

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Squaring the circle of ambition plus flexibility:
providing options for developing countries

Communication from Chile, Colombia and Mexico

The following communication, dated 23 February 2005, is being circulated at the request of the Delegations of Chile, Colombia and Mexico.

1. Annex B of the July Decision provides the key elements that have to be negotiated in order to fulfil the Doha mandate in NAMA. At this stage, and having completed a first round of technical consultations on all issues, Members need to engage in more focused discussions of specific proposals to move the process forward.
2. In this new phase of the negotiations, it is important to concentrate the work of the NAMA negotiating group on the level of ambition to be achieved, and to establish different ways to achieve this objective.
3. It is widely recognised that a non-linear formula is the core element of the negotiation. At the same time, it is acknowledged that developing Members need some room for flexibility.
4. The result of the negotiations should provide developing countries with the alternatives to address their differences in sensitivities, without undermining the overall level of ambition. In our view, providing options to accommodate specific concerns of developing countries would allow us to avoid a least common denominator outcome.
5. Within this context, the present document intends to articulate the key negotiating elements in the framework agreement, with a view to reconcile ambition and flexibility.
6. In line with paragraphs 6 and 9 of Annex B of the July Decision, some developing Members would be exempted from this approach.
7. The aim is to reach ambitious results through this approach, so any sectorial discussion would be addressed at a later stage, if necessary.
8. The elements of the framework agreement whose values will determine the outcome of the exercise include:
 - Percentage of tariff lines to be bound at the end of the exercise, in accordance with paragraph 8 of Annex B of the July Decision.

- Coefficient of the non-linear formula, which will determine the depth of tariff cuts.
- Possibility to exclude totally or partially a number of products (with bound tariffs) from the application of the non-linear formula, in accordance with paragraph 8 of Annex B of the July Decision.
- Implementation period for tariff cuts.

9. The approach proposed here requires first defining, for a given level of ambition, a menu of options. Each option would contain different combinations of values for each of the elements outlined above. Each developing Member would then choose a particular option. The options are self-contained, so they cannot be combined.

10. For this exercise to be meaningful, it has to ensure that the different options entail real tradeoffs. In other words, greater flexibility in one of the elements would have to be offset by an equivalent tightening of one or more of the other elements. All options should attain the same overall level of ambition.

11. The following conceptual example might better illustrate this approach:

Elements	Option 1	Option 2	Option 3	Option 4
Final binding coverage (%) ¹	Lower [95%]	Medium	Full binding	Full binding
β coefficient in the non-linear formula	β_1	β_2	β_2	β_4
Exceptions / deviations from the formula ²	No	No	Yes	No
Implementation period	Shorter	Medium	Longer	Medium
	=	=	=	=
Equivalent overall level of ambition				

$$\beta_1 < \beta_2 < \beta_4$$

12. The proposed approach has the following advantages:

- It is based on the existing framework, without introducing new elements.
- It provides developing countries with appropriate flexibility in choosing the conditions for liberalization, while ensuring that the burden of commitments is evenly distributed among them.
- By providing different alternatives to deal with specific sensitivities of Members, the probability to reach an agreement is increased.

¹ In accordance with paragraph 8 of Annex B of the July framework.

² In accordance with paragraph 8 of Annex B of the July framework.

- This approach is consistent with less than full reciprocity and special and differential treatment.
 - By accommodating developing Members' specific concerns, it opens the door for a higher overall level of ambition than would otherwise be the case. Of course, the level of ambition in NAMA will also be determined by the shape of the overall package.
 - The number of options would be limited, so as to allow the necessary comparisons between them.
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