

THE CHALLENGES FOR SA IN NAMA

- The Doha Mandate on NAMA
- The Swiss formula
- Flexibilities for developing countries

The Doha Mandate

- To address tariff peaks, escalations and ntbs on industrial products of export interest to developing countries
- Also insertion by US of “high tariffs”
- Implies a shift from the kind of average cut commitment in previous rounds to an approach that targets high tariffs
- Supposed to be ltr in reduction commitments, not just in the structure of the formula

The Swiss Formula

- Not fully agreed, but a strong thrust towards “simple Swiss”
- Applied line by line: $t_1 = a \times t_0/a + t_0$
where a = coefficient; t_1 = new bound rate;
 t_0 = original bound rate
- Reduces high tariffs more than low
- Extent of cut depends on coefficient; the lower the number in coefficient the deeper the cut

Chair's Proposal: formula and coefficient

- Simple Swiss formula with coefficient of [8-9] for developed and [19-23] for developing countries taking formula cuts

Flexibilities

- 2004 July Framework proposed flexibilities for developing countries – could exclude [5%] of tariff lines from formula cuts OR could subject [10%] of tariff lines to less than formula cut, provided it was not less than half the formula cut

Effect of Application of Proposed NAMA formula cuts

Tariff	coeff	19	23	19 + flex	+ 23
45		13	15	29	30
40		13	14	26	27
30		12	13	24	24
20		9	10	14	15
10		6	7	8	8

Effect on SA/SACU in particular

- SA took “developed country” cuts in Uruguay – means while applied tariffs similar to other “advanced developing countries”, bound rates are much lower

	SACU	Brazil	Argentina	India
Av bound rate	17	30	30	40
Av applied rate	8	11	10	19

Effect on SA/SACU *applied* rates

Coefficient	% of lines cut by 20%+	% by 30% +
35	22	16
30	28	18
25	28	21
20	30	25
15	39	27

Effects on SA/SACU

- Application of basic proposal would imply deep cuts at applied rates
- July framework proposals on flexibilities would be insufficient to shield sensitive sectors and IP priorities from deep cuts
- SA/SACU particularly exposed because of Uruguay Round developed country cuts which through SACU would apply to a CU with 1 LDC and 3 SVEs

The NAMA 11

- Established at HK Ministerial convened by SA
- Has called for proportionality and equity in process between ag and NAMA and between developed and developing country commitments: Article 24 HK Declaration “comparably high levels of ambition” point of reference

NAMA 11 ctd

- Called for 25 point spread between coefficients for developed and developing
- Called for additional flexibilities
- NAMA 11 has become a force in the process: we don't shape the text but cannot be ignored

SA in NAMA 11

- SA has spoke on behalf of NAMA 11 on agreed principles and demands, but have also made clear our own concerns arising from developed country status Uruguay Round and SACU
- Have indicated that we would need “at least 6 additional points” in flexibilities
- Have won some understanding for our own particular position e.g. mentioned in Chair’s text, but no concrete proposals

Current Negotiating Text

- Preserves much of basic architecture of previous text – coefficient proposals 19-23 repeated but in []
- On flexibilities blank square brackets with no numbers...led to some uncertainty with suggestions that numbers could be reduced to less than the 5 or 10%
- Chair's Cafeteria Options envisage “flexibilities within flexibilities” while “maintaining level of ambition”
- Some envisage more bands; some a trade off between coefficient and flexibilities i.e if you want more flexibilities you take a lower coefficient; some additional flexibilities and some amend the cut applied by the formula

Challenges

- The basic challenge remains to ensure an outcome that is equitable and proportional, in which reforms to benefit developing countries are prioritised and ag (where anti-developmental distortions are most evident) sets the level of ambition for Round as a whole
- For SA specifically that we do not pay excessively in NAMA for small benefits elsewhere

Challenges ctd

Further technical work will be needed in NAMA to:

- establish exactly what additional flexibilities we would need and how they should be applied (total exclusion or less than formula cuts)
- react to the Cafeteria options
- calibrate with positions on coefficient

Challenges ctd

Continuing political work will be needed to:

- maintain the unity of the NAMA 11
- coordinate with SACU
- hold together with other developing country groupings