WORLD TRADE ORGANIZATION

TN/MA/W/7/Add.1
11 March 2005

(05-1031)

Negotiating Group on Market Access

Original: English

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

A Proposal for a Simple Non-Linear Formula with Credits

Communication from Norway

Addendum

The following communication, dated 10 March 2005, is being circulated at the request of the Delegation of Norway.

I Introduction:

1. The objective of this paper is to propose a simple, non-linear formula that can easily be understood and explained, while at the same time fulfilling the mandate from Doha and the guidance in the July 2004 Framework for Establishing Modalities in Market Access for Non-Agricultural Products.

2. Norway proposes a non-linear formula with two coefficients that includes a simple and transparent element of credits. This would provide Members with a certain degree of flexibility in how they fulfil the Doha mandate in the context of the NAMA negotiations.

3. The level of ambition provided by the formula, - as expressed by the two coefficients, - will be subject to further negotiations with the objective of fulfilling the ambitious mandate for the NAMA- negotiations established by Ministers in Doha.

II What the formula is intended to achieve:

♦ Ensure substantial reduction of peaks, high tariffs and tariff escalation by using a Swiss formula where the coefficient establishes a maximum level of tariffs after the formula is applied.
♦ Incorporate the concept of less than full reciprocity of the Doha mandate by using a modified Swiss formula with two coefficients, one for developed and one for developing country Members.
♦ Give Members flexibility in deciding how to shape their contribution to the overall result through a concept of credits.
♦ Reward those Members who contribute to a more liberal trading regime for Non-Agricultural products through a system of credits incorporated into the formula, which includes:
  - credits for participation in sectoral components that reduce or eliminate tariffs on products of particular export interest to developing countries;
  - credits for applying the formula to all tariff lines;
  - credits for improving predictability through full tariff bindings.

III The formula:

4. This idea could be made operational in the following manner:

$$(1)\ T_1 = \frac{(A * T_0)}{(T_0 + C)}$$

where
T_1 = new bound tariff after formula cut
T_0 = old bound tariff
A = coefficient indicating the level of ambition. A will have one value for developed, and another for developing country Members.
C = credit a country gets for:

- binding 100 per cent of NAMA tariff lines.
- participating in sectoral tariff components that eliminates, or lowers to an agreed level, tariffs on products of export interest to developing countries.
- foregoing the use of the flexibilities in paragraph 8 of the July 2004 Framework for Establishing Modalities in Market Access for Non-Agricultural Products

IV Operationalising the system of credits:

5. The formula has two parameters to be determined in negotiations, A and C. The coefficients A sets the level of ambition in the formula. The parameter C determines how much more ambitious the formula will be for those Members who choose not to contribute through the credit system. Members also have to agree on how much credit is to be given for different contributions. The fact that there are limited numbers of parameters to be negotiated should make the process transparent and sufficiently easy to manage.

6. The system does not require Members to do anything other than apply the formula, but it rewards those who choose to do more than the formula requires in certain areas.

7. The credit parameter C is set at a level higher than the coefficient A. When a Member receives credits because of contributions it makes in the areas indicated above, C is reduced. When C is reduced, the cuts resulting from the formula are also reduced. The more a Member contributes, the smaller C becomes, and the higher the new bound tariffs become. If a Member chooses to meet all requirements as indicated above and thereby qualifies for maximum credit, C is reduced to the point where it equals the coefficient A. That Member will then cut its tariffs in accordance with a Swiss formula with the relevant coefficient, either the developed country coefficient or the developing country coefficient.

V How credits will be given:

8. Whether a Member receives credits, and if so, how much, will depend on the level of commitments the Member undertakes in its schedule. A Member will receive credit if the schedule includes:

❖ 100 per cent of NAMA tariff lines bound.

- The formula cuts applied to all tariff lines. This means not using the flexibilities contained in paragraph 8 of the July 2004 Framework for Establishing Modalities in Market Access for Non-Agricultural Products .
- Participating in sectoral tariff components that eliminates, or lowers to an agreed level, tariffs on products of export interest to developing countries.

9. Developed country Members will only receive credits for participation in all sectoral tariff components of export interest to developing countries.

10. Participation in a sectoral tariff component that eliminates, or lowers to an agreed level, tariffs on products of export interest to developing countries, is important in order to fulfil the goal of the Doha declaration of further integrating the developing countries into the global trading system. It is particularly important that improved access to potential or current export markets is granted to products of export interest to the least developed countries. Norway proposes that the Members agree on a list of products of export interest to developing country Members, especially the LDCs, and grant credits to Members that liberalise trade in these sectors.

VI Who the formula will apply to:

11. The formula will apply to all Members, with the following exceptions outlined in Annex B of the Framework for Establishing Modalities in Market Access for Non-Agricultural Products:

- The Least Developed Countries (Angola, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Democratic Republic of the Congo, Djibouti, Gambia, Guinea, Guinea Bissau, Haiti, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Senegal, Sierra Leone, Solomon Islands, Tanzania, Togo, Uganda and Zambia)
- Members covered by Paragraph 6 of the Framework, namely Members with a binding coverage of less than [35] percent (Cameroon, Congo, Côte d'Ivoire, Cuba, Ghana, Kenya, Macao China, Mauritius, Nigeria, Sri Lanka, Suriname and Zimbabwe)

____