WORLD TRADE

ORGANIZATION

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MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Malaysia's Proposal on Chairman's Tariff Reduction Formula

Communication from Malaysia

The following communication, dated 13 August 2003, has been received from the Permanent Mission of Malaysia.

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The Coefficient to be used in the formula is an important element in providing a harmonizing effect of the formula. However, applying a single coefficient to all Members could result in tariff reduction inequities.

To address these inequities, it is proposed:

- Different coefficients be used for different bands of average bound tariffs of each country.

   For example:

   For developed countries:

   Coefficient = 1

   For others:

Average bound tariffs	Coefficient
0-20	4
20-30	3
30-40	2
Above 40	1

- The application of different coefficient for different tariff bands will:

   - Reduce the gap of unequal tariff reduction even though the average bound tariff is incorporated in the formula (Refer Annex 1 – using single coefficient and Annex 2 – using different coefficient); and
   - Provide the harmonizing effect.

Malaysia reserves the right to modify its proposal.

ANNEX 1

CHAIRMAN'S FORMULA USING A SINGLE COEFFICIENT

AVERAGE BOUND TARIFFS (Ta)

	Country A	Country B	Country C
Average bound Tariff	14.9	24.5	35.3
Coefficient	2	2	2
Case 1 Product bound rate **Final rate**	40 **17.1**	40 **22.0**	40 **25.5**
Case 2 Product bound rate **Final rate**	5 **4.3**	5 **4.5**	5 **4.7**
Case 3 Unbound product with applied rate **Final rate**	50 **23.0**	50 **32.9**	50 **41.4**

ANNEX 2

CHAIRMAN'S FORMULA USING
DIFFERENT COEFFICIENTS FOR DIFFERENT TARIFF BANDS

AVERAGE BOUND TARIFFS (Ta)

Developing countries

0-20	**:**	**4**
20-30	**:**	**3**
30-40	**:**	**2**
>40	**:**	**1**

	Country A	Country B	Country C
Average Bound Tariff	14.9	24.5	35.3
Coefficient	4	3	2
Case 1			
Product bound rate	40	40	40
Final rate	**23.9**	**25.9**	**25.5**
Case 2			
Product bound rate	5	5	5
Final rate	**4.6**	**4.7**	**4.7**
Case 3			
Unbound product with applied rate	50	50	50
Final rate	**37.3**	**42.4**	**41.4**

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