NAMA: Developed Countries as the Donors?

Malini Chakravarty

"The Doha Round negotiations are not a ***donor's conference****. They require major economic powers like India to… take responsible leadership, rather than working behind the scenes for Doha's demise. Yet so far India has resisted virtually all liberalizing proposals in Doha, even those proffered by other developing countries".*

> Christopher Padilla, US Under Secretary of Commerce for International Trade, 9 June 2008.

This reaction from the US Under Secretary of Commerce for International Trade, Christopher Padilla, about the unfair expectations from developed countries to play a philanthropic role in Doha Round, comes in the wake of the talks, on the latest draft text on Non-Agricultural Market Access (NAMA) issued on 20 May 2008, once again ending in a stalemate. The latest setback came after the Chair of the negotiating group on NAMA came out with the second revision of Draft Modalities on NAMA circulated in July 2007. Earlier round of talks too had broken down when the first revised draft text was issued in February 2008. The second revised draft is more or less similar in its structure as that of the first revised draft and continues to ignore various 'developmental' concerns raised by developing countries. The deepest divisions continue to centre on three issues: the 'coefficients' that determine future duty ceilings for the developed and for the 30 or so developing countries required to apply to the 'Swiss' tariff reduction formula, the 'flexibilities' to shield some products from duty cuts for developing countries subject to the formula, and the treatment of currently unbound tariffs.

These are some of the issues that have come to be widely accepted as the 'core issues'[1] in the NAMA negotiations. Over the years, the issues related to tariff harmonization, within that adopting a formula approach and the type of formula to be adopted in particular, have come to occupy the central space in the modalities negotiations. With regard to the formula to be adopted, after various negotiations, the developing countries had acquiesced to the demands of the developed countries to adopt a Swiss formula with coefficients, as opposed to a tariff independent linear formula.[2],[3]. The non-linear Swiss formula, given below is,

$$T_1 = [a*T_0] / [a+T_0], \text{ and } R = T_0 / [a + T_0];$$

where, T_0 and T_1 are the initial and final tariff, a is the given coefficient and R is the rate of tariff reduction.

The formula has two crucial aspects, one related to the non-linearity of the formula and the other related to the coefficient to be adopted. As opposed to a linear formula, the non-linearity aspect of the Swiss formula implies that for any given level of the coefficient, higher the initial tariff, higher would the

required tariff cut. Since in general, developing countries have higher tariffs than developed countries, the non-linear Swiss formula necessarily requires the former set of countries to undertake larger tariff reductions, thereby bringing about a harmonisation in tariff levels between developed and developing countries.[4] The formula, thus, has the potential of being biased against countries with higher tariffs, unless offset by appropriately higher value of coefficient for these countries. The value of coefficient, which determines the magnitude of the tariff cuts, is thus of crucial significance since for any given tariff line or average tariff level, the lower the coefficient, the greater will be the cut. In fact, offsetting the inbuilt bias (against developing countries) of the formula, requires not only that developing countries have a higher coefficient relative to that adopted for the developed countries, but also that the spread between the two is wide enough. As the table shows, the coefficient adopted for the developing countries need to be at least 25 points higher than that for developed countries, for there to be a relatively balanced result in tariff reductions in the respective groups of countries.[5]

Table: Impact of Tariff Reductions on Developed and Developing Countries

	Swiss formula coefficient	Average initial tariff	Average resulting tariff	% Reduction	Reduction in percentage points
Developed Countries	7	6.0	3.23	46.1%	2.7
	8	6.0	3.43	42.8%	2.5
	9	6.0	3.60	40.0%	2.4
	10	6.0	3.75	37.5%	2.2
Developing Countries	15	35.0	10.5	70.0%	24.5
	18	35.0	11.8	66.0%	23.1
	20	35.0	12.7	63.6%	22.3
	22	35.0	13.5	61.4%	21.5
	24	35.0	14.2	59.3%	20.7
	26	35.0	14.9	58.1%	20.1
	35	35.0	17.5	50.0%	17.5

Note: A similar table had been provided by NAMA 11 countries. Market Access For Non-Agricultural Products; Communication From The Nama-11 Group Of Developing Countries, Tn/Ma/W/86, WTO (2007).

However, despite the fact that over a period of time, developing countries have acceded to various demands made of them[6], the developed countries have gone on to demand even higher levels of commitments from developing countries. In the context of the extent of tariff reductions required of various countries, successive drafts of the WTO text on NAMA, have consistently violated the concept of “less than full reciprocity” (LFTR) in reduction commitments by developing countries, which forms one of the crux of the

‘developmental’ agenda of the Doha Round. In order to extract maximum possible gains, the developed countries have lobbied for low coefficients for developing countries, only marginally higher than the value they assigned for themselves.

A group of developing country members expressed that even coefficients of 10 and 35 for developed and developing country members respectively, i.e. even a 25 percentage point margin, result in a heavier burden being placed on developing countries. Dismissing such concerns, even as late as May 2007, the EU, US and Canada had been advocating for coefficients of 15 for developing and 10 for developed countries, i.e. coefficients which are “within sight of each other”.[7] The ingenuity of the proposed value of the two coefficients and almost negligible difference between the two was that by imposing 60-70% reductions in tariffs for developing countries as against mere 25-37% cut for developed countries, it shifts the burden of the contribution disproportionately on the developing countries. And in the process completely reverses the concept of LFTR, under which developing countries were to make relatively less tariff reductions.

The other main developmental plank of the Doha Round, namely ‘Special and Differential Treatment (S&D)’ for developing countries, too have come under attack, severely limiting the possible advantages to developing countries. Attempts have been made to either pose the adoption of higher coefficient for developing countries and the principle of LFTR as a substitute for the flexibilities to be accorded to various developing countries under S&D or confine the flexibilities to the minimum possible extent. Paying little heed to a group of developing country members’ view that the flexibilities (of shielding certain percentage of tariff lines for a certain period of time) under S&D provision were the minimum required for their sensitive tariff lines, the ‘flexibilities’ in various WTO drafts have come attached with conditions acutely constraining the use of such flexibilities. Thus, for developing countries that are to reduce bound industrial tariffs on the basis of the formula, flexibilities were limited to being able to either shield only 10% of their tariff lines at half the formula cut, with the proviso that it is limited to 10% of import value, or alternatively have the exemption of not binding 5% of tariff lines provided they constitute not more than 5% of imports. Another group of developing countries, those that are exempted from adopting the formula as currently they have less than 35 per cent of their tariffs bound, had been increasingly put under pressure to bind 100 per cent of their tariff lines, as against the 70 per cent proposed by the members of these countries. Recently Acceded Members (RAMs) (those who have already committed extensive market access), were accorded only a grace period for implementation as against their proposal of higher implementation period and a higher coefficient than that applicable for developing countries.

A concerted programme aimed at achieving massive tariff cuts for developing countries was evident in the area of currently unbound tariff lines as well. For the treatment of unbound tariffs, it was proposed that these were first to be

marked up to a base, and then the formula was to be used for tariff reduction and to bind them at the new levels. In effect, such a method implied that the new bound rates would end up significantly lower than the present unbound applied rates in most cases, except in tariff lines where the unbound rates are at very low levels. The proposal thus was akin to asking the developing countries to pay twice, once in binding and the second time in cutting the tariffs.

VARIOUS FLEXIBILITIES UNDER NEGOTIATION FOR DEVELOPING COUNTRIES

These flexibilities are supposed to take into account different levels of development of the various developing countries. And therefore, they are to address different developmental, financial and trade needs of these different groups of developing countries.

For the more advanced among the developing countries and those which are to apply the Swiss formula, along with longer implementation periods for tariff reductions, they are to be accorded the following flexibilities, often referred to as "**Paragraph 8" flexibilities in accordance with Annex B of the July Package:**

a) applying less than formula cuts to up to [10] per cent of the tariff lines provided that the cuts are no less than half the formula cuts and that these tariff lines do not exceed [10] per cent 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] per cent of tariff lines provided they do not exceed [5] per cent of the total value of a Member's imports.

Developing countries, which have less than 35% of their industrial tariff lines bound into the WTO, referred to as **Paragraph 6 countries**, are exempted from making tariff reductions through the formula. Instead, they are to bind [70-100] per cent of non-agricultural tariff lines at an average level that does not exceed the overall average of bound tariffs for all developing countries after full implementation of current concessions, which is at 28.5%.

Recently Acceded Members (RAMs) i.e. those who have already committed extensive market access in the process of accession to WTO, distinguishing thereby the group from the rest of the membership are to be given longer implementation period and along with all other flexibilities to be agreed upon for other developing countries.

Small and Vulnerable Economies (SVEs): It is generally accepted that developing country members with less than 0.1% of world trade in industrial products would be considered as SVEs. On the question of the treatment of

SVEs, the flexibilities to be negotiated centre around either a formula tariff reduction with expanded flexibilities or a target average tariff reduction.

Least Developed countries (LDCs) are exempted from participating in the formula for tariff reduction and the sectoral approach. However, as part of their contribution to the DDA, they are to substantially increase their level of tariff binding commitments, with the extent and level of tariff binding commitments to be determined in accordance with their individual development objectives. Over and above this, there are to be duty-free and quota-free market access for LDC products.

Developing countries for long had been protesting to no avail, that such two-pronged attack, one on the value of coefficient and the other on minimising flexibilities, has the potential of significantly reducing their internal policy space for further industrialisation and development of their economies.[8] Undermining concerns voiced by the developing countries, various drafts of the WTO text on NAMA have consistently violated the mandates of the Doha Development Round, especially the concept of "less than full reciprocity" (LFTR) in reduction commitments and special and differential treatment (SDT) for developing countries contained in the Doha mandate. Instead, newer demands in the form of issues like that of providing "real market access" for developed countries into developing countries' industrial and manufacturing markets,[9] etc., have found their way in the 'core modalities' of the NAMA negotiations. Every such move pushing the developing countries against the wall, meant that the developing countries had no option but to heighten their resistance against the unfair demands asked of them in the various WTO texts. Tougher stance taken by the developing countries and lack of flexibility shown by the developed countries, increased the already sharp divisions between the developed and developing countries and led to repeated deadlock in talks.

Backdrop of the New Text

In this backdrop, the draft text of the NAMA modalities of July 2007 did contain a modicum of concession in the form of two ranges of coefficients; a slightly lower coefficient of 8-9 for developed members, down from 10 in the previous text and a somewhat higher 19-23 for developing Members, up from 18 that the EU-US had been pushing for. But even a coefficient of 8 translates into a cut of about 28% in average tariff for the United States, the European Union and Japan, much lesser than the average tariff reduction of 60-65% for developing countries with a coefficient of 20.[10] Besides, even the range of coefficients offered for developing countries were too narrow to give any negotiating space. For developing countries with average bound tariff of 30%, a coefficient of 19 brings down the tariff rate to 11.6%, while a coefficient of 23 reduces it from 30% to 13%. The benefit of opting for the higher coefficient in the range, to the tune of mere 1.4 percentage points, makes only a token difference in the number of tariff lines that were to be affected. Hence it didn't take long for developing countries to see that the

concessions given were mere tokenism, for they continued to put proportionately greater burden of tariff cuts on developing countries and offered too little flexibilities for the developing countries affected by the formula.

For the other set of developing countries not affected by the formula, the draft continued to ignore proposals put forth by the respective groups and pushed for huge market access contribution. For Para 6 countries, for instance, the draft text proposed a binding coverage of 90% at an average level not exceeding 28.5%, completely ignoring that these countries had proposed to bind up to 70% at an overall average rate of 28.5%, the choice of 70% being intrinsically linked to the other at 28.5%. On the question of the treatment of SVEs, a target average tariff reduction approach was proposed. In particular, a tiered approach was to provide for some degree of harmonization of tariffs among the members, with the members with the highest tariffs making the greatest reduction. Its proposed target tariff averages of 14, 18 and 22 per cent along with a minimum line-by-line tariff reduction of 10% on 95% of tariff lines, and including a minimum line-by-line tariff reduction in effect required the SVEs to cut their tariffs by over 50%, much higher than the developed countries. As for the LDC Group, the text not just overlooked the commitment made earlier on duty- and quota-free market access for LDC products, especially operationalising the move from 97 to 100% of tariff lines within the specified time frame, it also omitted from the draft modalities, a previous decision of improving the rules of origin for LDCs. Recently Acceded Members (RAMs) were accorded only 2-year grace period for implementation as against their proposal of at least 5 years.

As for unbound tariffs, the NAMA modality paper proposed that, there be a constant non-linear mark-up of only 20 percentage points, 10 percentage points lower than that proposed by many developing countries[11], to the applied rate to form the base rates. The proposed value for the mark-up to already low applied rates is tantamount to punishing members for their unilateral liberalization efforts, by bringing about drastic reductions in already low unbound tariffs.

Adding insult to injury, an additional demand of sectoral tariff eliminations requiring some sectors' tariffs to be brought down to zero, (a modality favoured by a few developed countries), were also brought in the text as a key modality with specific time-lines, much against the wishes of the developing countries. The aim of developed countries had been to completely eliminate or reduce tariffs to very low levels, in select sectors of their export interest. Reportedly, barring the two sectors, viz. automobiles and textiles, which are sensitive for them, the US, had been aggressively pushing for sectoral initiatives in all the currently proposed sectors like bicycle and related parts; chemicals; electronics/electrical products; fish and fish products; forest products; gems and jewellery; hand tools; open access to enhanced health care; raw materials; sports equipment; toys; and footwear. Developing countries, on the other hand, had opposed this proposition, on

the grounds that, one giving specific time lines for sectoral initiatives, which was supposed to be a voluntary initiative, makes it almost mandatory. Second, this clause by bringing down tariff rates close to zero has the effect of closing all options for future industrialisation in these sectors.

Following the debacle of the July 2007 talks and subsequent to a series of 'confessionals', small-group consultations and proposals put forth by various developing country groups and developed countries till early this year, the first revised version was issued on the 8 February 2008 by the chair of the NAMA negotiating group, Ambassador Don Stephenson. However, despite his claims that the revised text, would be "closer to a negotiating text" than his July 2007 text, with brackets mostly on the numbers (coefficients, percentages, implementation periods, etc),[12] the revised text contains practically the same structure and figures in the major aspects of the papers as compared to the earlier drafts issued in July 2007. The text retains its developed country bias, putting forth the same coefficients for the tariff-reducing Swiss formula for developed and developing countries, and the flexibilities for developing countries affected by the formula—once again disrespecting the "less than full reciprocity" principle, and asking developing countries to make more tariff cuts than developed countries.

The main (perhaps the only) progressive element of Stephenson's February paper is that for the first time it acknowledges that not all developing countries had been in agreement with his proposed numbers of the previous July draft, saying that "WTO members remain divided into three groups: …one group wants smaller cuts for developing countries and a greater differential in coefficients (30-35 coefficient for developing countries and a differential of at least 25 points) and who did not accept his ranges as a basis for further negotiation".[13]

The progressiveness is, however, limited to only acknowledging the difference in opinion. For, the paper subscribes to exactly the numbers that had been suggested by a group of 8 developing countries (often termed the "middle-ground countries"), for whom these numbers would require only minimal cuts in tariffs. There is some progress on the issue of the mark-up to be applied to unbound tariffs to establish the base rates for commencing tariff cuts [the February draft puts the figures (20) and (30) within brackets as against the previous proposed 20 percentage points)]. But, the paper faced a lot of flak for increased number of brackets, pressing ahead with the issue of 'real market access' for developed countries and for its 'one size fits all' approach trying to force a choice of coefficients on all developing countries, on a basis that is favoured by a minority group of developing countries which is in consonance with the demands of the developed countries.[14]

Latest Developments

Like the first revised text, the subsequent revised texts, of 20 May and 10 July 2008[15], too fail to address the concerns of the developing countries, even though it now allows them to shield a higher share of industrial imports from the full force of tariff reduction, on the condition that they agree to relatively steep overall duty cuts. While putting the coefficient for industrialised countries at between 7 and 9 per cent (slightly below the 8-9 range provided for in earlier drafts), for developing countries the text offers three ranges of coefficients between 19-26 and three conditional flexibilities. Higher coefficients are linked to lesser flexibility, thus making tariff caps conditional on the proportion of tariff lines (and import percentages) that can be sheltered from tariff reduction. Thus, if developing countries choose from the lowest range of coefficients between 19 and 21, the text allows them to subject 12 to 14 per cent of tariff lines (covering no more than 12 to 19 per cent of manufacturing imports by value) to cuts half as deep as those required by the formula. Alternatively, they would be allowed to exempt 6 to 7 per cent of tariff lines from cuts altogether, accounting for somewhere between 6 and 9 per cent of import value. Members opting for coefficients in the second range, between 21 and 23, would be permitted ‘half-formula’ cuts for 10 per cent of tariff lines and import value, or full exemptions for 5 per cent of each. Under the third and final option, developing countries can adopt a coefficient between 23 and 26, but at the cost of zero flexibilities.

The new text while minimally increasing the upper range of the coefficient from 23 to 26, takes away much more by completely disallowing any flexibilities, thereby rendering the third range almost a non-starter. Interestingly, the second range that allows 10/5% flexibilities is the same as the previous two texts! At first glance, the first range thus seems to be a significant innovation since it potentially allows developing countries to shield the maximum possible (up to nearly one-fifth) of industrial imports from the full force of tariff reduction, even while capping most manufacturing duties between 19 and 21 per cent rates. This is also because 'half-formula' cuts help retain higher levels of protection. A coefficient of 20 on 36% average tariff, for example, would bring down final tariff to 12.8%; a 'half-formula' reduction, on the other hand, would leave the final average tariff at a much higher rate of 24%. However, this increased protection would be applicable to less than one-fifth of the tariff lines, implying that more than 80 per cent of import tariffs would have to go down by an average of 64%. As against this, developed countries would have to cut tariffs by only 20-30 per cent even with the new coefficient.

Miffed by what they feel are a larger amount of flexibilities for developing countries to protect their industries from international competition, US, EU had been pushing for severely constraining the selection of sensitive tariff lines under flexibilities. This new element has subsequently crept into the latest NAMA text in the guise of so called anti-concentration clause. According to this clause, a developing country using the flexibilities will have

the additional condition that it cannot exclude an entire sector, or a certain percentage of tariff lines of the value of the imports in a sector from the full formula cut, thereby reducing the number of products that can be added to the sensitive list by the developing countries.

The May 2008 NAMA text had another damaging element, that of giving credit in the form of additional points in the coefficient in the formula for developing countries participating in sectoral agreements. Tying sectoral initiatives as an incentive to get higher protection for developing countries' industries, is akin to twisting their arms into going for sectoral liberalisation on a mandatory basis, in case they want higher protection.

The glaring inequity in both the revised texts is evident even for the developing countries exempted from applying the formula. As per the July 2008 text, the developing members with less than 35% of their industrial tariff lines bound into the WTO, have been clubbed into two categories on the basis of their present binding coverage. All these members would have to bind their tariffs at an average level not exceeding 28.5%, but those with less than 15% binding coverage currently, would have to bind anywhere between 70-90% of tariff lines and those at or above 15% would have to bind a minimum of 75% and a maximum of 90% of their tariff lines.[16] The July 2008 text overlooks not just concerns raised earlier by these set of countries but also the more recent arguments put forth by them. In the weeks of negotiations following the May revised text, these countries had pointed out that the actual average tariff of all developing countries, which forms the ceiling at which these countries would have to bind their average tariff, is 32.6% and not 28.5% as had been advocated till then. Accordingly, these set of countries had been arguing for a change in the number in the text from 28.5% to 32.6%. Their argument, however, seems to have fallen on deaf ears since the new draft text retains the 28.5% figure, even though in brackets.[17] The grace period allowed for the Recently Acceded Members (RAMs), too fail to reflect the proposals made by these countries, merely inching its way up from 2-3 years in the May 2008 text to 3-4 years in the July 2008 text.

There are also several recent proposals like different tariff cut formulae for India, South Africa and Mexico, favouring Africa in particular, which provide for special treatment for individual developing countries, a ploy, many believe, aimed at seeking to "divide the developing countries".[18],[19]

A closer look at the conditional sliding scale and the ranges allowed as well as the flexibilities for developing countries in the revised texts completely dispel the myth of the revised versions of the draft NAMA texts being more development oriented. As expected and contrary to Stephenson's hope that the May 2008 text might help in breaking the impasse, reactions to the text show that the same divisions between the developed countries and the developing countries remain. Unhappiness over the text was reflected in the reactions from various members. Indian Commerce Minister Kamal Nath,

expressing his dissatisfaction with the text, had proposed a coefficient of 30 for developing countries and 5 for developed countries, saying that “a fair agreement would require developed countries to accept a coefficient that resulted in an average cut of 49 to 51 per cent on their dutiable tariff lines, with developing nations accorded a coefficient that would entail lower cuts to their bound ceiling rates.” US Ambassador Peter Allgeier, on the other hand, argued that the potential exceptions for developing countries present in the draft text constituted "massive tariff-cutting avoidance”. This, he complained, meant that there is no additional market for US and went on to demand that every country, that applies the formula, should have to make a significant contribution by cutting into applied rates (rather than bound rates). Christopher Padilla warned against failure of the Doha Round referring to the Indian proposal for a tariff-cutting formula coefficient of 30 for developing countries and 5 for industrial nations.

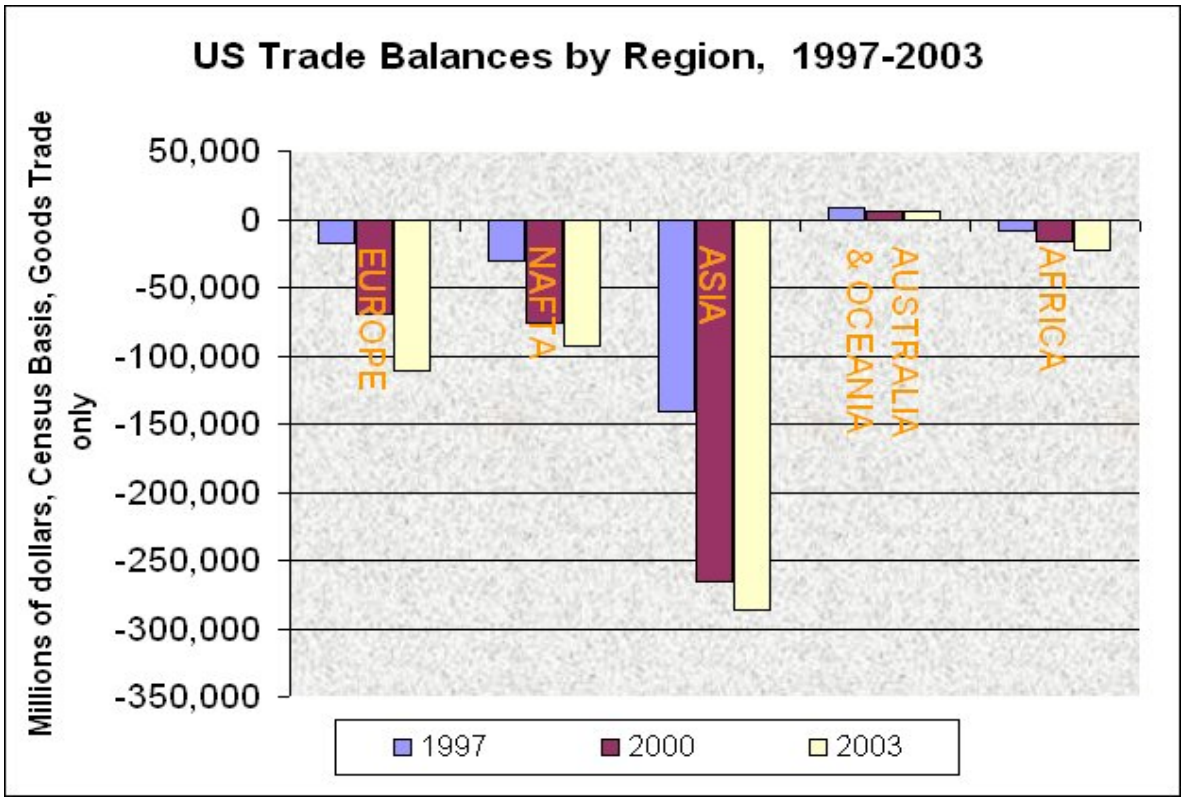
The warnings issued soon after the break-down in negotiations in May 2008, perhaps were a pointer to the fact that the US (as well as the EU along with some other developed countries) wanted a ministerial meeting to be held as early as July to close the Doha Round deals. In fact, American negotiators had, soon after, made renewed attempts to bring the level of differences down to a reasonable level. Taking a cue from this, in the second week of June, the chairman of the NAMA negotiating group invited 11 key nations, including India, for limited attendance meetings on the formula and flexibilities aimed at narrowing enough differences to present ministers with a manageable number of decisions. One rationale behind holding these smaller gatherings was that countries might be less inclined to put up resistance when in a more intimate group. In fact, there are also reasons to believe that singling out India, has been done, precisely for this purpose, whereby it would have been left with the option of either going along with an unfavourable deal or being branded as a “deal breaker” if it chose not to give in. The strategy of ‘divide and rule’ perhaps did work, since the revised July 2008 text provides only crumbs in the form of additional flexibilities for some developing countries while further constraining the use of flexibilities for some others, through new conditions like the anti-concentration clause. The argument perhaps, gets strengthened further in the light of the fact that a mini-ministerial on Doha Round has started from 21 July 2008, exactly as the developed countries had wanted and despite sharp divisions continuing to persist along North-South lines.

That the developed countries want a successful closing of the Doha Round is obvious. That they want this, at least in part, for gaining increased access to developing country market, is also obvious. In fact, that was one of the basic aims of the liberalisation policies, based on the ‘Washington Consensus’, which has been thrust upon a number of developing countries all over the world. What is new, however, is the high rate of growth of some of the ‘advanced’ developing countries and the attendant change in the structure of the world trade, which makes gaining increased access into these countries all the more imperative. The latest International Trade Statistics 2007,

released by WTO, show that it is the continuing strong growth in developing and transition economies that have somewhat cushioned the trade slowdown (which slid to 5.5% last year from 8.5% in 2006) witnessed in 2007 and may grow even more slowly in 2008, because of sharp economic deceleration in key developed countries. Developing countries' share of world merchandise trade (exports plus imports), which has been on the rise for some years now, reached a new record level of 34% in 2007. Further, it is estimated that the developing countries as a group accounted for more than one half of the increase in world merchandise imports in 2007. This trend is expected to continue in 2008 too, for they are likely to record faster growth in imports than exports, and together they are expected to contribute more than one half of global import growth in 2008. A part of this rise in trade in developing countries is South-South trade, implying lowering dependence on developed countries. These developments in world trade environment are reflected to an extent in the US trade statistics.

The US trade deficit reached a record high in May 2008. One of the causes is, of course, the slowdown in growth in the developed countries, which forms the major market of US exports. But even more important perhaps is that, export-led growth strategies in many of the developing countries have resulted in rising exports from these countries. As the chart given below shows, the vast majority of the U.S. trade deficit is explained by extremely imbalanced trading relationships that exist with a few key countries. U.S. trade imbalances are concentrated in a few regions of the world. The vast majority (about three fourths) of US trade deficit in manufactured goods is caused by imbalanced trade flows with Asia. The deficits with Asia are large and rapidly growing, despite very high rates of growth in the region. Europe and NAFTA were each responsible for about 13% of the US trade deficit in 2003.

The U.S. has accumulated sustained, structural trade deficits with both rich and poor nations and the majority (55 per cent) of the U.S. trade deficit is with developing countries. Developed countries are responsible for the remainder (45%).[20]



Source: U.S. Department of Commerce, Foreign Trade Highlights, http://www.ita.doc.gov/cgi-bin/otea_ctr?task=otea.

In this scenario of low growth in developed countries, access to the markets of the high-growth developing countries does provide the much-needed succour, in the form of the so-called 'external market', to wriggle out of the present state. And that is why perhaps, they continue to aggressively pursue for a successful close of the Doha Round.

---

[1] In NAMA, like the negotiations in agriculture, the attitude has been to focus first on the formula and coefficients; the treatment of tariffs that are not currently committed (or "bound"); and flexibilities for developing countries subject to the formula. Next, focus would be on duty-free and quota-free market access for exports from least-developed countries; flexibilities for developing countries with a low proportion of products bound in the WTO; small and vulnerable economies; recent new members; non-reciprocal preferences and the implementation period.

[2] The Swiss formula was proposed by the EU, and approved in Hong Kong 2005, despite the opposition of the majority of developing countries.

[3] "ABI" Proposal, TN/MA/W/54, 15 April 2005.

[4] Developing countries have an average tariff of 30-36%, and developed countries' average tariff varies between 3% and 7%. See, "Opposition Grows to NAMA Modality Text", 22 July 2007, www.twnside.org.

[5] This proposal was given in the NAMA-11 proposal, "NAMA-11 Ministerial Communiqué", TN/MA/W/79, 6 July 2006.

[6] Over and above the agreement on the adoption of a non-linear Swiss-type formula with coefficients, other concessions by developing countries involve agreeing to line-by-line tariff reduction against tariff cuts on average bound rates, going to the extent of even accepting developed countries' demand to bind unbound tariff lines as well as according same priority to agriculture-related negotiations as that given to NAMA. See, "ABI" Proposal, TN/MA/W/54, 15 April 2005.

[7] "Developed countries' demands for industrial tariff cuts rejected", 29 May 2007, www.twnside.org.

[8] For details see M Shafaeddin., "Beware of NAMA's Slippery Slope to Industrialization", http://www2.unine.ch/webdav/site/irene/shared/documents/SUNS15-Shafaeddin.pdf.

[9] The developed countries have been urging for making the applied tariff (which are generally much lower than the bound tariff) in place of bound tariff as the base for tariff reductions so as to provide "real market access" for developed countries into developing countries' industrial and manufacturing markets.

[10] For details see, SUNS #6296, 19 July 2007, www.twnside.org.

[11] These include countries such as India, the Philippines, Tunisia, Thailand, Brazil and Argentina.

[12] The Chair of the WTO Negotiating Group on Market Access for Non-agricultural Products (NAMA) is reported to have said this in his first open-ended meeting of the New Year.

[13] This is something which he has been denying for long.

[14] Brackets imply that these are yet to be negotiated.

[15] TN/MA/W/103/Rev.1 and TN/MA/W/103/Rev.2, 2008' www.wto.org

[16] Like earlier texts, the May 2008 text had suggested three tiers, such that the tier with the lowest binding coverage would have been allowed to leave the highest proportion of lines unbound.

[17] "Imbalances remain in WTO's new agriculture, NAMA texts", 15 July 2008, www.twnside.org.

[18] The Indian negotiating team, comprising senior commerce ministry officials, had raised strong objections to the negotiating draft seeking to "divide the developing countries" by treating them differently. The draft proposals suggested different tariff cut formulae for India, South Africa and Mexico.

[19] For instance, one bracketed provision would allow South Africa, to shield an extra number of products from standard tariff cuts. For SVEs, the new text allows them the flexibility of choosing between an average cut and the earlier proposal binding their tariffs at a to-be-negotiated average, based on their existing tariff levels, depending on whichever proves less burdensome.

[20] All information used in the figure was obtained from the U.S. Department of Commerce, Foreign Trade Highlights, http://www.ita.doc.gov/cgi-bin/otea_ctr?task=otea.