BUSINESSEUROPE Comments on the Chairman's Text on Non-Agricultural Market Access Modalities

Chairman's Text	BUSINESSEUROPE Assessment
Introduction to the Draft NAMA Modalities	
- Paragraph 4: Principle that all must contribute	Positive
- Paragraph 5: Differentiation between emerging countries, small and vulnerable economies etc.	Positive
- Paragraphs 6-8: Less than full reciprocity	Agree that need a reasonable stance and balance between political and commercial interests of all members. A development outcome requires the opening of emerging markets. 50% of tariffs paid by developing countries are to other developing countries.
- Paragraphs 9-10: Balance between agriculture and NAMA	Agree that members focus on "improving ambition elsewhere rather reducing it, for all, in NAMA."
- Paragraphs 12: 12% average in Developing countries and handful with averages above 15%	This fails to mention that the peak tariffs in emerging countries will remain very high, possibly for very important tradable items such as automobiles, textiles and clothing and electronics (as high as 35%). On the other hand, EU & US peak tariffs will be 7 and 8.5%.

- Paragraphs 16: Formula: Extreme positions of 5 and 25 point differences between developed and developing country coefficients; suggestion of a 10-15 point difference	BUSINESSEUROPE calls for a 5 point difference.

<u>Draft Modalities</u>	
- Paragraph 5: Formula Swiss Formula without *a priori* exclusions Coefficient for developed members: 8-9 Coefficient for developing members: 19-23	 Positive OECD Coefficient as expected. Coefficient for developing members: The final version must include the lowest emerging country coefficient to attain the EU's 15% maximum industrial tariff objective, to cut applied tariffs in countries such as India or Brazil and to keep developed and emerging country coefficients in sight of each other.
- Paragraph 6(b): Mark-up for unbound tariffs of 20 points	Seems to be acceptable but should not be combined with additional flexibilities.
- Paragraph 6(f): Implementation period of 5 years (OECD) and 10 years (developing countries)	Implementation flexibilities should be part of the negotiation and linked to levels of ambition and the competitiveness of each

	sector. For instance a developing country with a competitive chemicals sector should implement symmetrically with the developed country chemicals sector.
- Paragraph 7(a): Flexibilities: Applying less than formula cuts for 10% of lines or no cuts on 5% of lines. - Paragraph 7(b): Additional 3 coefficient points for countries that do not use exceptions.	These flexibilities need to be understood in the context of the emerging country coefficient. The Chairman considers that these flexibilities have a value equivalent to 3 coefficient points. Consequently the acceptance of these flexibilities should be conditional on the emerging countries accepting a lower coefficient. Countries that use this flexibility should not be allowed any exceptions but this is a fair compromise if the emerging country coefficient is low enough.
- Paragraph 8: Dealing with low binding; 90% of tariff lines to be bound at 28.5%	This is a fair compromise.
- Paragraphs 17-18: RAMS: Proposal to provide flexibility for new members. For China and Chinese Taipei (Paragraph 18) the Chairman proposes an extended implementation timeline.	BUSINESSEUROPE notes that China in particular does not need additional implementation periods considering their massive export surpluses with the EU and the US. At most, China could be allowed a 2 year grace period on for the implementation of reductions on tariff lines on which accession commitments were not fully implemented 2 years before the entry into force of the DDA. BUSINESSEUROPE opposes a horizontal 2 year add-on to China's implementation period. At a minimum China should participate in voluntary sectoral agreements to justify this.

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- Paragraphs 9-12: Sectoral Negotiations: Members are instructed to prepare draft schedules including product coverage, participation three months after the establishment of the NAMA modalities.	Good to set a deadline but still no clarity on the sectors to be negotiated or the level participation.
- Paragraphs 22-26: Non-tariff barriers: Call for text-based negotiations notably to merge similar proposals (NTB mediation mechanism, India vs. EU proposals) and to pursue bilateral negotiations.	BUSINESSEUROPE demands progress on NTBs, especially on the limitations on export taxes and restrictions and the creation of the horizontal mechanism
- Paragraph 28: Non-reciprocal preferences: Extend implementation period by EU and US for preference erosion products by two additional years.	Not ideal in terms of principle of trade liberalisation but seems a reasonable compromise.
- Paragraph 29: Environmental goods: Instructs ministers to negotiate and to treat these goods as more ambitious than other goods.	It looks as though there could be a (very) short list of environmental goods at zero tariffs. This could have a very small but positive impact for liberalisation. This should not be a BUSINESSEUROPE economic priority;