



## **ITUC NAMA simulations based on draft NAMA modalities**

Draft NAMA modalities were tabled on 10 July 2008 by Ambassador Don Stephenson from Canada. The modalities text proposes a coefficient for developing countries of between 20 and 25. Tariff simulations below show the implications of these proposals for a number of labour intensive industries in a selected number of developing countries. Countries for which simulations were done are: South Africa, India, Brazil, China, Argentina, Tunisia, Indonesia, Philippines, Peru, Costa Rica, Colombia, and Mexico.

The simulations show substantial tariff reductions in bound rates with average reductions of between 50 and 60% for all countries. All coefficients for developing countries, whether it is 20, 22 or 25, will bring down the bound or maximum tariffs and therefore reduce policy space. Bound tariffs will end up between 10% and 16% for most countries, which is extremely low from a policy space / industrialization point of view.

With regard to reductions in applied rates the picture differs from country to country and from sector to sector with sectors such as textiles, clothing, leather, footwear, automobile, furniture, and in some countries also plastic, rubber, metal and wood being most affected. Coefficients for developing countries of 20, 22 and 25 will all have an influence on cuts in applied rates. More for countries with applied rates and bound rates close to each other and less cuts in applied rates for those that have a lot of water in their tariffs. Cuts in applied rates have direct employment effects in terms of possible job losses.

The difference between the use of a coefficient of 20 and a coefficient of 25 is small, and in terms of new bound tariffs only represents a difference of 1 to 2%.

China has already low average bound and applied rates, because of its accession, both are around 8-9%.

It has to be noted that the tariffs for each sector, bound and applied, are averages, so it can be that there are tariff lines within that sector that are much higher and will be much more affected. Depending on the labour intensiveness the effect on employment can thus be even stronger.

It also has to be noted that a coefficient of 25 does not provide for any flexibilities. So a country that opts for taking a coefficient of 25 will get no flexibilities at all. It means that it cannot exempt any tariff lines from tariff reductions.

| South Africa      | Current applied | Current bound | New Bound SF 20 | Reduction in applied SF 20 | New Bound SF 25 | Reduction in applied SF 25 | Formal Employment (2003) |
|-------------------|-----------------|---------------|-----------------|----------------------------|-----------------|----------------------------|--------------------------|
| Textiles          | 22              | 25            | 11.1            | 50%                        | 12.5            | 43%                        | 55,846                   |
| Clothing          | 39              | 44            | 13.8            | 65%                        | 15.9            | 59%                        | 114,933                  |
| Leather           | 21              | 23            | 10.7            | 50%                        | 12.0            | 43%                        | 8,916                    |
| Footwear          | 30              | 30            | 12.0            | 60%                        | 13.6            | 55%                        | 17,785                   |
| Plastic           | 16              | 24            | 10.9            | 32%                        | 12.2            | 24%                        | 45,554                   |
| Rubber            | 21              | 26            | 11.3            | 46%                        | 12.7            | 40%                        | 22,398                   |
| Wood              | 14              | 17            | 9.2             | 34%                        | 10.1            | 28%                        | 46,812                   |
| Automobile        | 33              | 50            | 14.3            | 57%                        | 16.7            | 50%                        | 77,886                   |
| Chemicals         | 12              | 13            | 7.9             | 34%                        | 8.6             | 28%                        | 29,474                   |
| machinery         | 16              | 23            | 10.7            | 33%                        | 12.0            | 25%                        | 90,278                   |
| furniture         | 20              | 23            | 10.7            | 46%                        | 12.0            | 40%                        | 38,473                   |
| Fabricated metals | 16              | 20            | 10.0            | 37%                        | 11.1            | 31%                        | 111,277                  |

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| Brazil            | Current applied | Current bound | New Bound SF 20 | Reduction in applied SF 20 | New Bound SF 25 | Reduction in applied SF 25 | Formal Employment (2004) |
|-------------------|-----------------|---------------|-----------------|----------------------------|-----------------|----------------------------|--------------------------|
| Textiles          | 17.3            | 35            | 12.7            | 27%                        | 14.6            | 16%                        | 799,662                  |
| Clothing          | 17.3            | 35            | 12.7            | 27%                        | 14.6            | 16%                        |                          |
| Leather           | 20              | 35            | 12.7            | 37%                        | 14.6            | 27%                        |                          |
| Footwear          | 19.6            | 35            | 12.7            | 35%                        | 14.6            | 26%                        |                          |
| Plastic           | 11.5            | 21.8          | 10.4            | 10%                        | 11.6            | -                          | 320,099                  |
| Rubber            | 15              | 35            | 12.7            | 15%                        | 14.6            | 3%                         |                          |
| Wood              | 7.9             | 20.4          | 10.1            | -                          | 11.2            | -                          | 251,762                  |
| Automobile        | 19.4            | 31.7          | 12.3            | 37%                        | 14.0            | 28%                        | 321,445                  |
| Chemicals         | 6.6             | 24.1          | 10.9            | -                          | 12.3            | -                          | 304,838                  |
| machinery         | 10.7            | 32.8          | 12.4            | -                          | 14.2            | -                          | 457,522                  |
| furniture         | 18              | 32.8          | 12.4            | 31%                        | 14.2            | 22%                        | 294,324                  |
| Fabricated metals | 17.2            | 33.8          | 12.6            | 27%                        | 14.3            | 17%                        | 292,592                  |

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| India               | Current applied | Current bound | New Bound SF 20 | Reduction in applied SF 20 | New Bound SF 25 | Reduction in applied SF 25 | Formal Employment (1999) |
|---------------------|-----------------|---------------|-----------------|----------------------------|-----------------|----------------------------|--------------------------|
| Textiles            | 13.5            | 31.4          | 12.2            | 10%                        | 13.9            | -                          | 1,471,000                |
| Clothing            | 20.2            | 42.3          | 13.6            | 33%                        | 15.7            | 22%                        | 144,000                  |
| Leather             | 15.4            | 35.2          | 12.8            | 17%                        | 14.6            | 5%                         | 39,000                   |
| Footwear            | 15.4            | 35.2          | 12.8            | 17%                        | 14.6            | 5%                         | 35,000                   |
| Plastic             | 15              | 40            | 13.3            | 11%                        | 15.4            | -                          | 63,000                   |
| Rubber              | 14.7            | 35.6          | 12.8            | 13%                        | 14.7            | -                          | 118,000                  |
| Wood                | 13.5            | 36.5          | 12.9            | 4%                         | 14.8            | -                          | 38,000                   |
| Transport Equipment | 24.8            | 35.8          | 12.8            | 48%                        | 14.7            | 40%                        | 447,000                  |
| Chemicals           | 13.7            | 43.7          | 13.7            | -                          | 15.9            | -                          | 653,000                  |
| machinery           | 14.3            | 28.2          | 11.7            | 18%                        | 13.3            | 7%                         | 349,000                  |
| furniture           | 15              | 35            | 12.7            | 15%                        | 14.6            | 3%                         | 4,000                    |
| Fabricated metals   | 15              | 39.5          | 13.3            | 12%                        | 15.3            | -                          | 254,000                  |

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| Argentina             | Current applied | Current bound | New Bound SF 20 | Reduction in applied SF 20 | New Bound SF 25 | Reduction in applied SF 25 | Formal Employment (2004) |
|-----------------------|-----------------|---------------|-----------------|----------------------------|-----------------|----------------------------|--------------------------|
| Textiles              | 20              | 35            | 12.7            | 36%                        | 14.6            | 27%                        | 30,737                   |
| Clothing              | 20              | 35            | 12.7            | 36%                        | 14.6            | 27%                        | 21,516                   |
| Leather               | 20              | 35            | 12.7            | 36%                        | 14.6            | 27%                        | 7,684                    |
| Footwear              | 20              | 35            | 12.7            | 36%                        | 14.6            | 27%                        | 21,516                   |
| Plastic               | 13.7            | 22            | 10.5            | 23%                        | 11.7            | 15%                        | 33,809                   |
| Rubber                | 15              | 35            | 12.7            | 15%                        | 14.6            | 3%                         | Na                       |
| Wood                  | 8.1             | 28.4          | 11.7            | -                          | 13.3            | -                          | 20,747                   |
| Automobile            | 27.9            | 35            | 12.7            | 54%                        | 14.6            | 48%                        | 23,052                   |
| Chemicals             | 9.9             | 21.2          | 10.3            | -                          | 11.5            | -                          | 54,556                   |
| machinery             | 8.2             | 35            | 12.7            | -                          | 14.6            | -                          | 43,030                   |
| furniture             | 17.7            | 35            | 12.7            | 28%                        | 14.6            | 18%                        | 15,368                   |
| Iron & steel products | 14.8            | 35            | 12.7            | 14%                        | 14.6            | 2%                         | 16,136                   |

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| Tunisia           | Current applied | Current bound | New Bound SF 20 | Reduction in applied SF 20 | New Bound SF 25 | Reduction in applied SF 25 | Formal Employment (2000) |
|-------------------|-----------------|---------------|-----------------|----------------------------|-----------------|----------------------------|--------------------------|
| Textiles          | 24.8            | 55.9          | 14.7            | 41%                        | 17.3            | 30%                        | 12,259                   |
| Clothing          | 42.7            | 60            | 15.0            | 65%                        | 17.6            | 59%                        | 109,695                  |
| Leather           | 28.8            | 38.3          | 13.1            | 55%                        | 15.1            | 48%                        | 3,322                    |
| Footwear          | 28.8            | 38.3          | 13.1            | 55%                        | 15.1            | 48%                        | Na                       |
| Plastic           | 14.3            | 32.8          | 12.4            | 14%                        | 14.2            | -                          | 8,486                    |
| Rubber            | 37.9            | 37.2          | 13.0            | 66%                        | 14.9            | 61%                        | 2,690                    |
| Wood              | 32.3            | 37.1          | 13.0            | 60%                        | 14.9            | 54%                        | 1,876                    |
| Automobile        | 19.1            | 30.9          | 12.1            | 37%                        | 13.8            | 28%                        | 9,385                    |
| Chemicals         | 14.3            | 29.6          | 11.9            | 17%                        | 13.6            | 5%                         | 11,032                   |
| machinery         | 9.6             | 27            | 11.5            | -                          | 13.0            | -                          | 6,944                    |
| furniture         | na              | na            | Na              | Na                         | Na              | Na                         | Na                       |
| Fabricated metals | 36.4            | 37.5          | 13.0            | 64%                        | 15.0            | 59%                        | 9,548                    |

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| Indonesia         | Current applied | Current bound | New Bound SF 20 | Reduction in applied SF 20 | New Bound SF 25 | Reduction in applied SF 25 | Formal Employment (2001) |
|-------------------|-----------------|---------------|-----------------|----------------------------|-----------------|----------------------------|--------------------------|
| Textiles          | 11.7            | 30            | 12.0            | -                          | 13.6            | -                          | 678,670                  |
| Clothing          | 14.9            | 35            | 12.7            | 15%                        | 14.6            | 2%                         | 462,223                  |
| Leather           | 12.3            | 40            | 13.3            | -                          | 15.4            | -                          | 284,511                  |
| Footwear          | 12.3            | 40            | 13.3            | -                          | 15.4            | -                          |                          |
| Plastic           | 12.8            | 40            | 13.3            | -                          | 15.4            | -                          |                          |
| Rubber            | 12.8            | 40            | 13.3            | -                          | 15.4            | -                          | 292,267                  |
| Wood              | 4.5             | 40            | 13.3            | -                          | 15.4            | -                          |                          |
| Automobile        | 28              | 38.9          | 13.2            | 53%                        | 15.2            | 46%                        | 407,855                  |
| Chemicals         | 3.6             | 37.9          | 13.1            | -                          | 15.1            | -                          | 48,676                   |
| machinery         | 1.9             | 38.8          | 13.2            | -                          | 15.2            | -                          | 212,519                  |
| furniture         | 11.3            | 39.7          | 13.3            | -                          | 15.3            | -                          | 49,214                   |
| Fabricated metals | 10.2            | 40            | 13.3            | -                          | 15.4            | -                          | 300,519                  |
|                   |                 |               |                 |                            |                 |                            | 116,972                  |

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| Philippines       | Current applied | Current bound | New Bound SF 20 | Reduction in applied SF 20 | New Bound SF 25 | Reduction in applied SF 25 | Formal Employment (2004) |
|-------------------|-----------------|---------------|-----------------|----------------------------|-----------------|----------------------------|--------------------------|
| Textiles          | 9.1             | 30            | 12.0            | -                          | 13.6            | -                          | 96,000                   |
| Clothing          | 15              | 30            | 12.0            | 20%                        | 13.6            | 10%                        | 370,000                  |
| Leather           | 13.3            | 50            | 14.3            | -                          | 16.7            | -                          | 69,000                   |
| Footwear          | 13.3            | 50            | 14.3            | -                          | 16.7            | -                          |                          |
| Plastic           | 11.5            | 30.4          | 12.1            | -                          | 13.7            | -                          | 56,000                   |
| Rubber            | 8.3             | 23.8          | 10.9            | -                          | 12.2            | -                          |                          |
| Wood              | 7.1             | 24.7          | 11.1            | -                          | 12.4            | -                          | 142,000                  |
| Automobile        | 24              | 24.8          | 11.1            | 54%                        | 12.4            | 48%                        | 39,000                   |
| Chemicals         | 3.7             | 25.6          | 11.2            | -                          | 12.6            | -                          | 66,000                   |
| machinery         | 2.7             | 26.3          | 11.4            | -                          | 12.8            | -                          | 64,000                   |
| furniture         | 11.9            | 39            | 13.2            | -                          | 15.2            | -                          | 143,000                  |
| Fabricated metals | 7.2             | 30            | 12.0            | -                          | 13.6            | -                          | 111,000                  |

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| Costa Rica        | Current applied | Current bound | New Bound SF 20 | Reduction in applied SF 20 | New Bound SF 25 | Reduction in applied SF 25 | Formal Employment (2004) |
|-------------------|-----------------|---------------|-----------------|----------------------------|-----------------|----------------------------|--------------------------|
| Textiles          | 14.9            | 45            | 13.8            | 7%                         | 16.1            | -                          | 4,663                    |
| Clothing          | 15              | 45            | 13.8            | 8%                         | 16.1            | -                          | 15,547                   |
| Leather           | 14.8            | 44.1          | 13.8            | 7%                         | 16.0            | -                          | 2,062                    |
| Footwear          | 13.9            | 54.8          | 14.7            | -                          | 17.2            | -                          |                          |
| Plastic           | 3.9             | 36.2          | 12.9            | -                          | 14.8            | -                          | 7,839                    |
| Rubber            | 6.3             | 44.9          | 13.8            | -                          | 16.1            | -                          |                          |
| Wood              | 7.5             | 42.1          | 13.6            | -                          | 15.7            | -                          | 6,449                    |
| Automobile        | 8.5             | 56            | 14.7            | -                          | 17.3            | -                          | 2,721                    |
| Chemicals         | 2.7             | 43.3          | 13.7            | -                          | 15.8            | -                          | 11,081                   |
| machinery         | 1.2             | 41.2          | 13.5            | -                          | 15.6            | -                          | 5,634                    |
| furniture         | 13.4            | 42.2          | 13.6            | -                          | 15.7            | -                          | 14,626                   |
| Fabricated metals | 2.1             | 45            | 13.8            | -                          | 16.1            | -                          | 9,477                    |

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| Colombia          | Current applied | Current bound | New Bound SF 20 | Reduction in applied SF 20 | New Bound SF 25 | Reduction in applied SF 25 | Formal Employment (2003) |
|-------------------|-----------------|---------------|-----------------|----------------------------|-----------------|----------------------------|--------------------------|
| Textiles          | 18              | 35            | 12.7            | 30%                        | 14.6            | 19%                        | 27,075                   |
| Clothing          | 20              | 40            | 13.3            | 33%                        | 15.4            | 23%                        | 92,903                   |
| Leather           | 20              | 35.3          | 12.8            | 36%                        | 14.6            | 27%                        | 4,028                    |
| Footwear          | 20              | 35.7          | 12.8            | 36%                        | 14.7            | 26%                        | 10,309                   |
| Plastic           | 16              | 35            | 12.7            | 21%                        | 14.6            | 9%                         | 33,602                   |
| Rubber            | 14.3            | 35            | 12.7            | 12%                        | 14.6            | -                          | Na                       |
| Wood              | 11.9            | 35            | 12.7            | -                          | 14.6            | -                          | Na                       |
| Automobile        | 25.3            | 35.3          | 12.8            | 49%                        | 14.6            | 42%                        | 4,756                    |
| Chemicals         | 8               | 35            | 12.7            | -                          | 14.6            | -                          | 50,658                   |
| machinery         | 7               | 35            | 12.7            | -                          | 14.6            | -                          | 14,810                   |
| furniture         | 17.7            | 35.2          | 12.8            | 28%                        | 14.6            | 18%                        | 12,954                   |
| Fabricated metals | 10              | 35            | 12.7            | -                          | 14.6            | -                          | 15,695                   |

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| Peru              | Current applied | Current bound | New Bound SF 20 | Reduction in applied SF 20 | New Bound SF 25 | Reduction in applied SF 25 | Formal Employment (2004) |
|-------------------|-----------------|---------------|-----------------|----------------------------|-----------------|----------------------------|--------------------------|
| Textiles          | 20              | 30            | 12.0            | 40%                        | 13.6            | 32%                        | 30,100                   |
| Clothing          | 20              | 30            | 12.0            | 40%                        | 13.6            | 32%                        | 80,900                   |
| Leather           | 12              | 30            | 12.0            | -                          | 13.6            | -                          | 24,100                   |
| Footwear          | 20              | 30            | 12.0            | 40%                        | 13.6            | 32%                        | -                        |
| Plastic           | 7               | 30            | 12.0            | -                          | 13.6            | -                          | 15,700                   |
| Rubber            | 7               | 30            | 12.0            | -                          | 13.6            | -                          |                          |
| Wood              | 10.4            | 30            | 12.0            | -                          | 13.6            | -                          | 3,600                    |
| Automobile        | 9.4             | 30            | 12.0            | -                          | 13.6            | -                          | 6,700                    |
| Chemicals         | 8.2             | 30            | 12.0            | -                          | 13.6            | -                          | 26,100                   |
| machinery         | 7.8             | 30            | 12.0            | -                          | 13.6            | -                          | 10,500                   |
| furniture         | 10.4            | 30            | 12.0            | -                          | 13.6            | -                          | 51,000                   |
| Fabricated metals | 9.9             | 30            | 12.0            | -                          | 13.6            | -                          | 19,100                   |

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| Mexico            | Current applied | Current bound | New Bound SF 20 | Reduction in applied SF 20 | New Bound SF 25 | Reduction in applied SF 25 | Formal Employment (2004) |
|-------------------|-----------------|---------------|-----------------|----------------------------|-----------------|----------------------------|--------------------------|
| Textiles          | 31.3            | 35            | 12.7            | 59%                        | 14.6            | 53%                        | 270,600                  |
| Clothing          | 35              | 35            | 12.7            | 64%                        | 14.6            | 58%                        | 701,900                  |
| Leather           | 34.9            | 35            | 12.7            | 64%                        | 14.6            | 58%                        | 234,200                  |
| Footwear          | 34.9            | 35            | 12.7            | 64%                        | 14.6            | 58%                        |                          |
| Plastic           | 13.8            | 34.8          | 12.7            | 8%                         | 14.5            | -                          | 290,300                  |
| Rubber            | 27.4            | 35.9          | 12.8            | 53%                        | 14.7            | 46%                        |                          |
| Wood              | 15.6            | 34.8          | 12.7            | 19%                        | 14.5            | 7%                         | 117,300                  |
| Automobile        | 8.9             | 38.9          | 13.2            | -                          | 15.2            | -                          | 522,600                  |
| Chemicals         | 9               | 34.9          | 12.7            | -                          | 14.6            | -                          | 258,100                  |
| machinery         | 5.8             | 35            | 12.7            | -                          | 14.6            | -                          | 84,700                   |
| furniture         | 16.9            | 35            | 12.7            | 25%                        | 14.6            | 14%                        | 379,900                  |
| Fabricated metals | 16.8            | 35.6          | 12.8            | 24%                        | 14.7            | 12%                        | 336,600                  |

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| China             | Current applied | Current bound | New Bound SF 20 | Reduction in applied SF 20 | New Bound SF 25 | Reduction in applied SF 25 | Formal Employment (2002)(x1000) |
|-------------------|-----------------|---------------|-----------------|----------------------------|-----------------|----------------------------|---------------------------------|
| Textiles          | 9.7             | 9.7           | 6.5             | 33%                        | 7.0             | 28%                        | 2800                            |
| Clothing          | 16.1            | 16.2          | 8.9             | 45%                        | 9.8             | 39%                        | 1300                            |
| Leather           | 13              | 13.7          | 8.1             | 38%                        | 8.9             | 32%                        | 570                             |
| Footwear          | 13              | 13.7          | 8.1             | 38%                        | 8.9             | 32%                        | -                               |
| Plastic           | 7.5             | 8.05          | 5.7             | 24%                        | 6.1             | 19%                        | 590                             |
| Rubber            | 8.0             | 11.7          | 7.4             | 7%                         | 8.0             | -                          | 370                             |
| Wood              | 4.9             | 5.0           | 4.0             | 18%                        | 4.2             | 14%                        | 260                             |
| Automobile        | 11.6            | 11.5          | 7.3             | 37%                        | 7.9             | 32%                        | 2260                            |
| Chemicals         | 6.7             | 6.7           | 5.0             | 25%                        | 5.3             | 21%                        | 2990                            |
| machinery         | 8.3             | 8.4           | 5.9             | 29%                        | 6.3             | 24%                        | 3230                            |
| furniture         | 7.5             | 8.2           | 5.8             | 23%                        | 6.2             | 17%                        | 170                             |
| Fabricated metals | 7.7             | 8.0           | 5.7             | 26%                        | 6.1             | 21%                        | 870                             |

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Bound and applied rates: WTO-ITC-UNCTAD