

liberalisation, his delegation wished to reiterate that newly acceding Members had made significant concessions including on non-agricultural products and their industries still needed more time to adjust to the effects of such accession. Therefore he urged Members to take into account the situation of newly acceding Members by allowing them more flexibilities, such as longer staging period and credit for autonomous liberalisation. Finally, his delegation attached a lot of importance to the deadline set for this negotiation, as the deadline provided momentum to the negotiation. His delegation urged Members to table their proposal as soon as possible. His own delegation was closed to completing its domestic consultations and planned to table its written proposal in a very short time.

1.66 The representative of India stated that as mentioned by the EC delegation, India's paper was in the form of sharing certain initial thoughts and concerns that as a developing country it had. The further comments that been made would certainly help India clarify its thinking as it proceeded further to consult with its stakeholders. Certain specific comments were made regarding India's intervention, and he wished to respond to them at this stage. For instance, on environmental goods certain comments had seemed to suggest that India's remarks could be taken to mean that India was agreeable to using the APEC list as the basis of the Group's work. Experts had looked at the list, and there were several items in the list which had a predominantly non-environmental use. India was not sure therefore if in its present form it could form a basis of the Group's work. In other words the product coverage of capital goods and other industrial items should be narrowed down further. In fact, India had also flagged its concern in its paper that products should not be included on manufacturing or process considerations which would not only be very difficult to judge or implement but would bring more capital goods or other industrial products on which most developing countries did not enjoy comparative advantage. In fact, India wished to emphasize this element of equity which was why India had thought that one should consider from a special and differential treatment perspective to include certain items that were environment friendly and on which developing countries had comparative advantage such as he had mentioned in his earlier intervention. The specific suggestions that he had made was with reference to this and not with reference to expanding the definition. The representative of Malaysia had also sought certain clarifications in respect of paragraph 6 of India's submission. As far as binding coverage was concerned, India was prepared to increase the binding ratio significantly but India believed that from a developing country perspective, there should be provision to continue to maintain certain domestically sensitive products as unbound. Similarly a question was also raised about unbound items, there should be the flexibility for such tariff lines to be bound at rates which were generally above the higher of the prevailing bound rates. For example, if a certain item was bound at 25% and the applied rate was 15%, India's suggestion was that the starting-point be 25%. However, if that item was unbound, India did not think it was logical to start from 15% which was the applied rate. In fact, India felt that unbound items in any economy were more sensitive than the bound items which was precisely why they had been kept unbound thus far. So with these considerations the flexibility for such items should be much higher.

1.67 On the EC presentation, his delegation like Korea, could not relate the many aspects that the Communities had in their presentation to the actual numbers that had been set out in their tariff compression formula. But the broad theme appeared to be that higher tariffs came down much faster than relatively lower tariffs. Shorn of all the various rationale that had been given in terms of sustainable development, different tariff structures, etc, there was really a great amount of similarity between the Japanese and EC proposal. For instance, a duty of 60% came down to 25% using the EC formula, and to 24.30% using the Japanese formula. However, while the Japanese formula compressed all tariff lines, the EC formula was relatively lenient on a 15% tariff or a 10% tariff rate. India wished to know the logic behind this. In other words, the higher the tariff the greater was the compression. For instance a 10% tariff would go down to only 7% using the EC compression mechanism, and to 5.3% using the Japanese formula. However, with respect to the latter, India did not understand the role of alpha except that it made a drastic reduction less drastic. For example, 2% instead of coming down to 1% would be reduced to 1.3% thus giving a sense of comfort to Members with nuisance tariffs. This idea that the nuisance tariff would be brought down to only a lesser level

of nuisance, but higher tariffs would be drastically brought down was the sum and substance of these two tariff reduction formulas with all the verbose that had been thrown in. What India wished to know was to what extent there was special and differential treatment in these proposals. A suggestion was made that tariff reduction was good for developing countries, however, he was not sure whether that was the special and differential treatment component of these proposals. If that were the case, then next time round, India would be making presentations on how tariff reductions were good for the textile industries in the United States or the EC. His delegation found Mexico's paper of great interest. India could share some of the suggestions made in the conclusion of the Mexican paper namely to establish consensus when incorporating the concerns of developing and LDCs; to reduce the gap between the applied and the bound tariffs; and to guarantee the reduction of tariff peaks. The flexibilities that Mexico was proposing in terms of special and differential treatment to developing countries were also of some interest. While Mexico was proposing that the general average tariff reduction X% should apply to the universe of tariff items on the previously bound level, it was also proposing that this approach be applied to the universe of products with tariff peaks and high tariffs. India did not understand this latter phrase and would welcome clarification from Mexico.

1.68 The Chairman remarked that the APEC list on environmental goods had given rise to a number of interesting comments which showed that these elements could be improved either by subtracting or adding items. He hoped that the Indian delegation would be in a position at a certain stage to make a concrete proposal in terms of elements to be taken into account with respect to environmental goods.

1.69 The representative of Canada stated that a number of comments had been made regarding Canada's views on the relationship between bound and applied rates during the negotiations. Canada accepted that bound rates formed the legal basis, however these negotiations were about market access liberalisation and the reality was that most traders, importers, exporters and businesses did not know what a bound tariff rate was. They knew what an applied rate was because that was the rate they faced when their goods crossed the border. They were expecting real tariff reductions, and Canada expected those tariff reductions to be occurring from applied rates. While one might argue that reductions from bound rates did lead to an increase in certainty and predictability, there was no increase in access unless there were reductions below applied rates. This was why Canada's emphasis was on seeing a negotiation with measurable results for traders and all economies. Several delegations had also asked about what kind of modalities Canada preferred and whether it had a specific formula in mind. In Canada's view a formula alone could not address the interests of all Members. Canada believed that other modalities were necessary to achieve the wide ranging goals that had been set out in the Doha Development Agenda. For example, a request-and-offer approach allowed scope to address specific export interests that could not be fulfilled by a formula. Canada supported the view that had been expressed by some Members that it was not necessary that such requests be limited to only those having a principal supplier interest. If an exporting country had a legitimate interest in a particular product then it should be open for that country to make a specific request. Several comments were also made about Canada's view on sectoral agreements. Canada saw sectoral approaches as providing an opportunity to create significant market access liberalization where there was a broad basis or support to do so. Several delegations including several developing countries had in the past jointly identified potential areas for sectoral initiatives. Canada continued to see a role for sectoral agreements as providing real and meaningful access for Members at all levels of development. Finally, regarding nuisance tariffs, one of the reasons Canada supported addressing nuisance tariffs was that virtually all the formulas that had been seen never reduced a tariff to zero. By definition the formula was designed to provide for a certain percentage cut from an existing rate; the resulting final rate was never zero. So unless an extensive mathematics approach was built into the formula this would not be possible. So if ever the desired goal of eliminating tariffs were to be reached then it would be necessary to include a feature which would allow for elimination of these very low duties.

1.70 The representative of Hong Kong, China stated that the US had asked Hong Kong, China to not forget developing economies when it set the target date for the elimination of tariffs. Hong Kong, China also wished to see elimination of tariffs by developing countries as an ultimate goal. But, with regard to the need for special and differential treatment, Hong Kong, China's proposal for a programme of continuous tariff cuts over a longer period of time actually provided a building block towards that ultimate goal. In the course of the programme, developing Members might gradually reduce some if not all of the tariffs to zero. Hopefully, towards the end of the programme developing Members should be in a better position to consider elimination of all tariffs.

1.71 The representative of New Zealand stated that his delegation had circulated the environmental chapter of the 1999 APEC tariff initiative early in the year. This had been done because it was felt that that list was perhaps the most realistic starting-point or reference point for discussion on environmental goods both in this Negotiating Group and in the CTE in Special Session. The reason for this was the fact that this list had been worked on by a mixed group comprising both developed and developing countries. It had a bit of history to it and above all the fact that it primarily used an end-use definition which was felt to be the most realistic approach. Experience since that list was first re-circulated here before the summer underlined that. Along with a number of delegations, New Zealand had made the point that an effort to expand the scope of environmental goods definition to include products defined according to the process or production methods would be counterproductive not just for the environmental goods negotiations itself but more broadly for the full market access negotiations. Some of the points had been made formally in papers by Canada and Singapore among others. The reason for this was that it raised very real issues of discrimination against other categories of goods and that was a matter of acute concern to New Zealand and other delegations. New Zealand was accordingly very keen to get clarification from India on what they had in mind in their comments on this point and it had been useful to obtain that clarification this morning. New Zealand had also understood from the EC paper and its intervention that the EC wanted to retain the "PPM track". It remained New Zealand's view that an attempt push the PPM approach here or in the CTE in Special Session did carry risks. New Zealand had made the point in the CTE regular session that there was an alternative to the PPM approach which seemed more appropriate and which steered clear of discrimination issue and which might in part respond to what he had understood from India's comments. The Johannesburg Declaration included some language on trade in environmentally friendly goods which seemed to point to a possible approach. There was a reference along the lines of voluntary WTO compatible market based initiatives to promote trade in environmentally friendly goods. It seemed to New Zealand that there was scope for a discussion on precisely that point, i.e. on how to promote trade in environmentally friendly goods in the regular session of the CTE. With regard to some of the comments made in respect of New Zealand's previous intervention, he recalled that New Zealand was not expecting or looking for agreement to its proposal at this point. The proposal was ambitious and raised large issues for most delegations. However, New Zealand was struck by the extent to which other delegations were already thinking about tariff elimination. This was not surprising, as it was after all an element in the Doha mandate and there was already intense activity on tariff elimination in the FTA context. The comments from Hong Kong, China underlined the fact that there might be realistic ways to carry forward the ideas that were put forward in New Zealand's statement.

1.72 The representative of Chile stated that he had some questions and concerns regarding Japan's paper which proposed a trade-weighted average target tariff formula. Participants should not forget that these negotiations were also dealing with fisheries and forestry products. This prompted some concern because if the Group were to apply an approach of this type then the outcome might be the exclusion of sensitive sectors, which were of interest to other Members, from liberalization. Moreover, any formula based on a weighted average might bring about distortions if a country applied many anti-dumping duties for example. This would provoke certain distortions on the trade carried out and would have a negative impact on the weighted averages and therefore disfigure the overall picture. Furthermore Japan's formula did not address tariff peaks or tariff escalation. These issues

would then have to be addressed through different approaches, for example sectoral or request-and-offer which were negotiating modalities which tended to concentrate negotiations amongst the major suppliers of a given product to a given market and excluded those countries which had a more limited or smaller export structure. Chile also wished to know what the figure 0.3 corresponded to in the formula. In addition, he wished to have the algebraic formula used by the EC. Chile had heard India say that it would not be equitable using applied tariffs as a starting-point for unbound tariff lines. However, he did not know what other basis could be used as a starting-point for unbound tariff lines. Normally such unbound items corresponded to sensitive products and therefore should be having high rates. For bound tariff items, the bound level should constitute the basis of the negotiations. On the question raised by New Zealand about whether this was really the right moment to make the proposal on zero tariffs. It was not really a question of whether it was the right time or not. The fact was that this process was already underway in a more and more rapid manner by many countries that were doing FTAs. Therefore it seemed to Chile that the real question was whether such a process was going to be carried out within or outside of the WTO.

1.73 The representative of Malaysia stated that New Zealand had appeared to be encouraged by Hong Kong, China's statement that developing countries hopefully could at the end of this reform period be able to revise tariffs downwards to achieve a zero tariff objective. Malaysia had great difficulties with this. While ambition was good, one had to be realistic. It was not possible for Malaysia to bring tariffs down to zero at least as far as WTO commitments were concerned. Commitments of zero tariffs undertaken elsewhere on a non-binding basis was a different matter altogether.

1.74 The representative of the European Communities stated that Canada among others had referred to the possibility of a request-and-offer approach. On that particular aspect, he wished to say that his analysis of the decisions taken in Doha as well as the fact that there was need to cover all sectors including those sectors which in the UR had been sheltered demanded a formula approach. A departure from such an approach would lead to a situation where there would be lack of liberalisation due to the exclusion of sectors. In fact protection in relation to one sector would prompt similar protection amongst partners on a related sector. This did not mean that greater liberalization than what was foreseen by the formula should not be implemented. However, an approach which was different from a formula approach should lead to more liberalisation and not less. His second point related to the use of the term "nuisance tariffs". If there were nuisance tariffs, they were precisely the higher ones, not the tariffs at 1% or 2%. With that interpretation, the EC was fully in favour of dealing with this issue and would be prepared to envisage the elimination of such low tariffs. With reference to what India had said, the elimination of low tariffs amounted to a percentage reduction of 100% which was greater than the 60% reduction of high tariffs. He was also struck by the statement made by the representative of Korea in which he had made a distinction between low tariffs which brought in revenue and low tariffs which did not bring in any revenue. If he had understood the representative of Korea correctly, Korea wished to keep low tariffs on high value-added products which brought in revenue and eliminate the others that did not. One had to be consistent. Either we dealt with low duties or not. There were also some comments by participants about certain rules in relation to low duties i.e. when duties were lower than a certain percentage, half a percentage point for example, they should be automatically eliminated. There had to be some order in the Group's discussion on this matter. His delegation was prepared to consider the elimination of low tariffs, however, efforts by developed countries, because it was the developed countries that had low duties on industrial products, should go hand in hand with the global approach which his delegation had proposed for high tariffs. The next point was on the compression mechanism. There was a request made to see the mathematical formula and his delegation was prepared to make it available in the framework of these discussions. This was a complex formula and the problem was to ensure continuity between 3 types of curves which had 3 different slopes. This was the interesting feature of this formula as compared to other types of formula approaches. This approach also made it possible to avoid a discussion on the question of what was a tariff peak or a high tariff. If the Group launched into such a discussion it was going to waste a lot of time. Moreover, it was an useless exercise in the context of a formula