

WORLD TRADE ORGANIZATION

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Negotiating Group on Market Access

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MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Unbound Tariff Rates – Establishment of Base Rates

Communication from Canada, Hong Kong, China, New Zealand and Norway

The following communication, dated 7 March 2005, is being circulated at the request of the Delegations of Canada, Hong Kong, China, New Zealand and Norway.

1. In the context of the application of a tariff-cutting formula, it is of course necessary to make a decision as to how base rates will be established in the case of tariffs that are currently unbound. In TN/MA/W/35/Rev.1, it was proposed that such unbound rates might be doubled in order to establish their base rates. However, a number of delegations argued that for low rates a doubling would be inadequate. On the other hand, some delegations took the view that for high rates a doubling would be excessive.

2. As a solution that could address the needs of all Members, Canada, Hong Kong, China, New Zealand and Norway propose that a non-linear mark-up be applied to unbound rates. We suggest a simple method whereby 5 percentage points (absolute) would be added to each unbound rate before the formula is applied. This constitutes a non-linear mark-up, with sample results as follows:

<u>Unbound applied tariff rate</u>	<u>New base rate</u>	<u>Percentage Mark-up</u>
0	5%	--
1 %	6 %	500 %
2	7	250
3	8	166.6
4	9	125
5	10	100
10	15	50
15	20	33.3
20	25	25
25	30	20
30	35	16.6
35	40	14.3
40	45	12.5
50	55	10
60	65	8.3
70	75	7.1
80	85	6.3
90	95	5.6
100	105	5

3. The mark-up would only be applied to unbound rates that are subject to the formula cuts. The attached graph illustrates the effect of the non-linear mark-up.
4. We welcome the views of other Members on this proposal.

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