

**WTO  
NAMA  
NEGOTIATIONS :  
PRESENT STATE OF PLAY**

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**ICRIER, NEW DELHI**



विश्व व्यापार संगठन अध्ययन केन्द्र

**RAJAN SUDESH RATNA**

**PROFESSOR**

**CENTRE FOR WTO STUDIES**

**INDIAN INSTITUTE OF FOREIGN TRADE**

[rsratna@nic.in](mailto:rsratna@nic.in)

[rsratna@iift.ac.in](mailto:rsratna@iift.ac.in)

# Structure

- **Uruguay Round**
- **Doha Modalities**
- **Issues in Doha Round**

# Uruguay Round

- Total NAMA items are approximately 4500 lines at 6 digit HS level.
- 3% of tariff lines were bound in 1987 (start of UR)
- India bound 62% of NAMA lines in the UR.
- SSI products and consumer goods left unbound
- Tariff lines bound at 40% and 25%
  - Applied rates  $\geq 40\%$  bound at 40%
  - Applied rates  $< 40\%$  bound at 25%
  - 40% binding for components/ capital goods
  - 25% binding for raw materials, minerals and ores



# **Developments after Uruguay Round**

- **Duty eliminated on 217 tariff lines under ITA (1996-2005)**
- **Agreement with EC and US on textiles and clothing**
- **India's binding coverage increased to 68% of total NAMA lines with the average binding duties of 33.4%.**

# Doha Ministerial

- ❖ **Para 16 of the Doha Ministerial Declaration (DMD):**
  - reduce or eliminate **tariffs** (including tariff peaks, high tariffs, and tariff escalation) as well as non-tariff barriers **in particular on products of export interest to developing countries.**
  - negotiations shall take fully into account the **special needs and interests** of developing and least-developed country participants, including through **less than full reciprocity (LTFR)** in reduction commitments



# Framework Agreement

## ❖ Annex B:

- a formula approach is key to reducing tariffs, and reducing or eliminating tariff peaks, high tariffs, and tariff escalation
- Negotiating Group should continue its work on a **non-linear formula** applied on a **line-by-line basis** which shall take fully into account
  - **special needs and interests** of developing and LDCs, including through **less than full reciprocity** in reduction commitments

# Hong Kong Ministerial Declaration

## ❖ Para 13:

- Reaffirm commitments in para 16 of the DMD.
- Reaffirm all elements of Framework Agreement

## ❖ Para 14 & 15:

- Adopt a **Swiss formula**
- Reaffirm the importance of **special and differential treatment and less than full reciprocity** in reduction commitments

## ❖ Para 24:

- Comparably high level of ambition in market access for Agriculture and NAMA to be achieved
  - in a **balanced and proportionate manner** consistent with the principle of **special and differential treatment**

# **Main Elements of Doha Round negotiations**

- 1. Formula**
- 2. Flexibilities**
- 3. Sectoral Initiatives**
- 4. Non-Tariff Barriers**



# Formula

## Paragraph 13 of the Hong Kong Ministerial Declaration:

“We adopt a Swiss Formula with coefficients at levels which shall *inter alia*:

- Reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs and tariff escalation, in particular on products of export interest to developing countries; and
- Take fully into account the special needs and interests of developing countries, including through less than full reciprocity in reduction commitments.”

# Swiss Formula

$$T_f = (A \times T_b) / (A + T_b)$$

**$T_f$  : Final Bound Tariff, A: Swiss coefficient , $T_b$ : Current Bound Tariff/ Base Rate**

- **Features of the Swiss formula**
  - All tariffs after formula cut < than 'A'
  - Higher the tariff larger the percentage cut
- **6 December 2008 draft modalities**
  - Developed country coefficient - 8
  - Developing country coefficient – 3 tiered linked to flexibilities



## LTFR Principle (% cut in dutiable lines)

	Brazil	India	EC	US
<b>Developed Country Proposal</b>				
Swiss 10 & 15	66%	73%	33%	35%
<b>NAMA 11 Proposal</b>				
Swiss 10 & 35	45%	54%	33%	35%
Swiss 5 & 30	49%	57%	49%	51%
<b>Chairman's Modalities</b>				
Swiss 8 & 20	59%	68%	38%	40%
Swiss 8 & 22	57%	66%	38%	40%



# India's Tariff Line Simulation

Most Frequent Tariff	No of Lines	Bound Lines	Unbound Lines	Swiss 20		Swiss 22	
				Final Tariff	% Cut	Final Tariff	% Cut
0%	219	219	0	0.0	0.0%	0.0	0.0%
20%	151	151	0	10.6	52.9%	11.1	50.4%
25%	531	523	8	11.1	55.7%	11.7	53.4%
35%	85	76	9	12.8	64.0%	13.6	61.7%
40%	2026	2017	9	13.3	66.6%	14.2	64.5%
50%*	81	1	80	14.1	70.5%	15.1	68.6%
60%*	1231	1	1230	15.1	75.3%	16.2	73.5%
130%*	15	219	15	17.3	86.7%	18.8	85.5%
	Number	Average					
Total	4712	43.73		12.91	64.5%	13.77	62.6%
Dutiable	4493	45.87		13.54	67.7%	14.44	65.6%

\* For the unbound tariff lines, a uniform mark up of 25% has been applied. Thus unbound lines at a tariff of 25% in 2001 have been shown as 25%+25% =50%. Similarly lines at 35% and 105% in 2001 have been shown as 60% and 130% for tariff reduction purposes.

# EC Swiss Coefficient of 8 - RESULTS

<b>Tariff band</b>	<b>No. of 6 digit HS lines</b>	<b>Uruguay Round Binding (Average)</b>	<b>MFN duty (2007)</b>	<b>Doha Binding (Average)</b>	<b>% CUT in Bound Rates UR vrs DR</b>
<b>0-1</b>	<b>1107</b>	<b>0.06</b>	<b>0.05</b>	<b>0.013</b>	<b>78.33%</b>
<b>1-5</b>	<b>1809</b>	<b>2.9</b>	<b>3.05</b>	<b>2.07</b>	<b>28.62%</b>
<b>5-10</b>	<b>1120</b>	<b>6.83</b>	<b>6.80</b>	<b>3.66</b>	<b>46.41%</b>
<b>10-20</b>	<b>326</b>	<b>12.42</b>	<b>12.42</b>	<b>4.85</b>	<b>60.95%</b>
<b>20+</b>	<b>18</b>	<b>22.31</b>	<b>22.31</b>	<b>5.89</b>	<b>73.59%</b>
<b>Not available</b>	<b>414</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>4794</b>	<b>8.9</b>	<b>8.93</b>	<b>3.29</b>	<b>63.03%</b>



# USA Swiss Coefficient of 8 - RESULTS

<b>Tariff band</b>	<b>No. of 6 digit HS lines</b>	<b>Uruguay Round Binding (Average)</b>	<b>MFN duty (2008)</b>	<b>Doha Binding (Average)</b>	<b>% CUT in Bound Rates UR vrs DR</b>
<b>0</b>	<b>1648</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>0.1-5</b>	<b>1691</b>	<b>2.78</b>	<b>2.75</b>	<b>1.99</b>	<b>24.41%</b>
<b>5-10</b>	<b>654</b>	<b>7.14</b>	<b>7.20</b>	<b>3.73</b>	<b>47.75%</b>
<b>10-20</b>	<b>280</b>	<b>13.51</b>	<b>13.55</b>	<b>5.0</b>	<b>62.99%</b>
<b>20+</b>	<b>27</b>	<b>25.31</b>	<b>25.31</b>	<b>6.06</b>	<b>76.05%</b>
<b>Not available</b>	<b>504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>4804</b>	<b>9.75</b>	<b>9.76</b>	<b>3.36</b>	<b>65.53%</b>



## Applied Most Favoured Nation Duties in 2007 – simple average

Country	Simple average UR Bound on NAMA	Simple average MFN on NAMA	DR binding (SC 8 & 20)	Clothing	Leather & footwear	Textiles	Fish & fish products
Australia	11.0	3.8	4.6	15.4	5.5	6.8	0
EC	3.9	3.8	2.62	11.5	4.1	6.6	10.6
Japan	2.4	2.6	1.84	9.2	11.2	5.5	5.5
USA	3.3	3.2	2.33	11.7	3.9	7.9	1.0
China	9.1	9.0	6.25	16.0	13.5	9.7	10.9
India	36.2	11.5	12.88	22.2	10.1	20.9	29.6
Indonesia	35.6	6.7	12.80	14.4	9.0	9.3	5.8
Rep. of Korea	10.2	6.6	6.33	12.6	7.9	9.1	15.8
Malaysia	14.9	7.9	8.53	16.0	13.9	10.5	2.2
Thailand*	25.5	8.2	11.20	24.5	12.7	8.1	14.5

(\* - data for Thailand is only available for the year 2006)

(Source: World Tariff Profile 2008, WTO)

# Flexibilities

Paragraph 8 of Framework Agreement:

- (a) applying less than formula cuts to up to [10] percent of the tariff lines provided that the cuts are no less than half the formula cuts and provided these tariff lines do not exceed [10] percent of the total value of a Member's imports; or
- (b) keeping, as an exception, tariff lines unbound, or not applying formula cuts for up to [5] percent of tariff lines provided they do not exceed [5] percent of the total value of a Member's imports.

Anti-concentration clause: Flexibility cannot be used to exclude entire HS Chapters.



# Flexibilities

- Available for developing countries to protect their sensitive tariff lines from formula cuts or bindings
- December 2008 text

Coefficient	Flexibilities
20	At least half the formula cuts on 14% tariff lines s.t. Imports not exceeding 16% of value <u>or</u> No cuts or binding on 6.5% tariff lines s.t. imports not exceeding 7.5% of value
22	At least half the formula cuts on 10% tariff lines s.t. imports not exceeding 10% of value <u>or</u> No cuts or binding on 5% tariff lines s.t. imports not exceeding 5% of value
25	No flexibilities
<ul style="list-style-type: none"> <li>■ South Africa, Argentina and a few countries want more flexibilities</li> </ul>	

- Flexibilities are subject to an Anti-Concentration Clause (ACC)



# Anti Concentration Clause (ACC)

- ❖ A clause to ensure that developing countries do not concentrate their flexibilities under specific sectors (i.e. Chapters of the HS\* Classification)
- ❖ Chairman's revised draft modalities (10 July, 2008)
  - Full formula cuts are taken on a minimum of either
    - \*[ ] percent of national tariff lines or
    - \*\*[ ] percent of the value of imports of the Member in each HS Chapter
- ❖ Some of the sectors likely to be affected by ACC
  - Marine products
  - Garments
  - Silk
  - Automobiles
  - Aircraft

*\* 20% introduced in DG's & new text*

*\*\* 9% introduced in DG's & new text*

\* Harmonised System

# Sectoral Initiative

- DMC – no specific mandate.
- July Framework – para 7.
- Paragraph 16 of the Hong Kong Ministerial Declaration**

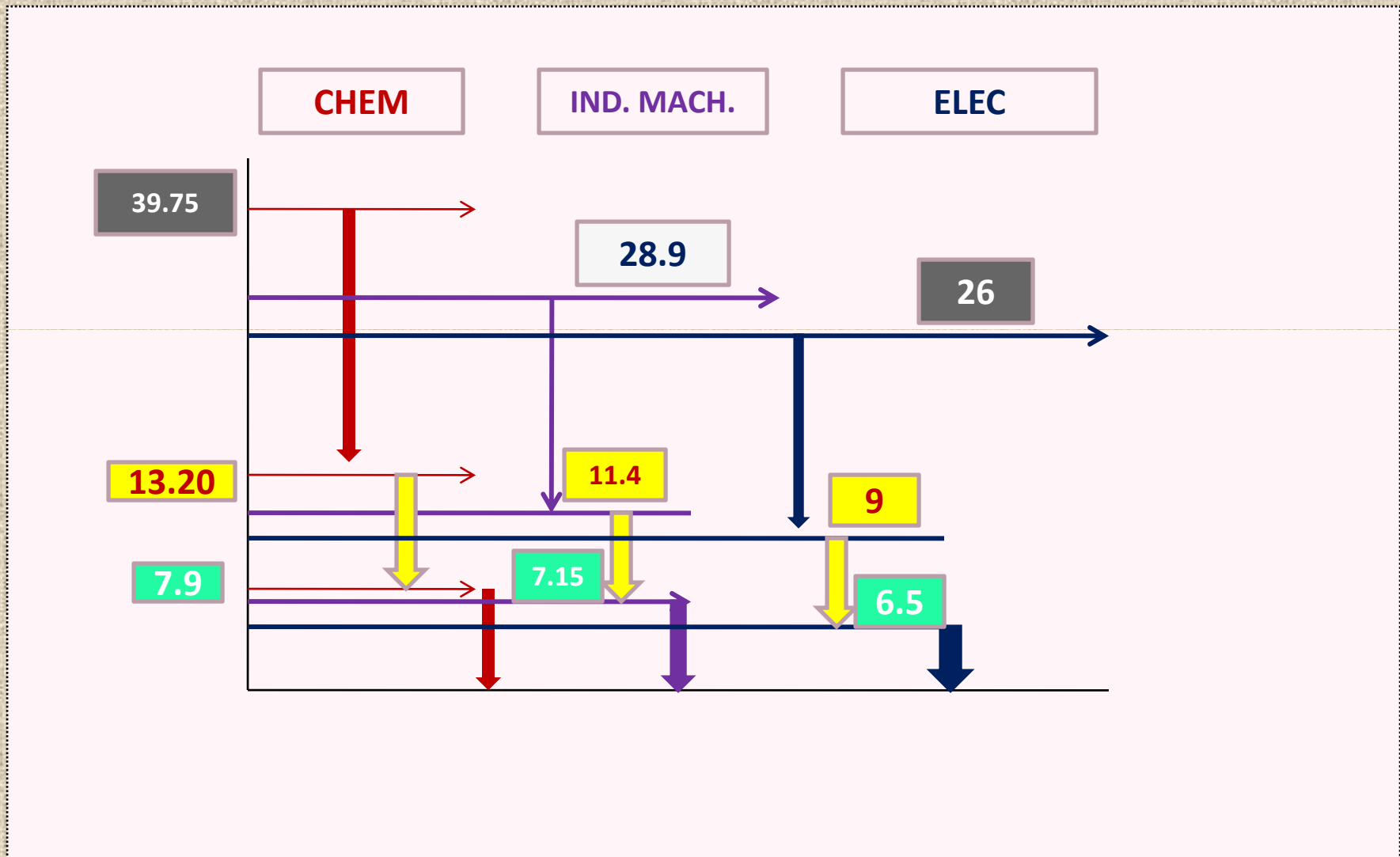
“We instruct the Negotiating Group to review proposals with a view to identifying those which could garner sufficient participation to be realized. **Participation should be on a non-mandatory basis.**”



# Sectoral Initiatives

- Proposals for elimination (or harmonisation at low levels) of tariffs for specific sectors
- Current Proposals
  - Autos & related parts, Bicycles & related parts
  - Chemicals, Electronics/ electrical
  - Fish & fish products, Forest products
  - Gems & Jewellery, Hand Tools, Health Care
  - Industrial Machinery, Raw Materials, Sports Equipment
  - Textiles & Clothing, Toys
- Sectors being actively pursued by proponents
  - Chemicals
  - Industrial Machinery
  - Electronics/ Electrical
- Not truly as per Doha mandate

# Cross-sectoral scenario: India





# Sectorals: Issues to be Negotiated

- a) Countries that must participate
- b) Critical Mass (trade volume amongst participants)
- c) Tariff line coverage
- d) Whether zero tariff or low tariff ?
- e) If low - which tariff lines and at what rates?
- f) Implementation period – uniform or negotiated
- g) Concessions for developing countries -
  - Zero for x
  - Lesser tariff lines
  - Exempting sensitive tariff lines
  - Longer phasing

# Non Tariff Barriers (NTBs)

## Paragraph 22 of the Hong Kong Ministerial Declaration:

“We note that the Negotiating Group has made progress in the identification, categorization and examination of notified NTBs. We also take note that Members are developing bilateral, vertical and horizontal approaches to the NTB negotiations, and that some of the NTBs are being addressed in other fora including other Negotiating Groups. We recognize the need for **specific negotiating proposals** and encourage participants to make such submissions as quickly as possible.”



# NTB Proposals

- Export related proposals:
  - Export taxes
  - Export restrictions
- Horizontal Mechanism for informal resolution of NTBs
- Labelling in textiles, clothing, footwear and travel goods
- Trade in remanufactured goods
- Harmonisation of standards & conformity assessment in:
  - Electrical and Electronics
  - Fireworks and Lighters
  - Forestry products
  - Chemicals
  - Automobiles

# RECENT DEVELOPMENTS



# **Global Economic Crisis**

- **WTO estimates - 9% for 2009, biggest in last 60 years. Recession to continue till 2010.**
- **FDI inflow – decline by 20% in developing countries in 2008.**
- **Remittances – decline by 6% in 2009.**
- **Sharp drop in tourist visits**
- **Increase in commodity prices.**
- **Developing countries can not afford stimulus packages.**

# **G-20 Summit**

- **17 November 2008, Washington:**
  - We underscore the critical importance of rejecting protectionism and not turning inward in times of financial uncertainty. In this regard, within the next 12 months, we will refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organization (WTO) inconsistent measures to stimulate exports.



# G-20 Summit

- **2<sup>nd</sup> April 2009, London:**
  - We face the greatest challenge to the world economy in modern times. A global crisis requires a global solution.
  - Pledge to promote global trade and investment and reject protectionism, to underpin prosperity.
  - Reinvigorating world trade and investment is essential for restoring global growth. We will not repeat the historic mistakes of protectionism of previous eras. To this end:
    - we reaffirm the commitment made in Washington: to refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organisation (WTO) inconsistent measures to stimulate exports. In addition we will rectify promptly any such measures. We extend this pledge to the end of 2010;
    - we will minimise any negative impact on trade and investment of our domestic policy actions including fiscal policy and action in support of the financial sector. We will not retreat into financial protectionism, particularly measures that constrain worldwide capital flows, especially to developing countries



# **What has actually happened?**

- **Countries took the following measures initially:**
  - **Raised import duty**
  - **Initiated Anti-dumping & Safeguard Investigations**
  - **Introduction of new non-tariff barriers**
  - **Increased or introduced new export subsidies**
  - **Concepts of “buy or use American” were floated**
  - **Financial and fiscal stimulus packages announced**
  - **In a few cases, lately a reduction in import duties were seen.**

# Is it only a Market Access Round?

- **Formula:** agreed in July 2008 Ministerial
- **LTFR :** where does one stand?
- **Flexibility:** there are several carve outs.
- **Sectoral:** proposal for eliminating duties.
- **ACC:** provide minimum market access
- **NTB :** what is there for developing countries
- **S&D provisions :** where the “spirit” of DMC gone?
- **Global economic crisis :** protectionist measures taken by developed countries?
- **Scheduling:** New issue raised recently.



**What is truly “Developmental” in  
Doha Developmental Agenda?**



**THANK YOU**