text{ or } b) + t_0}$ <p><i>where,</i></p> <p>t₁= Final bound tariff t₀= Base rate a = Coefficient for developed Members b = Coefficient for developing Members subject to the formula.</p> <p><i>or</i></p> <p><i>(b) the <u>ABI proposal</u></i></p> $t_1 = \frac{B \times t_a \times t_0}{B \times t_a + t_0}$

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		<p>where,</p> <p>t_1 is the final rate, to be bound in <i>ad valorem</i> terms</p> <p>t_0 is the bound base rate</p> <p>t_a is the average of the current bound rates</p> <p>B is a coefficient, its value(s) to be determined by the participants</p>
<p>5. We further agree on the following elements regarding the formula:</p> <ul style="list-style-type: none"> - Product coverage shall be comprehensive without <i>a priori</i> exclusions. <p>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.</p> <ul style="list-style-type: none"> - tariff reductions or elimination shall commence from the bound rates after full implementation of current concessions; however, for unbound tariff lines, we adopt a non-linear mark-up approach to establish base rates for commencing tariff reductions. - the base year for MFN applied tariff rates shall be 2001 (applicable rates on 14 November); 	<p><u>Elements regarding the formula</u></p> <p>We further agree on the following elements regarding the formula:</p> <ul style="list-style-type: none"> (a) Product coverage shall be comprehensive without <i>a priori</i> exclusions as reflected in document [...] (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 establish base rates for commencing tariff reductions. (c) The base year for MFN applied tariff rates shall be 2001 (applicable rates on 14 November); 	<p><i>Work on product coverage has moved forward, however a small number of differences remain. I have presented a proposal (JOB(06)/126) to Members concerning product coverage in the NAMA negotiations and hope that it will provide a basis on which Members can move forward.</i></p> <p><i>For unbound tariff lines there is an understanding on the architecture, i.e. to use a constant non-linear mark up approach, but without any numbers.</i></p>

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<ul style="list-style-type: none"> - 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; - 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; - negotiations shall commence on the basis of the HS96 or HS2002 nomenclature, with the results of the negotiations to be finalized in HS2002 nomenclature; - the reference period for import data shall be 1999- 2001. 	<ul style="list-style-type: none"> (d) (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; (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; (g) the reference period for import data shall be 1999-2001 	<p><i>No proposal has been put forward.</i></p> <p><i>I have circulated a document entitled "[Draft] Doha Schedules on Goods: Guidelines for Preparation and Procedures for Submission" (JOB(06)/99) which remains to be discussed. On the basis of those discussions, Members will need to decide whether it is feasible for all of them to finalize results in HS2002.</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><u>Flexibilities for developing Members with low binding coverage¹</u></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 [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><i>Progress has been made insofar as the square brackets have been removed around the 35% binding coverage, thereby establishing the group of Members covered by this paragraph. On the question of treatment two proposals have been put forward by the proponents:</i></p> <p><i>1) To have a binding coverage of 95%, with an overall average of bound tariffs not exceeding 50%; or</i></p>

¹ 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>2) <i>To have a binding coverage of 70% with an overall average of bound tariffs not exceeding 28.5%.</i></p> <p><i>Note: the overall average of bound tariffs for all developing countries after full implementation of current concessions is estimated at 28.5%. This figure was calculated by the Secretariat in the following way. Using the Annex Tables of the 2005 World Trade Report, average bound rates of non-agricultural products of all developing country Members excluding LDCs were extracted. The figure of 28.5 per cent is a simple average of the country averages shown in the Report. Each Member was given the same weight irrespective of the binding coverage. Only ad valorem tariff duties were included as no AVEs had at that time been provided to the Secretariat. The ten Members that acceded to the EU were not included but all other economies in transition were included. The earlier figure of 27.5 per cent included the ten Members that recently acceded to the EU.</i></p> <p><i>It would appear that while some Members are willing to negotiate the level of the binding coverage, others are willing to negotiate the overall average. A small number of Members expressed support for the proposal as presented.</i></p>
<p>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.</p>		<p><i>No textual proposal has been tabled by the proponents, although one has been promised which will cover both the issue of treatment and criteria.</i></p> <p><i>With respect to <u>the treatment</u>, there has been a suggestion by the proponents of small, vulnerable economies to use a paragraph 6- type solution to address their concerns. There are several Members who have expressed</i></p>

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		<p><i>reservations about such an idea and have indicated a preference for an expanded paragraph 8 solution. Others seem willing to consider a paragraph 6 type solution, but would need to see the proposal before taking a definitive position.</i></p> <p><i>With respect to <u>criteria</u>, (i.e. who will be covered?), the question continues to be an open-ended one, with preferences varying from using trade criteria such as: NAMA exports, NAMA exports and imports, NAMA and Agriculture exports to alternative or additional criteria which demonstrate the vulnerability aspect of such economies through importance of trade to GDP, revenue dependency and the degree of export diversification.</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>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.</p>		<p><i>The following textual proposal on sectorals has been submitted by ten Members and circulated as JOB(06)/125. The changes in relation to the text circulated by Singapore at the Room W session on 20 April 2006 are in bold.</i></p> <p>"1. We reaffirm that the sectorial tariff reduction component on a critical mass basis is another key element to achieving the objectives of Paragraph 16 of the Doha Ministerial Declaration. The sectoral initiatives shall aim to reduce 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.</p> <p>2. We recognise the good progress made in a variety of sectors which are being pursued on a non-mandatory</p>

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		<p>participation basis. Discussions have focused on defining the critical mass, scope of product coverage, 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 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 and Hand Tools.</p> <p>4. We instruct participating members of the sectoral initiatives to intensify their work and finalise the details of each sector with respect to the critical mass level, product coverage, implementation schedule, end rates and appropriate provisions for special and differential treatment for developing-country participants.</p> <p>5. The outcome of the sectoral negotiations should be incorporated on a conditional basis in the draft comprehensive schedules of participating members no later than 31 July 2006. Work could continue thereafter, if necessary, to encourage broader participation by members in the</p>

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		<p>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 interests to developing countries."</p> <p><i>There was broad support for the Singapore text. However, some Members expressed concern that the language did not take into account the concerns of non-participating Members about the impact that such initiatives may have on products of export interest or potential export interest to them.</i></p> <p><i>Turkey has submitted a proposal on harmonization of duties in the textile and clothing sector as well as language which amended the Singapore text. While some Members feel that such a sectoral initiative complies with the mandate because it will result in the "liberalization or harmonization" of a sector and should therefore be included in the language on sectorals, several others feel that as this initiative does not foresee formula cuts, it does not comply with the mandate; particularly as the mandate speaks of line-by-line formula cuts with no a priori exclusions.</i></p>
<p>8. We agree that developing-country participants shall have longer implementation periods for tariff reductions. In addition, they shall be given the following flexibility:</p>	<p><u>Flexibilities for developing Members subject to the formula</u></p> <p>8. We agree that developing-country participants shall have longer implementation periods for tariff reductions. In addition, they shall be given the following flexibility:</p>	<p><i>There has been no discussion on the implementation period. Some Members indicated that this would depend on the level of the formula cut.</i></p>

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<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>(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><i>On the flexibilities, understanding has been reached on some technical issues as follows:</i></p> <p><i>- "provided that the cuts are no less than half the formula cuts" means 50% of the formula cut or more at the discretion of Members.</i></p> <p><i>- Reference to imports was to non-agricultural imports.</i></p> <p><i>- Reference to tariff lines is to "national tariff lines".</i></p> <p><i>- Reference to flexibilities not being used "to exclude entire HS chapters" can be interpreted only in a strictly legal manner.</i></p> <p><i>The issue of transparency i.e. giving advance notice of products to be covered by Paragraph 8 remains unresolved.</i></p> <p><i>Mexico also submitted the following textual proposal:</i></p> <p style="padding-left: 40px;"><i>"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. "</i></p> <p><i>Some Members have supported this proposal but indicted reservations about the number 5. Others have expressed opposition, arguing that it would establish a precedent for an a-la-carte application of the formula.</i></p>

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		<p><i>On the numbers in paragraph 8, no progress has been made. Some Members feel that the current numbers are a bare minimum, others feel that they are too high. Some feel that paragraph 8 is a stand-alone provision which should not be influenced by the formula discussion, while others feel that the numbers in paragraph 8 are very closely tied to the level of the coefficient in the formula.</i></p>
<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><u>Least-Developed Countries (LDCs)</u></p> <p><u>Flexibilities for LDCs</u></p>	<p><i>Language on paragraph 9 of the NAMA Framework was proposed by the LDCs as follows:</i></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><i>There is broad support for this language, but a proposal was made to amend it to include an encouragement to LDCs to consider making tariff reductions if they feel that it is in their interest to do so. This amendment remains to be addressed.</i></p>

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<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><i>The following language was proposed by the LDCs:</i></p> <p>"When Members submit their comprehensive draft schedules of concessions, they shall indicate how they intend to implement the commitments they assumed under the <i>Decision on Measures in Favour of Least-Developed Countries</i> contained in paragraph 36 of Annex F of the Hong Kong Ministerial Declaration. In particular, they shall indicate:</p> <ul style="list-style-type: none"> - how they intend to provide duty free and quota free market access on a lasting basis for non-agricultural products originating from LDCs by 2008; ➤ the means they will adopt to provide duty-free and quota-free market access in a manner that ensures stability, security and predictability; and - which products they intend to exclude initially from duty-free and quota-free market access, the steps they intend to take to progressively achieve compliance with the obligation to provide duty free and quota-free market access to all products from all LDCs; and the time frame within which they intend to complete those steps; and

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		<p>- the steps they intend to take to ensure 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>Developing Country Members shall be permitted to phase in their commitments and shall enjoy appropriate flexibility in coverage."</p> <p><i>There was no agreement on this language. The questions raised were whether this language should recall and reaffirm the decision in Annex F of the Hong Kong Ministerial Declaration and whether this issue should be dealt with in the NAMA modalities or horizontally.</i></p>
<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><u>Newly Acceded Members</u></p>	<p><i>The following language was proposed by Croatia on behalf of the NAMs it represents.</i></p> <p>"Based on the Paragraph 11 of Annex B of the July Framework the Negotiating Group on Market Access reiterates that Recently 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. Therefore, the Negotiating Group shall reach decision on such provisions which would effectively address the concerns by RAMs no later</p>

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<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 & offer, should be kept open.</p>	<p><u>Supplementary Modalities</u></p>	<p>than 30 days from reaching the agreement on numbers in the area of formula, unbound duties and paragraph 8 flexibilities."</p> <p><i>There was consensus on this language. However, it is clear that the logic of this proposal is going to disappear, as we are not going to reach full modalities by end-April.</i></p> <p><i>In any event, the questions which will need to be addressed post-April are: 1) Who is a NAM?; 2) What treatment should they be accorded?; and 3) Should the treatment be the same for all the NAMS?</i></p> <p><i>There has been no discussion. Presumably these supplementary modalities will be used once the formula had been agreed to.</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><u>Elimination of low duties</u></p>	<p><i>There has been no discussion. Presumably this question will be taken up after agreement on the formula and at the discretion of Members.</i></p>
<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</p>	<p><u>Non-tariff barriers (NTBs)</u></p>	<p><i>The following language is a mix of the texts proposed by the US and the EC.</i></p> <p>"We reaffirm that NTBs are an integral and equally important element to achieving the objectives of paragraph 16 of the Doha Ministerial Declaration.</p>

July Framework, modified or supplemented by the Hong Kong Ministerial Declaration (in bold), as appropriate	NAMA modalities	Chairman's remarks
<p>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>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.</p>		<p>The NTB initiatives shall aim to reduce or eliminate non-tariff barriers and will 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, including on horizontal issues such as export taxes, export restrictions and remanufactured goods, as well as on vertical initiatives on automobiles, electronic products, textiles, clothing and footwear and wood products. Discussions have focused on defining the nature of the barrier, the scope of products affected and potential solutions. Some Members have also already submitted their specific negotiating proposals. We note that some of the NTBs are being addressed in other fora, including other Negotiating Groups.</p> <p>Negotiations are now required to obtain the results expected by Members in this area. We take note of the deadlines for negotiating proposals and bilateral requests suggested by the Chairman of the Negotiating Group as guidance for the work. In particular, Members shall endeavour to table their horizontal and vertical proposals by 30 April 2006 so as to allow text-based negotiations to begin in early May. Members' bilateral requests, shall also, in principle, be submitted by 30 April, with revised requests and offers due by 31 May and 30 June respectively.</p>

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		<p>Members are instructed to finalize their work in 2006 before the conclusion of the tariff reduction process, including the multilateralization of 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 and differential treatment for developing and least-developed country participants."</p> <p><i>There was broad support for this text. However, some Members take the view that measures such as export taxes and export restrictions are not part of the mandate and should not be discussed in the Negotiating Group.</i></p> <p><i>Depending on when modalities are established and the state of play of the NTB negotiations at that time, this language would need to be adapted.</i></p>

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<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><u>Appropriate Studies and Capacity Building Measures</u></p>	<p><i>This language was provided by the LDCs.</i></p> <p>"In recognition of the special situation of LDCs, we commit ourselves as part of these negotiations to developing and enhancing effective delivery mechanisms to build trade capacity to assist LDCs 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 to take advantage of increased market access opportunities and shall assist them to meet technical standards/requirements, comply with rules of origin, and to address product and market diversification as well as to cope with other non-tariff measures."</p> <p><i>A suggestion was made to include a reference to Aid For Trade, the Integrated Framework and the Global Trust Fund as the instruments which will enhance the trade capacity of LDCs. This suggested amendment remains to be addressed.</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><u>Non-reciprocal preferences and tariff revenue dependency</u></p>	<p><i>The situation is difficult insofar as positions continue to be extremely polarized on the issue of non-reciprocal preferences. While more work has been done in respect of assessing the scope of the problem, and there is a recognition that both the number of Members and number of products affected are limited, in the view of some</i></p>

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<p>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 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.</p>		<p><i>Members' further assessment of the scope of the problem has to be undertaken on a line-by-line, and country-by-country basis.</i></p> <p><i>Others feel that the scope of the problem has been assessed and there now needs to be trade solutions to address the identified problems. Such a trade solution could take the shape of a correction coefficient or longer implementation periods for affected products. However, another view has been expressed that only a solution such as Aid for Trade would be required and acceptable, and a solution which would not be detrimental to other developing Members.</i></p> <p><i>On tariff revenue dependency no textual proposal has been provided by the proponents on this issue.</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><u>Non-agricultural environmental goods</u></p>	<p><i>There has been no discussion and the CTESS is continuing to work on this subject.</i></p>
