

Doha: some technical terms

Bound tariffs, Applied tariffs and 'water'

"In practice, many states do not apply their bound tariff rates but much lower duties. These are called applied tariffs and the difference between them is sometimes referred to as a binding overhang or 'water'."

Binding is a form of concession under WTO rules in which a party or parties agree to 'bind' their maximum tariff levels for a product or product by placing that tariff level on record in Geneva. These bound tariff rates become part of a states schedule of concessions. In practice, many states do not apply their bound tariff rates but much lower duties. These are called applied tariffs and the difference between them is sometimes referred to as a binding overhang or 'water'.

This is an important issue and it is why the EU has consistently called for "real cuts not paper cuts" – cuts to applied tariffs not bound tariff rates. A state that is not applying its bound tariff rates can in theory cut bound rates without providing any new real market access. All agricultural trade is subject to binding, as are 99% of industrial goods from the developed world and about 70% of industrial goods from Asian Economies. The more tariffs are bound, the greater the predictability for international traders.

In the Doha Round the EU has suggested that Least Developed Countries should not be asked to cut any tariffs, simply to bind their rates.

The Swiss Formula

A Swiss formula is a mathematical formula that applies a 'non-linear' cut to trade tariffs – which simply means that the highest tariffs are cut the most. (it is called a Swiss Formula because it was proposed by Switzerland during the Tokyo Round).

The Swiss formula is: $Z = AX/(A+X)$

X is the initial tariff rate;

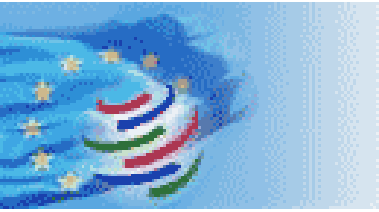
A is the maximum final tariff rate and the coefficient which is agreed to represent

the level of cuts;

Z is the final tariff rate that results.

So a coefficient of 30 (representing a final maximum tariff of 30%) applied to an initial tariff of 100% produces a final tariff of about 23%. The same cut applied to an initial tariff of 15% produces a final tariff of 10%. The party with the higher initial tariff has made cuts of about 77%, the party with the lower tariff has made cuts of about 33% The final cut determined by a Swiss Formula can be applied over a number of years. This is form of non-linear tariff cut favoured by WTO members in the NAMA negotiations.





Anti-Concentration clause

The EU has insisted that the Doha Agreement include an Anti-concentration Clause that will prevent other WTO members 'concentrating' all their flexibilities in a particular sector and thus effectively excluding that sector from liberalisation.

Non-tariff barriers

A non tariff barrier is an impediment to trade 'behind the border'. Non tariff barriers often take the form of regulatory requirements that act as a deterrent to imports, or which impose unequal treatment on imported and domestic goods. As part of the Doha NAMA negotiations, all WTO members have pledged to reduce non tariff barriers.

Special and differential treatment

The cuts, disciplines and new rules agreed by the Doha round will all include an element of flexibility that reflects the special needs of developing countries. Although the WTO is based on the principle of non-discrimination, developing countries could be granted special exemptions from cuts, longer adjustment periods for new disciplines and additional use of sensitive product categories. Least Developed Countries will not be required to make any cuts.

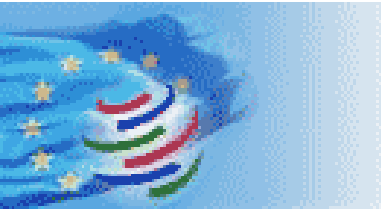
Tariff Rate Quotas

Tariff rate quotas are used in agricultural trade to regulate imports. When a Tariff Rate Quota operates a defined quota of the import in question enters at a certain rate and all imports above that level at a new higher tariff rate. These quotas are allocated to individual importing countries. In the Doha Round, the EU has said that when a farm product is declared sensitive, it will nevertheless be subject to an expansion of its tariff rate quotas.

Sensitive products and special products

Sensitive products are agricultural products nominated by WTO members and not subject to full tariff cuts. The WTO July Agreement of 2004 notes that in agriculture WTO members will be able to identify an "appropriate number" of sensitive products. The EU has explicitly said that sensitive products will not be exempt from tariff cuts. They are subject to reduced cuts. Nominating a product as sensitive does not shield it from tariff cuts. Special products are products nominated for the same reasons by developing countries. Developing countries have much wider recourse to special products than developed countries have to sensitive products and much greater scope to protect them from any form of liberalisation.





Services and Modes 1-4

System for categorising the four types of international trade in services. Mode 1 is the provision of a service across a national border: an architect in Britain is commissioned to design a building in America. Mode 2 is a service consumed abroad: a Japanese tourist stays in a French hotel and eats in a French restaurant. Mode 3 is the commercial presence of a company in a country other than its domestic market: a French company establishes a subsidiary or a branch in Russia. Mode 4 is the temporary presence of a foreign worker in another country to provide a service: an Indian computer engineer is temporarily located in Europe to complete an IT project.

For more information on the Doha Round visit: <http://ec.europa.eu/trade/>

