Organization of the NAMA Negotiations

Negotiations are focused on establishing a formula to achieve an acceptable level of tariff cuts, targeting; high tariffs; tariff peaks (tariffs over 15 percent, usually on "sensitive" products); and tariff escalations, which impose higher import duties on semi-processed products than on raw materials.

Timelines and Progress

- Deadline for proposals on modalities was November 2002. 14 proposals tabled, with the US, China, Japan, Korea, and the EU proposing formulas (the EU's has parameters not well defined and it is not shown below)
- Draft modalities paper tabled by the WTO Secretariat in February 2003.
- Deadline on reaching an agreement on modalities is 31 May 2003.

US proposal: Elimination of all tariffs equal to, or below, 5 percent, and modified "Swiss formula" cuts to all other tariffs. The coefficient value of 8 implies a maximum tariff of 8 percent after tariff cuts are applied to any tariff profile. There would be a subsequent move to zero tariffs by 2015.

$$t_1 = \frac{8 \times t_0}{8 + t_0}$$

where t_0 is the value of the initial tariff and t_1 is the value of the new tariff.

China's proposal: similar to the "Swiss formula"; yields higher absolute cuts to higher initial rates but larger percentage cuts to lower initial tariffs.

$$t_1 = \frac{\left(t_a + \left(B \times P\right)\right) \times t_0}{\left(t_a + P^2\right) + t_0}$$

where, t_a is the simple average of the base rates (A in TN/MA/20);
P is a peak factor defined as the ratio of the tariff to the average rate (t_0 / t_a);
B adjusts for year of implementation. B=1 for 2015 or B=3 for 2010.

Japan's proposal: Members reduce their trade-weighted tariff average to a target level. Korea's formula, which differs slightly from Japan's, seeks similar reductions.

$$t_{1a}^{w} = \frac{A \times t_{0a}^{w}}{A + t_{0a}^{w}} + \alpha$$

where t_{0a}^{w} is the weighted tariff average prior to the application of the formula and t_{1a}^{w} is the weighted average after the application of the formula.

A varies with t_{0a}^{w} between 10 and 40 (i.e., is higher for higher initial tariffs)
The term α has been proposed as a constant equal to 0.3.