

# WORLD TRADE ORGANIZATION

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## Negotiating Group on Market Access

### OVERVIEW OF PROPOSALS SUBMITTED

#### Introduction

1. Paragraph 3 of the "Programme of meetings for the negotiations on market access for non-agricultural products" adopted by the Group on 19 July 2002 foresees "a consolidated overview of proposals to be submitted to participants at the first meeting of the Group in 2003".

2. The overview has been prepared on the basis of written submissions by participants which were circulated in the TN/MA/W/- document series. The overview has not taken into account points made in the area of environmental goods and non-tariff barriers. In light of the rather preliminary nature of the discussion on these subjects, it was felt that an overview on these subjects would be more useful at a later stage. For the purpose of this review, more than one communication from the same delegation has been counted as one submission (this concerns the EC, US, Japan, Korea and India). In addition, a submission made by a group of participants was also considered as one submission (this concerns LDCs and Mercosur). In light of the above 18 submissions may be considered to have been received and have been taken into account in this overview

3. While the "Programme of meetings..." foresees an overview of the proposals of modalities submitted, the attention of participants is drawn to the fact that the nature of the submissions differed considerably. In some instances the submissions contained concrete proposals on modalities, in others they contained views or ideas on the negotiations and yet in others there was a mix of both. No distinction was made between the various submissions and information provided in all of them has been taken into account, if relevant to this exercise.

4. The overview is structured in the following manner. Section I contains a listing of eighteen issues which have been identified in the submissions. In addition, items 19 and 20 refer to newly acceded Members and LDCs, respectively and reflect points raised in connection with these two categories of participants. Each subject has been looked at from two angles: firstly an overview of the submissions relating to each subject has been presented and secondly the special and differential treatment/Less than full reciprocity in reduction commitments aspect of the subject as contained in the submissions has been provided. Section II sets out in a tabular form the items listed in Section I and reproduces the specifics of the submissions pertaining to each of the items as well as any special and differential treatment/Less than full reciprocity in reduction commitments aspect. Participants have also been identified in this section for ease of reference. An annex reproducing the various formulas proposed has been attached to the end of the document.

## **Section I:**

### 1. **Product Coverage**

#### ***Overview of submissions***

Nine submissions were identified in which reference was made to product coverage. Five of them state that all non-agricultural products should be subject to negotiations. Another submission states that in principle the entire tariff universe would be subject to negotiations. Two other submissions speak of comprehensive or broad product coverage without *a priori* exclusions. Another submission qualifies that there should be no exceptions on product coverage for developed countries.

#### ***Special and differential treatment/Less than full reciprocity in reduction commitments***

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### 2. **Elimination of Tariffs**

#### ***Overview of submissions***

Four submissions make a reference to the elimination of tariffs. In one case elimination of all duties is foreseen for 2015. In another case, elimination of tariffs on most non-agricultural products at least in OECD countries has been proposed. Another submission provides that developed Members could have as an objective to eliminate their tariffs within a certain specified period following an initial one-off reduction at the conclusion of the Doha Round. The fourth submission makes a reference to expanding the scope of duty-free trade.

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In one of the four submissions, it is noted that, where possible, elimination of tariffs on products of interest to developing countries should take place.

### 3. **Core Modality**

#### ***Overview of submissions***

A variety of modalities are proposed. Thirteen of the eighteen submissions suggest the use of a formula approach. In some of these cases no detail regarding the formula has been provided. Among the proposals where some detail has been provided, a distinction has been made for the purpose of this overview between formulas that apply on a line-by-line basis and formulas that foresee a reduction in the average tariff. It is to be noted that in one case the modality proposed uses both approaches. Two of the thirteen submissions foresee sectoral initiatives as being a core part of the modality along with the formula.

Of the remaining submissions, one submission proposes giving priority consideration to approaches of general application (formula cut and sectoral approaches), and the Swiss formula with different coefficients has been referred to as a possible formula. Another submission suggests the use of a formula approach as an option. The remaining three submissions propose a "cocktail approach", a "combination of approaches" and a sector-by-sector approach, respectively.

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Thirteen submissions make a specific reference to special and differential treatment. Nine of them state that formula-based approaches could vary the cut for developing and developed countries. One example which is provided is through the use of different coefficients. Another submission speaks of higher percentage reductions to be set for developed countries than for developing countries. The percentage reduction for the latter group of countries is also to be determined in light of their dependence on customs revenue. Two of the nine submissions state that sectors and products of substantial export interest to developing country Members should be subject of priority reductions. Of the remaining four submissions, one submission states that Members should agree to deeper cuts for textiles, clothing and footwear. Another submission proposes the use of a "cocktail approach" for developing countries rather than the formula approach it has proposed for developed countries. Another submission states that once agreement has been reached on the modalities, Members can turn to "more precise and customised approaches" to take account of individual development needs. The last submission speaks of adopting a broad rather than restricted approach to the negotiations. It provides that developing countries should be able to maintain the same concession level for certain products or apply only minimum reductions to them.

4. Supplementary approaches

***Overview of submissions***

- Harmonization and/or sectoral elimination initiatives

Eleven submissions make a reference to sectoral initiatives. Although contained in the section entitled "supplementary approaches", there are two submissions which view sectoral initiatives as being part of the core modality. Another submission states that sectoral initiatives might be a supplementary method to a formula for sectors where a critical mass (ex. 80% of world trade) can be achieved. Three submissions speak of expanding existing sectoral agreements both in terms of their membership and products, and introducing new sectoral initiatives. Details have not always been provided regarding the sectors for which such initiatives are proposed. Additionally it is not always clear which new sector is being proposed for zero-for-zero and which for harmonization. In one submission the view was expressed that once a general formula was applied, an evaluation could be undertaken and if deemed necessary, work could be undertaken at a later stage on the basis of zero-for-zero initiatives. Another submission states that Members should be free to decide their participation in such initiatives in light of their own needs. Three submissions indicate that recourse to sectoral initiatives should be kept to a minimum, may be useful in exceptional circumstances or should be taken when reductions obtained through the formula were insufficient, respectively.

- Request/offer approach

Six submissions make a reference to the use of the request/offer process. Five of them indicate that such an approach can be used in certain circumstances, for example on a limited number of products. The sixth submission favours such an approach due to variations in tariff structures of Members.

***Special and differential treatment/Less than full reciprocity in reduction commitments***

- Harmonization and/or sectoral elimination initiatives

Four of the eleven submissions make a reference to this aspect. One of them states that sectoral initiatives would need to incorporate higher harmonized tariff levels, greater credit for tariff reductions and longer implementation periods for developing countries. Two submissions note that

there could be flexibility for developing countries in terms of implementation and staging periods. One submission states that particular emphasis should be put on sectors of interest to developing countries.

- Request/offer approach

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5. Elimination of low/nuisance duties

*Overview of submissions*

Eleven submissions make a reference to the elimination of "low"/"nuisance" tariffs. Two submissions indicate that a definition of such duties is required. Of which, one states that only those "nuisance tariffs" considered to be "truly burdensome" should be eliminated. In two other submissions the view was expressed that the formula should incorporate a feature whereby duties below a specified level are eliminated. In another two cases a definition has been provided whereby duties are considered low when they stand at 2.5% or less (for developed countries) or at 5% or less, respectively. One submission considers that an elimination of such a duty is a concession like any other reduction or elimination of tariffs. While another submission states that the elimination of nuisance tariffs should not be considered as a concession equivalent to the reduction of higher tariffs. In another submission, a participant expressed the view that developed country Members should eliminate all their "lowest tariffs".

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Two submissions make a reference to this aspect. One submission specifies that all duties beneath a floor are to be eliminated, and since such duties are mostly in developed countries, such action would benefit developing countries. The second submission states that developing country Members should be free to maintain low tariffs.

6. Tariff Peaks, Tariff Escalation and High Tariffs

*Overview of submissions*

Twelve submissions make a reference to these issues. One submission proposes a formula which will address the question of tariff peaks and high tariffs and indicates that for the problem of tariff escalation additional steps might need to be taken. In three submissions, an idea is advanced to have a cap on maximum level of tariffs. Another submission states that following agreement on a definition of tariff peaks an average reduction of X per cent can be agreed upon. A view is expressed in one submission that tariff peaks and tariff escalation should be rectified through zero-for-zero and harmonization sectoral approaches. It also states that tariff escalation should be subject of consultation. Another submission states that these issues may be addressed through the request/offer approach. Three of the twelve submissions speak of the need to clarify the definition of one, two or all of these terms. Of which one states that negotiations would need to discuss the methodology and definitions related to tariff escalation in order to address the issue adequately. Another submission states that a definition of these terms is not needed, while another submission defines a tariff peak as a tariff rate which is three times more than the simple average tariff level. One submission proposes that Members should not impose a tariff on any product in excess of three times their average tariff. The last submission states that mechanisms should be incorporated in the modalities to reduce or eliminate tariff peaks and tariff escalation.

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Two of the twelve submissions refer to this aspect. One of which states that problems of tariff peaks, high tariffs, tariff escalation on products of export interest to developing countries should be effectively dealt with. Some examples of products of export interest to developing countries and on which tariff peaks are concentrated have been provided. The second submission states that a formula could tackle tariff peaks and high tariffs which are common to products of export interest to developing countries.

7. Bindings/Binding coverage

***Overview of submissions***

Thirteen submissions refer to the subject of binding coverage. Nine of those submissions call for an increase in the binding coverage, with six of them proposing the binding of all non-agricultural products. A tenth submission indicates that only developed countries should bind all items, while the eleventh one makes a reference to all Members binding their tariff rates "after reduction".

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Four of the thirteen submissions make a reference to this aspect. Two submissions indicate that developing countries should have the flexibility to not bind all tariff lines. If bindings are to be made, one of the three submissions speaks of the flexibility for developing countries to bind them at levels "generally above the higher of the bound rates prevailing for bound items in a country's tariff schedule". Another one speaks of the flexibility to bind tariffs at rates commensurate with the level of the country's industrial development. One of the remaining two submissions suggests that bindings at present applied rates would be counted as concessions from poorer developing countries, while the last submission states that longer transitional periods should be given to developing countries.

8. Binding Overhang

***Overview of submissions***

Seven submissions refer to this subject. Five speak of narrowing the gap between bound and applied rates as an objective. The sixth speaks of an approach based on an average reduction once tariff peaks have been defined.

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The seventh submission states that flexibility should be given to developing countries to determine the level of bindings of their tariff lines.

9. Base rates

***Overview of submissions***

Sixteen submissions refer to this point. Twelve of the submissions propose the use of bound rates as the starting-point of these negotiations. There is some question in certain instances as to whether reference is being made to final bound rates or to current bound rates. In two of the four remaining submissions, a proposal has been made to use applied rates as the base rate. In one case the applied rates which are closer to the start of the negotiations are to be used, while in the other applied rates as of 1 January 2002 or UR final bound levels are to be used whichever is lower. Another submission provides that developed country Members should take 2000 applied rates as base rates.

Another submission provides that for developed countries the base rates should be the target rate of 10% or the bound rate, whichever is lower. As to unbound rates, six submissions have suggested one or the other of the following rates as base rates: applied duties in force in 2001, applied rates in force at the launch of the Doha Round or applied rates in force in 2002.

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Among the sixteen submissions, one submission proposes that for developing country Members the simple average rate between their applied rates in 2000 and their UR final bound rates should be their base rate. In another submission, it was noted that the base rate for developing countries should be the bound rate. In a third submission it was noted that for unbound tariff lines, developing countries should have the flexibility to bind the tariffs at levels generally above the higher of the bound rates prevailing for bound items in a country's schedule.

10. Base Year

***Overview of submissions***

Three submissions make a reference to the base/reference year. Of which two indicate that the base year should be the one for which data are available for the majority of Members. The third submission proposes 2000 because more Members notified their data for that year than 2001.

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11. Nomenclature

***Overview of submissions***

One of the five submissions referring to this issue states that HS2002 should be used. Three of the remaining four submissions state that HS96 should be used, Of which two state that the results of the negotiations should nevertheless be incorporated in HS2002. The remaining submission states that there should be flexibility to use the nomenclature in which the Member has bound its tariffs subject to concordance tables being provided, if necessary.

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12. Implementation and staging

***Overview of submissions***

Fourteen submissions reference this issue. Five of which propose five years as the implementation period. Three of them speak about linear cuts. Of the remaining nine submissions, one indicates that a short implementation period would be preferable. Another one notes that previous negotiations had as norm a maximum of five equal annual instalments. One submission proposes that developed Members should phase out all tariffs in five years in equal cuts, while another one states that longer implementation periods should be established to enable higher levels of ambition. One submission states that longer implementation periods should be given for sensitive products.

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Nine submissions refer to this aspect. Two submissions speak of giving a longer implementation period for developing countries. Another two submissions specify that the implementation period should be seven years or extended up to ten years, respectively. Three submissions state that a system of differentiated staging periods was appropriate for developing countries. Two other submissions speak of longer than five years being given to developing countries in exchange for major cuts or deeper than average cuts, respectively.

13. Credit for autonomous liberalization

***Overview of submissions***

Seven submissions refer to this subject. Four of which speak about giving credit for autonomous liberalization measures which are bound. Another submission proposes that credit should be accorded for autonomous liberalization measures undertaken since 1995. Another submission speaks of negotiations being able to take account of cases in which countries have "gone beyond the trade liberalization agreed during the UR". The last submission indicates that this issue needs to be carefully handled as assessment methods for such credits are difficult.

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14. Non *ad valorem* duties

***Overview of submissions***

Eight submissions refer to this subject. One submission proposes that all Members should commit to converting specific duties to *ad valorem* equivalents during the negotiating process. Two submissions foresee that only developed countries should make that conversion. Two submissions speak of the need to maximize the use of *ad valorem* rates. One submission states that Members should consider converting to *ad valorem* duties and stop using complex or mixed tariffs. While another submission indicates that Members should have the flexibility to maintain such *ad valorem* tariffs at the end of the negotiations. One proposal states that consensus is required on how to deal with this issue. It was not always clear whether the proposal to convert non *ad valorem* duties to *ad valorem* equivalents was limited to the negotiating process, or whether it was to be the status quo following conclusion of this process.

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One of the eight submissions states that developing country Members should limit the number of their non *ad valorem* tariffs to no more than 3% of the total number of tariff lines in their national tariff nomenclature.

15. Simplification of tariff structures

***Overview of submissions***

Two submissions refer to this matter. One submission suggests harmonizing tariffs on similar products within similar HS headings/classifications, while the other proposes the combination of national subdivisions under HS subheadings carrying the same bound rate.

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16. Export taxes

*Overview of submissions*

Two submissions refer to this subject. One submission states that export taxes should be discussed, while the second one states that removal of export duties is required.

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17. Initial Negotiating Rights (INRs)

*Overview of submissions*

One submission refers to this issue and indicates that modalities should see how INRs are reflected in the final results of the negotiations.

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18. Erosion of Preferential Margins

*Overview of submissions*

One submission has been made on this matter and the suggestion has been made to set up a competitiveness fund on the basis of contributions from International Financial Institutions to enable countries affected by any erosion in preferential market access to undertake competitive adjustment. (see point 20 on LDCs where there is also reference to this subject).

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19. Newly Acceded Members

*Overview of submissions*

Four submissions refer to this issue. One submission envisages that newly acceded Member should only make contributions on their own initiative. Another submission provides that credit for liberalization measures undertaken as well as longer implementation periods should be accorded to newly acceded Members. One submission provides that reduction commitments of newly-acceded Members should be fully taken into consideration and no further reduction required. In addition, newly-acceded Members are to take the simple average rate of their applied rates in 2000 and their final bound rates committed in their accession negotiations as their base rates for the negotiations. Another submission indicates that consideration should be given to the conditions of accession of newly acceded Members.



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20. Least Developed Countries

*Overview of submissions*

Eleven submissions have been made on the subject of LDCs. Two of them foresee exemption from tariff reduction obligations by LDCs. One of the two submissions states that LDCs should, however, substantially increase their binding ratios while the other one states that LDCs could bind tariffs at higher levels than applied rates for a limited number of products or sectors or across-the-board with ceiling binding. Another submission indicates that no reciprocal tariff concessions are required from LDC. Another proposal states that substantial reductions would in principle not be expected. Another two submissions propose that all developed countries should implement tariff and quota-free access for all products from LDCs, in one case the date of 31 May 2003 has been provided. Another proposal suggests flexibility to LDC with respect to the binding of tariffs, conversion of *ad valorem* tariffs, elimination of tariff peaks and tariff escalation. Another proposal states that LDCs may determine the coverage of their bindings on an autonomous basis. One proposal provides for the designing of an individually tailored capacity-building programme. One submission proposes the postponement of the staging of reductions, for example by five years or spread the staging of reductions over a period of ten years in cases where the preferential margins enjoyed by LDC exports is going to be seriously affected. The same submission foresees developing countries extending preferential tariff treatment on a non-reciprocal basis to products requested by LDCs, and also proposes that LDCs get credit for autonomous reductions in tariffs.

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**Section II**

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
<p><u>1. Product Coverage</u></p>		<p>(1) Tariff reductions across-the-board for all non-agricultural products, without excluding any sector or group of products from the initial offer. (Norway)</p> <p>(2) The proposed approach will apply to all products with the exception of those listed in Annex I of the Agreement on Agriculture. (EC)</p> <p>(3) Broad product coverage without <i>a priori</i> exclusions. (Hong Kong, China)</p> <p>(4) the entire tariff universe would in principle be subject to negotiation. (Mexico)</p> <p>(5) There should be no exceptions on product coverage for developed countries. (Oman)</p> <p>(6) Negotiations should aim for a comprehensive package without <i>a priori</i> exclusion. (Japan)</p> <p>(7) Formula to be used should be applied directly to all tariff headings without exception. (Chile)</p> <p>(8) A comprehensive approach with no exclusions. (US)</p> <p>(9) All sectors should be covered. (Chinese Taipei)</p>	
<p><u>2. Elimination of Tariffs</u></p>		<p>(1) Modalities should include an element that secures tariff elimination on an across-the-board basis as a supplement to a formula. One possibility would be to introduce a minimum tariff rate under which rates are set at zero. Another might be to supplement the formula with a proportion of trade or tariff lines governed by WTO rules that should meet zero tariffs. The goal should be the elimination of tariffs on most non-agricultural products at least in OECD countries. (Norway)</p> <p>(2) Expand the scope of duty-free trade (Canada)</p> <p>(3) Developed Members can on top of the one-off tariff reduction implemented upon the conclusion of the DDA undertake to further reduce tariffs by equal annual cuts until all tariffs are eliminated within a specified period. (Hong Kong, China)</p>	<p>(1) Where possible elimination of tariffs on products of interest to developing countries. (Norway)</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		(4) Elimination of all remaining duties in the form of linear cuts from 2010 to 2015. (US)	
<b>3. Core Modality</b>			
	Formula – general	<p>(1) To ensure comprehensive coverage without <i>a priori</i> exclusions, a formula approach is required. The formula must include a high minimum rate of reduction. (Norway)</p> <p>(2) Give priority consideration to approaches of general application e.g. formula cut and sectoral approaches (refer to point 3 for more details). Members could also consider applying the “Swiss formula” to harmonise and substantially reduce tariffs for non-agricultural products. Members could examine the effect of using various coefficients in the “Swiss formula” in achieving tariff reductions. A coefficient that would result in deeper cuts to give meaningful and significant market access for non-agricultural products would be favoured. (Singapore)</p> <p>(3) A one-off reduction/elimination of tariffs upon the conclusion of the DDA negotiations through the use of a formula followed by progressive elimination and reduction of tariffs by developed and developing countries, respectively. A formula has not been specified although reference was made to the Secretariat document TN/MA/S/3. (Hong Kong, China)</p> <p>(4) The basis for negotiations should be a formula which fulfils several criteria. No formula has been specified. (Switzerland)</p> <p>(5) In favour of an approach centered on a formula, such as the Swiss one. (Chile)</p> <p>(6) One option would be to adopt a formula approach which could be complemented with additional approaches. An alternative or complementary option is a request and offer approach. (Mercosur)</p>	<p>(1) Particularly substantial reductions on products of interest to developing countries should be undertaken. Tariff reductions should be undertaken by developing countries in line with their level of development particularly through the use of differentiated coefficients in the different elements of the formula and the supplementary provisions such as minimum reductions, “ceiling” and “floor” for tariff rates and rate of harmonization. (Norway)</p> <p>(2) The formula can allow different levels of tariff cut for developing Members while ensuring a common minimum level of reduction for each group of Members. Developing Members can on top of the one-off tariff reduction undertake a programme of continuous tariff cuts over a longer period of time by re-applying the agreed formula or by means agreed otherwise. To serve as guidance for drawing up such a tariff reduction programme, a common overall target reduction rate may be set (Hong Kong, China)</p> <p>(3) A formula approach may be modulated to take into account different levels of development, of trade participation and of competitiveness in international trade. (Switzerland)</p> <p>(4) Use differentiated coefficients for developing and developed country participants. Deeper reduction commitments are required from developed countries than developing countries. (Mercosur)</p>
	Formula – line by line	<p>(1) A compression mechanism which will reduce all tariff duties considerably by compressing them into a flatter range Formula has been proposed (see annex) (EC)</p> <p>(2) Developed countries are to reduce all tariffs to 10% then the Swiss formula or an equivalent harmonization formula is to be applied. The formula would also apply to all other rates below 10%. (Oman)</p> <p>(3) A 40% average reduction is to be achieved through at least a 20 per cent reduction for each bound non-agricultural product. For those products</p>	<p>(1) Members agree to deeper cuts for textiles, clothing and footwear with a view to bringing these tariffs within a narrow common range as close to zero as possible. (EC)</p> <p>(2) Use a “cocktail approach” for developing countries. Request/offer, formula (different from that used by developed countries), or a combination thereof. (Oman)</p> <p>(3) A higher percentage reduction is to be set for developed countries than for developing countries. In determining the</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>whose current bound tariff rates are above either two times each Member's current simple national average tariff rate or 25 percent, the tariff rates are to be reduced by more than twenty per cent. Formulas have been provided for the amount of the reduction. If the tariff reduction through the use of the formula results in a tariff reduction which is under the 40 per cent reduction, Members will make additional tariff reduction at their own discretion to achieve the targeted 40 per cent reduction. (see annex) (Korea)</p> <p>(4) A simple percentage cut on bound tariffs of each Member. Members shall not impose a tariff on any product in excess of three times their average tariff. The average for this purpose shall be calculated after effecting the tariff reduction. (cf point 6 also) (India)</p> <p>(5) Between 2005 and 2010 tariffs above 5 per cent are to be reduced by applying the Swiss Formula with a coefficient of eight. (cf also point 4) (US)</p> <p>(6) A uniform formula for tariff reduction. A formula has been proposed (see annex) (China)</p>	<p>reduction to be effected by developing countries their dependence on customs revenue has to be kept in view. Flexibility to be available to developing countries to decide on the actual bindings of some tariff lines as a special and differential measure while still maintaining the percentage reduction on an average basis. (cf point 8 also) (India)</p> <p>(4) Once Members have secured agreement on the modalities, they should turn to more precise and customised approaches to ensure participation by developing countries consistent with their individual development needs. (US)</p> <p>(5) The actual reductions achieved through the formula approach shall reflect the needs and interests of all Members, in particular developing country Members and shall abide by the principle of less than full reciprocity in reduction commitments. Sectors and products of substantial export interest to developing country Members shall be the subject of priority reductions in the negotiations. (China)</p>
	<p>Formula – Average reduction</p>	<p>(1) Each Member shall reduce its trade weighted average tariff rate by 40 per cent. with a minimum 20% cut on each bound tariff. (see annex) (Korea)</p> <p>(2) A formula which relies on an average general tariff reduction by (X per cent) of the previously bound tariff for the universe of tariff headings. (Mexico)</p> <p>(3) Each Member shall set a target level of a trade-weighted average tariff rate according to a formula. Each Member will reduce its trade weighted average tariff rate to that level. Formula has been proposed (see annex). Each Member may choose to include reductions in the sectoral initiatives for the calculation of its trade weighted average target tariff rate. (cf also point 4). Important to ensure the flexibility of each Member regarding the level of tariffs on forest and fishery products. (Japan)</p> <p>(4) A trade weighted tariff reduction would be the more appropriate way to proceed. (Mauritius).</p>	<p>(1) The modalities shall take into account the current tariff structures of Members which reflect their respective levels of development. (Korea)</p> <p>(2) Adopt a broad rather than restricted approach to the negotiations. Should not be limited to setting longer time-limits for implementation on sensitive products. Developing countries should be able to maintain the same concession levels for certain products or apply only minimum reductions to them. (Mexico)</p> <p>(3) A target level of a trade-weighted average tariff rate is set which corresponds to the level of development of each Member and takes into account its current trade weighted average tariff rate. (Japan)</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
	Others	<p>(1) A combination of approaches will be required including sectoral agreements (cf also point 4), formula-based approaches and the request/offer process. (Canada)</p> <p>(2) Favours a sector-by-sector approach to the negotiations with the possibility to use differing modalities depending on the sector. Participation in existing zero-for-zero agreements broadened to include the critical mass of trading partners participating in world trade for each of the sectors involved. Special consideration to be given to the treatment of exhaustible natural resource sectors. (Chinese Taipei)</p> <p>(3) Adopt a "cocktail approach", under which agreement could be reached on the different types of modalities which would be used by taking into account the stages of development among countries. (LDCs)</p>	(1) With respect to formula-based approaches these should be sensitive to the varying circumstances of Members. (Canada)
<u>4. Supplementary approaches</u>			
	Harmonization and/or sectoral elimination initiatives	<p>(1) Sectoral agreements based on a zero-for-zero approach at a multilateral or plurilateral level might be a supplementary method for sectors where a critical mass (normally representing a minimum of 80% of world trade) can be established. However, such an approach should not lead to an unbalanced result favouring major trading partners. (Norway)</p> <p>(2) In this regard, proposals to advance discussions based on notable sectoral initiatives accomplished in the Uruguay Round, such as the pharmaceutical zero-for-zero, ITA, and chemical harmonisation are supported. Discussions could cover issues such as expanding the list of products covered by the initiatives, increasing the number of participating Members, reducing the rates of harmonised tariffs, and introducing new sectors to be covered by zero-for-zero initiatives. (Singapore)</p> <p>(3) Broaden the membership and expand product coverage within existing sectoral agreements. New "zero-for-zero" sectoral agreements in areas such as fish products, forest products, fertilizers, energy-related equipment and non-ferrous metals should be negotiated. Additional sectors might be of interest. (Canada)</p>	<p>(1) In case of zero-for-zero or tariff harmonization agreements are reached, implementation periods could include some country-specific flexibility. (Canada)</p> <p>(2) Higher harmonised tariff level for developing countries; greater credit for tariff reductions by developing countries; and longer implementation periods would need to be incorporated in sectoral initiatives. (India).</p> <p>(3) Developing countries may implement zero-for-zero or harmonization sectoral agreements in a special and different manner with regard to implementation period and staging. (Japan)</p> <p>(4) Particular emphasis to be put on sectors of interest to developing countries. (Switzerland)</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>(4) Supplemental "zero for zero" proposals are to be kept to a minimum. (India)</p> <p>(5) Using a formula approach as a basis does not preclude the possibility of supplementary approaches such as sectoral initiatives or harmonization proposals which may be useful in exceptional circumstances. (Hong Kong, China)</p> <p>(6) Once a general formula has been applied, the degree of liberalization achieved by Members can be evaluated, and if deemed necessary, it would be possible to work at a later stage on the basis of zero-for-zero initiatives. (Mexico)</p> <p>(7) For existing agreements on ITA and Chemicals, expand membership and product coverage. ITA should include consumer electrical products, optical fibres. New sectoral initiatives are proposed for the following sectors: consumer electrical products, bicycles, rubber and articles thereof, glass and articles thereof, ceramic products, cameras, watches, toys electrical machinery parts, titanium and articles thereof, motor vehicles, textiles and clothing, machine tools, construction equipment, bearing, certain articles of iron or steel and paper. No support for sector-specific tariff reduction, including zero-for-zero or harmonization, in the forest products sector in addition to the general tariff reduction formula. No support for a zero-for-zero approach in the fishery sector. (Japan)</p> <p>(8) Supplement a formula based approach with new sectors or products to zero for zero or harmonisation initiatives at a very low level. Increase the number of participating Members in existing initiatives and expand the coverage of such initiatives as well as reduce the rates of harmonized tariffs on chemical products. In this context, special consideration should also be given to substantially lowering or eliminating tariffs on pharmaceutical products needed to treat diseases referred to in paragraph 1 of the Doha Declaration on the TRIPs agreement and public health. (Switzerland)</p> <p>(9) The sectoral approach should only be used to complement the formula approach when the reductions obtained through the chosen formula are insufficient (Chile)</p> <p>(10) As soon as possible, but no later than 2010 elimination of tariffs in the UR zero-for-zero sectors (including agricultural equipment, construction</p>	

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>equipment, furniture, medical equipment, paper, pharmaceuticals, steel and toys) in addition to tariffs covered by ITA and Agreement on Trade in Civil Aircraft. As soon as possible, but no later than 2010 eliminate tariffs in the following additional sectors and others as agreed by Members: wood products, non-ferrous metals, bicycle parts, certain chemicals and allied products including soda ash and photograph film, electronics, fish and fishery products, scientific equipment, and environmental goods. (US)</p> <p>(11) Sector approach could promote the negotiations forward and supplement the formula approach. Members shall be free to decide their participation in light of their own needs. (China)</p>	
	Request/offer approach	<p>(1) Limited use of request/offer approach, when necessary. (Korea)</p> <p>(2) Using a formula approach as a basis does not preclude the possibility of supplementary approaches such as request/offer which may be useful in exceptional circumstances. (Hong Kong, China)</p> <p>(3) Once a general formula has been applied, the degree of liberalization achieved by Members can be evaluated, and if deemed necessary, it would be possible to work at a later stage on the basis of request/offer methods. (Mexico)</p> <p>(4) For a limited number of sensitive products, a request/offer approach could be envisaged in parallel to a formula. However, the use of this approach should not have the effect of sheltering specific sectors from concessions. (Switzerland)</p> <p>(5) The request/offer approach should only be used to complement the formula approach when the reductions obtained through the chosen formula are insufficient (Chile)</p> <p>(6) Supports the use of a request/offer approach because of variations in tariff structures. Such an approach can be used to address the issues of tariff peaks, high tariffs and tariff escalation. (Chinese Taipei)</p>	
4. Elimination of low/nuisance duties		<p>(1) To eliminate "nuisance" tariffs, the formula should be supplemented with a "floor" where the calculations using the formula results in all rates below the "floor" being set at zero. (Norway)</p> <p>(2) Negotiations would need to define what constitutes nuisance tariffs, and then they should be eliminated. (Singapore)</p>	<p>(1) All duties beneath a specific floor – to be negotiated – to be eliminated by all WTO Members. This would benefit developing countries comparably more since tariffs at such a low level are generally applied by developed countries (EC)</p> <p>(2) Developing country Members shall be free to maintain</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>(3) Favour elimination of "nuisance duties". (Canada)</p> <p>(4) Other features such as elimination of tariffs below a specified level may be added to the formula (Hong Kong, China)</p> <p>(5) Developed countries should eliminate duties of 2.5% or lower (Oman)</p> <p>(6) Low duties should also be the subject of negotiations. However, an elimination of such duties is a concession like any other reduction or elimination of tariffs. (Switzerland)</p> <p>(7) Elimination by 2010 of tariffs on all products with tariffs at or below 5% <i>ad valorem</i>. (US)</p> <p>(8) Define the scope of "nuisance" tariff and eliminate only those considered to be truly burdensome. (Chinese Taipei)</p> <p>(9) Developed country Members shall eliminate all their lowest tariffs. (China)</p> <p>(10) Elimination of "nuisance tariffs" should not be considered as a concession equivalent to reductions of higher tariffs. (Mercosur)</p>	<p>their low tariffs. (China)</p>
<p><u>6. Tariff Peaks, Tariff Escalation and High Tariffs</u></p>		<p>(1) The definitions of the terms tariff peak, high tariff and tariff escalation should be clarified. (Korea)</p> <p>(2) The modalities should set a maximum tariff rate and generally reduce high tariffs more than lower ones. This means that the formula needs to include an element of tariff harmonisation, and be supplemented by a "ceiling" for all tariffs. (Norway)</p> <p>(3) Negotiations would need to define what constitutes tariff peaks and then they should be substantially reduced, if not eliminated. Negotiations would need to discuss the methodology and definitions related to tariff escalation in order to address the issue adequately. (Singapore)</p> <p>(4) Members shall not impose a tariff on any product in excess of three times their average tariff. The average for this purpose shall be calculated after effecting the tariff reduction. (cf point 2 also) (India)</p> <p>(5) Compression mechanism will result in tariff peaks and high tariffs being eliminated. In case of tariff escalation, the mechanism shall – if necessary – be complemented by additional steps aimed at compressing disparities</p>	<p>(1) Tariff peaks, tariff escalation and high tariffs, on products of export interest to developing countries should be effectively dealt with. Tariff peaks often concentrated in products that are of export interest to developing countries such as in textiles and clothing, leather, rubber, footwear and travel goods; transport equipment; fish and fish products need to be effectively dealt with (India) .</p> <p>(2) Tariff peaks and high tariffs which are common in products of export interest to developing countries can be tackled with such a formula. (Hong Kong, China)</p>



Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>between tariff headings corresponding to products at different stages of production. (EC)</p> <p>(6) The formula to be agreed can tackle tariff peaks and high tariffs by introducing deeper cuts for higher tariff rates. A cap on a maximum level of tariffs might be added.(Hong Kong, China)</p> <p>(7) Once a definition has been agreed on tariff peaks, an average reduction of (X per cent) can be agreed upon. This would assist in reducing the gap between bound tariffs and applied tariffs. (Mexico)</p> <p>(8) Tariff peaks and tariff escalation should be rectified through "zero-for-zero" or "harmonization" sectoral approaches. Tariff escalation would be subject to consultation although its definition and the way to measure it are not easy. (Japan)</p> <p>(9) The mechanism of a "tariff ceiling" may be a good way of dealing with those goods which even after the formula has been applied still maintain high tariffs. No need to define the terms before the choice of a modality. (Chile)</p> <p>(10) Definition of these terms needs to be clarified. The definition of "international peaks" and "national peaks" may be used as a benchmark to clarify these definitions. Request/offer approach can be used to address these issues (Chinese Taipei)</p> <p>(11) Tariff peak of a Member shall be defined as a tariff rate three times more than the simple average tariff level of that Member. Supports the reduction of tariff peaks. Members shall take concrete measures to reduce tariff escalation in their respective tariff regime. (China)</p> <p>(12) Modalities to be agreed must build in mechanisms to reduce or eliminate tariff peaks and tariff escalation. (Mercosur)</p>	
7. <u>Bindings/Binding coverage</u>		<p>(1) The modalities should include a commitment to bind all tariff lines for non-agricultural products, at the rate resulting from the negotiations, and where in exceptional cases no tariff reduction takes place, as a minimum at the present applied rate. (Norway)</p> <p>(2) Increase binding coverage. (Singapore)</p> <p>(3) Reduce and bind applied tariff levels which are not yet bound (Canada)</p>	<p>(1) Count binding of present applied rates as concessions from poorer developing countries. (Norway)</p> <p>(2) Developing countries should have the flexibility to not bind certain unbound tariff lines considered highly sensitive or strategically important (cf. also point 1). For unbound tariff lines, developing countries should have the flexibility to bind them at levels generally above the higher of the bound rates prevailing for bound items in a country's tariff schedule.</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>(4) WTO Members, other than least developed countries have as close to 100 per cent bindings as possible. (EC)</p> <p>(5) All countries will have to commit to binding the entire universe of tariff headings for non-agricultural goods as from the implementation of the results of this negotiating process. (Mexico)</p> <p>(6) Developed countries should bind all items. (Oman)</p> <p>(7) Improve the binding ratio by binding as many tariff lines as possible. (Japan)</p> <p>(8) Coverage of bound tariffs must be improved with a view to having all tariff lines bound in the schedules of all Members. The binding level should, in principle, be at the applied rates in 2001 with the possibility of a binding at a higher rate. (Switzerland)</p> <p>(9) All tariff lines should be bound. (US)</p> <p>(10) Members should commit to bind all their non-agricultural tariff lines at the conclusion of these negotiations. (Chinese Taipei)</p> <p>(11) All Members shall bind their tariff rates after reduction. (China)</p>	<p>(cf also point 8) (India).</p> <p>(3) However, longer transitional periods could be given to developing countries. (China)</p> <p>(4) Developing countries which have not yet bound their tariffs in exchange of not undertaking any reduction commitment be given the flexibility to do so at reasonable rates which are commensurate with the level of their industrial development. (Mauritius)</p>
<p><u>8. Binding overhang</u></p>		<p>(1) Narrow the variance between ceiling bindings and applied rates as far as possible (Singapore).</p> <p>(2) There must be a significant narrowing of the gap between some bound and applied rates. Reduce high bound rates and re-bind them at lower rates. (Canada)</p> <p>(3) The reduction of the gap between the bound and applied tariffs is of high interest to many WTO Members. Open to discussion on the minimum level of credit which should be given practical effect in the negotiations to assess tariff bindings and reductions, including what constitutes a meaningful rate of bindings. (EC)</p> <p>(4) Important to rectify the great differences between bound tariff rates and applied tariff rates. (Japan)</p> <p>(5) Reduction of large gaps between bound and applied rates is an objective. (Switzerland)</p>	<p>(1) Flexibility to be available to developing countries to decide on the actual bindings on some tariff lines as a special and differential measure while still maintaining the percentage reduction on an average basis. For unbound tariff lines, developing countries should have the flexibility to bind them at levels generally above the higher of the bound rates prevailing for bound items in a country's tariff schedule. (cf point 7 also) (India)</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		(6) Once a definition has been agreed on tariff peaks, an average reduction of (X per cent) can be agreed upon. This would assist in reducing the gap between bound tariffs and applied tariffs. (Mexico)	
<u>9. Base rates</u>		<p>(1) The base rates for tariff reduction shall be the final bound rates agreed at the UR negotiations. The base rates for unbound tariff lines shall be the applied rates for the year 2001. (Korea)</p> <p>(2) The starting-point should be the bound tariff rates after the implementation of the Uruguay Round results, and where such bound rates do not exist, the generally applied rate at the start of the Doha Round. (Norway)</p> <p>(3) Applied rates should be used as the base rates for the negotiations. The reference year for the base rates should be the one that is closer to the start of the negotiations. (Singapore)</p> <p>(4) Bound rates should be used as the basis for the negotiations, bearing in mind the requirement that there must be significant narrowing of the gap between some bound and applied rates. In those cases where rates are not bound, the applied rate in place at the beginning of the Round should be the basis for negotiation. (Canada)</p> <p>(5) For bound tariff lines, reductions should be undertaken only from bound levels. (India)</p> <p>(6) Final bound UR rates and other bound rates as per Members' Schedules, or in the case of unbound duties, on a level related to the applied duties as of 14 November 2001. (EC)</p> <p>(7) Start with current WTO bound tariff levels. (Mexico)</p> <p>(8) For developed countries, base rates should be the target rates of 10% or the bound rates, whichever is lower. (Oman)</p> <p>(9) Basis for the negotiations should in principle be bound rates. (Japan)</p> <p>(10) Bound rates at the end of the implementation period of the UR should be used. If there is no bound rate, the applied rates in the year of the launch of the Doha negotiations (2001) should be taken as the basis. (Switzerland)</p>	<p>(1) Base rate for developing countries should be the bound rate. (Oman)</p> <p>(2) For unbound tariff lines, developing countries should have the flexibility to bind them at levels generally above the higher of the bound rates prevailing for bound items in a country's tariff schedule. (India)</p> <p>(3) Developing country Members to take the simple average rate between their applied rates in 2000 and their UR final bound rates. (China)</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>(11) Bound rates must be the basis for the negotiations. For unbound rates, no tariff higher than that applied at the date of launching the DDR should be used as the basis. (Chile)</p> <p>(12) Applied rates as of 1 January 2002 or UR final bound levels, should be used whichever is lower. (US)</p> <p>(13) Bound rates to be used as the basis of the negotiations. In case of unbound dues, applied rates in effect in 2002 should be used in conjunction with the standstill and non-roll-back principle. (Chinese Taipei)</p> <p>(14) Developed country Members to take 2000 applied rates as base rates. (China)</p> <p>(15) Tariff cuts should be effected from the bound rates. (Mauritius)</p> <p>(16) Bound tariffs of all WTO Member whenever they are available are the only viable starting-point for the negotiations. (Mercosur)</p>	
<u>10. Base year</u>		<p>(1) In principle base year should be the most recent year in which data are available for the majority of Members. (Canada)</p> <p>(2) The use of import data of values for the year 2000 as basic statistics is proposed because more Members notified their data for the year 2000 than for the year 2001. (Japan)</p> <p>(3) The base period for the negotiations should, in principle, be the most recent year for which there is up-to-date statistical information available for the majority of Members. (Mercosur)</p>	
<u>11. Nomenclature</u>		<p>(1) HS96 should be used for the negotiations. (Korea)</p> <p>(2) HS2002 should be used. (Japan)</p> <p>(3) HS96 should be used, however results of the negotiations should be published in HS2002. (Switzerland)</p> <p>(4) Flexibility to use the nomenclature in which Member has bound its tariffs, be it HS96 or HS2002 but tariff nomenclature concordance tables would be required. (Chinese Taipei)</p> <p>(5) Tariff reduction shall be made on the basis of HS96 and final results</p>	

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		scheduled in HS2002. (China)	
<u>12. Implementation periods and staging</u>		<p>(1) The implementation period for tariff reduction is five years. The cuts are to be equal annual cuts. (Korea).</p> <p>(2) A short implementation period and a simple linear staging within such a period would be preferable (Norway).</p> <p>(3) It was noted that previous non-agricultural negotiations had as norm a maximum of five equal annual instalments beginning on the date of entry into force of the agreement (Singapore)</p> <p>(4) A five-year time-frame combined with the use of linear cuts. Members would be free to make a case for longer or shorter transition periods depending on circumstances. (Canada)</p> <p>(5) Developed Member should commit to the phasing out all tariffs on non-agricultural products in five years in equal annual cuts. (Hong Kong, China)</p> <p>(6) Staging may be five years, in principle, with equal instalments on the basis that implementation periods will begin in January 2005. (Japan)</p> <p>(7) Five years as a general rule (Switzerland)</p> <p>(8) Establish longer implementation periods to enable higher levels of ambition. (Chile)</p> <p>(9) Staging should be over five years, in principle commencing either from the conclusion of their implementation periods already committed to each Member in its schedule or from the conclusion of the negotiations, whichever is the later. (Chinese Taipei)</p> <p>(10) Stagger the liberalization process for products that are highly sensitive. Longer period for tariff reductions for sensitive products. (Mauritius)</p>	<p>(1) The implementation period should be seven years. The cuts are to be equal annual cuts. (Korea)</p> <p>(2) There should be various staging periods for non-agricultural tariff reductions in order to enable developing countries to be given more flexibility to make substantive tariff commitments, and to take into consideration product sensitivity. (Singapore)</p> <p>(3) The precedent set in the Uruguay Round may be followed and developing countries should be permitted to implement tariff commitments over a longer period of time than developed countries. The duration will depend on the extent of commitments undertaken. For developing countries it should extend up to a ten-year period. (India).</p> <p>(4) Different timetables for the implementation of tariff commitments depending on status of Member and level of results (EC).</p> <p>(5) A programme of progressive reduction of tariffs for a longer period of time is appropriate for developing countries. (Hong Kong, China)</p> <p>(6) Longer than five years should be allowed for developing countries that implement deeper than average cuts among developing countries. (Japan)</p> <p>(7) Longer than five years in exchange for major cuts on sensitive products for developing countries. (Switzerland)</p> <p>(8) Longer implementation period to be given to developing country members. (China)</p> <p>(9) Modalities should include differentiated staging periods. (Mercosur)</p>
<u>13. Credit for autonomous liberalization</u>		(1) The modalities need to include ways to acknowledge autonomous tariff reductions representing significant steps towards liberalising international trade, to the extent that members having made such autonomous tariff reductions as a minimum are prepared to bind tariff rates as part of their	

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>commitments. (Norway)</p> <p>(2) Credit should be given for prior autonomous liberalization which goes beyond existing UR commitments. This is on the understanding that credit would be given only in those cases where changes have been bound or will be bound as a result of the current negotiations (Canada).</p> <p>(3) A number of developing countries have reduced and bound their tariffs since the Uruguay Round, and credit for such autonomous liberalization of tariffs should be given. (India)</p> <p>(4) Ready to discuss guidelines concerning the assessment of the credit arising from initiatives of autonomous liberalization undertaken by members since the end of the UR or to be undertaken during the course of the DDA negotiations provided final rates are bound. (EC)</p> <p>(5) Negotiations should be able to take account of cases in which the countries have gone beyond the trade liberalization agreed during the Uruguay Round. (Mexico)</p> <p>(6) As to voluntary liberalization, since assessment methods for credits are difficult and are likely to be arbitrary, careful handling is required. (Japan)</p> <p>(7) Credit should be given for autonomous liberalization undertaken by Members since 1995. The Member States could provide information on the autonomous liberalisation undertaken by them by end of January 2003 while the Secretariat in the interim could prepare a paper on how the autonomous liberalisation could be taken on board. (Mauritius)</p>	
<p><u>14. Non <i>ad valorem</i> duties</u></p>		<p>(1) Non <i>ad valorem</i> duties are to be reduced on the basis of their <i>ad valorem</i> equivalents. Following the reduction, Members shall have the discretion to convert the non <i>ad valorem</i> tariffs or maintain non <i>ad valorem</i> tariffs. (Korea).</p> <p>(2) Members should also consider converting to <i>ad valorem</i> tariffs and cease using complex or mixed tariffs. (Singapore)</p> <p>(3) Maximize the use of <i>ad valorem</i> rates (Canada).</p> <p>(4) Consensus needs to be built on how to deal with the matter of use of specific duties. (India)</p> <p>(5) Developed countries should convert all specific duties to <i>ad valorem</i></p>	<p>(1) Developing country Members shall limit their number of non <i>ad valorem</i> tariffs to no more than 3% of the total number of tariff lines in their national tariff nomenclatures. (China)</p>

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>tariffs. (Oman)</p> <p>(6) Maximize the use of <i>ad valorem</i> rates. (US)</p> <p>(7) Members shall convert their existing non <i>ad valorem</i> tariffs into <i>ad valorem</i> form through a uniform method and use them as the basis for tariff reductions. Developed country Members shall eliminate all non <i>ad valorem</i> tariffs on non-agricultural products. (China)</p> <p>(8) Members should commit to converting their specific duties into <i>ad valorem</i> tariffs during the negotiating process. (MERCOSUR)</p>	
<p><u>15. Simplification of tariff structures</u></p>		<p>(1) Harmonize tariffs on similar products within similar HS headings/classifications. This would lessen substantially the complications arising from levying taxes on similar products with varying tariff rates (Singapore).</p> <p>(2) Examine the simplification of subdivisions under HS subheadings, for example, combine national subdivisions as long as those subdivisions carry the same bound rates (Japan)</p>	
<p><u>16. Export taxes</u></p>		<p>(1) Negotiations should address export duties. A level playing field does require the removal of export restrictions, and in particular export duties, which are the flip-side to tariff escalation. (EC)</p> <p>(2) Export tax should be discussed in the negotiations on market access for non-agricultural products. (Japan)</p>	
<p><u>17. INRs</u></p>		<p>(1) Modalities should see how INRs are reflected in the final results of the market access negotiations (Switzerland).</p>	
<p><u>18. Erosion of Preferential Margins</u></p>		<p>(1) Any erosion in preferential market access resulting from the negotiations should be duly compensated. Would appreciate ideas of Members on the possible compensation mechanism that could be set up. It is suggested that a competitiveness fund on the basis of contribution from the International Financial Institutions be set up to enable them to undertake competitive adjustment. (Mauritius) (cf also point 20 on LDCs)</p>	
<p><u>19. Newly Acceded Members</u></p>		<p>(1) General modalities should not apply to newly acceding countries which may make contributions at their initiative. (Oman)</p> <p>(2) Allow newly-acceded Members a longer staging period and credit for</p>	

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>autonomous liberalization. (Chinese Taipei)</p> <p>(3) Reduction commitments of newly-acceded Members shall be fully taken into consideration and no further reduction required. Newly-acceded Members shall take the simple average rate of their applied rates in 2000 and their final bound rates committed in their accession negotiations as their base rates for the negotiations. (China)</p> <p>(4) Consideration should be given to the terms of accession of a number of recently acceded Members. (Switzerland)</p>	
<p><u>20. Least Developed Countries</u></p>		<p>(1) Least developed country Members to be exempted from the tariff reduction obligations, but are required to substantially increase their tariff binding ratios. (Korea)</p> <p>(2) No reciprocal tariff concessions are expected from least-developed countries. As a minimum, elimination of tariffs for products of importance to LDCs. (Norway)</p> <p>(3) There should be various staging periods for non-agricultural tariff reductions in order to enable LDCs to be given more flexibility to make substantive tariff commitments, and to take into consideration product sensitivity. (Singapore)</p> <p>(4) Developed countries should implement tariff and quota-free access for all products from least developed countries by 31 May 2003. The most developed of developing countries are invited to joint this initiative. All WTO Members other than LDCs should have as close to 100% bindings as possible. All duties beneath a specific floor – to be negotiated – to be eliminated by all WTO Members. This would benefit LDCs comparably more since tariffs at such a low level are generally applied by developed countries (EC)</p> <p>(5) The formula can allow different levels of tariff cut for least developed Members. (Hong Kong, China)</p> <p>(6) All Members are to use the trade-weighted average target tariff formula with the exception of LDCs. GSP providers should study the possibility of reviewing the scheme based on the enabling clause, taking into account the competitiveness of the products and improving market access for LDC products. Appropriate capacity-building should be carried out. (Japan)</p> <p>(7) Particular emphasis to be put on sectors of interest to LDCs.</p>	



Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>Substantial reductions from LDCs would in principle not be expected. (Switzerland)</p> <p>(8) Once Members have secured agreement on the modalities, they should turn to more precise and customised approaches to ensure participation by LDCs consistent with their individual development needs. (US)</p> <p>(9) LDCs may determine the coverage of their binding undertakings on an autonomous basis. Design a capacity-building programme which is individually tailored to the particular needs of each of the Member concerned, which also contain certain milestones and assessment criteria to show what progress a country is making internally with the capacity-building assistance already provided. (Chinese Taipei)</p> <p>(10) More flexibility to least developed country Members with regard to binding of tariffs, conversion of <i>ad valorem</i> tariffs, elimination of tariff peaks and tariff escalation. Sectors and products of substantial export interest to LDCs shall be the subject of priority reductions in the negotiations. (China)</p> <p>(11) Adoption by all developed countries of separate arrangements under the umbrella of their Generalized System of Preferences, which would allow imports of all products from least developed countries on duty and quote free basis. Preferential treatment extended under the arrangements should not be modified to the disadvantage of the least developed countries during an agreed period of time (e.g. fifteen to twenty years).</p> <p>- In order to ensure that the erosion of preferential margins do not result in sudden disruption of trade of the preference receiving countries, the modalities to be used by the least developed countries should provide for the following:</p> <ul style="list-style-type: none"> <li>• Where a least developed country considers that preferential margins which its exports enjoy in relation to certain tariff lines or headings are of meaningful advantage in trade terms, and the reduction or erosion of preferential margins resulting from MFN reductions is likely to seriously affect its exports, it may request the preference giving countries to: <ul style="list-style-type: none"> <li>- Postpone commencement of the staging of reductions by agreed number of years (e.g. five years) or</li> <li>- To spread the staging of reductions over a period of ten years instead of normal period of five years</li> </ul> </li> </ul>	

Main items (1)	Sub-items (2)	Specifics (3)	Special and Differential treatment/Less than full reciprocity in reduction commitments (4)
		<p>that may be agreed in the negotiations.</p> <ul style="list-style-type: none"> <li>• The preference giving countries to whom such request are made should agree to consider such requests sympathetically and provide reasons, in cases where it is not possible for them to agree to such requests.</li> </ul> <p>- Developing countries should extend preferential tariff treatment on a non-reciprocal basis, on the basis of request lists to be submitted by the least developed countries.</p> <p>- Modalities should recognize that in this round of negotiations, LDCs are not in a position to make reductions in tariffs in the context of multilateral trade negotiations.</p> <p>- LDCs could agree to bind their tariffs at levels which are higher than their applied rates of tariffs. The modalities should provide such bindings being offered on limited number of products or sectors, or across the board on all tariffs by giving a "ceiling binding".</p> <p>- LDCs should get credit for reductions in tariffs which they have been making on an autonomous basis. (LDCs)</p>	

Annex

**Korea (TN/MA/W/6/Add.1)**

1. Korea proposes that each Member reduce its trade weighted average tariff rate by 40 percent. Members will achieve this goal in accordance with the following tariff reduction formulae:

(a) The bound tariff rate for each non-agricultural product shall be reduced at least by 20 percent with no exceptions.

(b) For those products whose current bound tariff rates are above either two times each Member's current simple national average tariff rate or 25 percent, the tariff rates shall be reduced by more than 20 percent.

- The tariff rates above two times the national average, after minimum reduction of 20 percent, shall be further subtracted by 70 percent of the difference between them and two times the simple national average. For example, if the national average tariff rate is 3 percent and the tariff rate for product A is 15 percent, the final tariff rate for product A shall be less than 5.7 percent.

$$T_1 = (T_0 * 0.8) - 0.7 * (T_0 - 2 * T_a)$$

T<sub>1</sub>: maximum tariff rate after reduction

T<sub>0</sub>: tariff rate before reduction (above 2 times the national average)

T<sub>a</sub>: national average tariff rate

- The tariff rates above 25 percent, after minimum reduction of 20 percent, shall be further subtracted by 70 percent of the difference between them and 25 percent. For example, if the tariff rate for product B is 50 percent, the final tariff rate for product B shall be less than 22.5 percent.

$$T_1 = (T_0 * 0.8) - 0.7 * (T_0 - 25)$$

T<sub>1</sub>: maximum tariff rate after reduction

T<sub>0</sub>: tariff rate before reduction (above 25 percent)

- If a tariff rate is above two times the simple national average and at the same time above 25 percent, the final tariff rate shall be whichever is lower after the reduction as described above.

(c) If the result of tariff reduction in accordance with the formulae as described above is under the targeted 40 percent reduction of the trade weighted average tariff rate, Members shall make additional tariff reduction at its own discretion to achieve the targeted 40 percent reduction. However, if the result of tariff reduction in accordance with the formulae as described above goes beyond the targeted 40 percent reduction, Members shall apply the result.

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**EC (TN/MA/W/11/Add.1)**

$$\left\{ \begin{array}{l} f(x) = B_1^L + (x - B_0^L) * \frac{(B_1^U - B_1^L)}{(B_0^U - B_0^L)}, \\ \text{with } B_0^L \text{ and } B_0^U \text{ as lower and upper limits in base bracket,} \\ \text{and } B_1^L \text{ and } B_1^U \text{ as same limits in the new bracket,} \\ \text{and where } x = \text{initial duty.} \end{array} \right.$$

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**Japan (TN/MA/W/15 and Corr.1)**

$$t^t = \frac{t_o * A}{t_o + A} + a$$

$t_o \leq 10\%$ ,  $A = 10$

$10\% < t_o \leq 20\%$ ,  $A = 20$

$20\% < t_o \leq 30\%$ ,  $A = 30$

$30\% < t_o$ ,  $A = 40$

$a = 0.3$

$t^t$  : trade-weighted average target tariff rate

$t_o$  : bound rate (trade-weighted average)

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**China (TN/MA/W/20)**

$$T_1 = \frac{(A + B \times P) \times T_0}{(A + P^2) + T_0}$$

$T_0$  : Base rate

$T_1$  : Final rate

$A$  : Simple average of base rates

$P$  : Peak factor,  $P = T_0/A$

$B$  : Adjusting coefficient, e.g. for the year 2010,  $B=3$ ; for the year 2015,  $B=1$

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**Swiss formula**

$$T_1 = \frac{A \times T_0}{A + T_0}$$

$T_0$  : Base tariff  
 $T_1$  : New tariff  
 $A$  : Coefficient (**US - TN/MA/W/18 : A=8**)

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