



Market Access

Negotiations: State-of-Play

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MFN tariffs

Uruguay Round reduction commitments

	DEVELOPED	DEVELOPING
Implementation period	6 years 1995-2000	10 years 1995-2004
Average cut	36%	24%
Minimum cut	15%	10%

No reduction commitments for LDCs

A change to tariffs only



- How? – Need to establish a tariff equivalent of the non-tariff measure

Tariffication

- Tariffication Formula:

$$E = (P_i - P_e) / P_e * 100$$

E = Tariff equivalent

P_i = Internal price (representative wholesale)

P_e = External price (c.i.f. unit values)

Base period average: 1986-88

Option of ceiling bindings for developing country Members

Tariffs only but ...



Tariff peaks

Morocco:	Minimum tariff	0%	Maximum tariff	289%
Japan:	Minimum tariff	0%	Maximum tariff	958%

Tariff escalation

Chinese Taipei: Tomatoes 10%; Tomato juice 30%

EC: Cocoa beans 0%; Cocoa paste 9.6%; Chocolate 18.7%+

Various forms

Ad valorem (15%)

Non-*ad valorem*: Specific (2\$ per kg);

Compound (10% plus 2\$ per kg);

Mixed (10% or 2\$ per kg, whichever is higher);

Technical (9% plus EA MAX 18.7% plus ADS/Z)

Sample tariff bindings resulting from tariffication



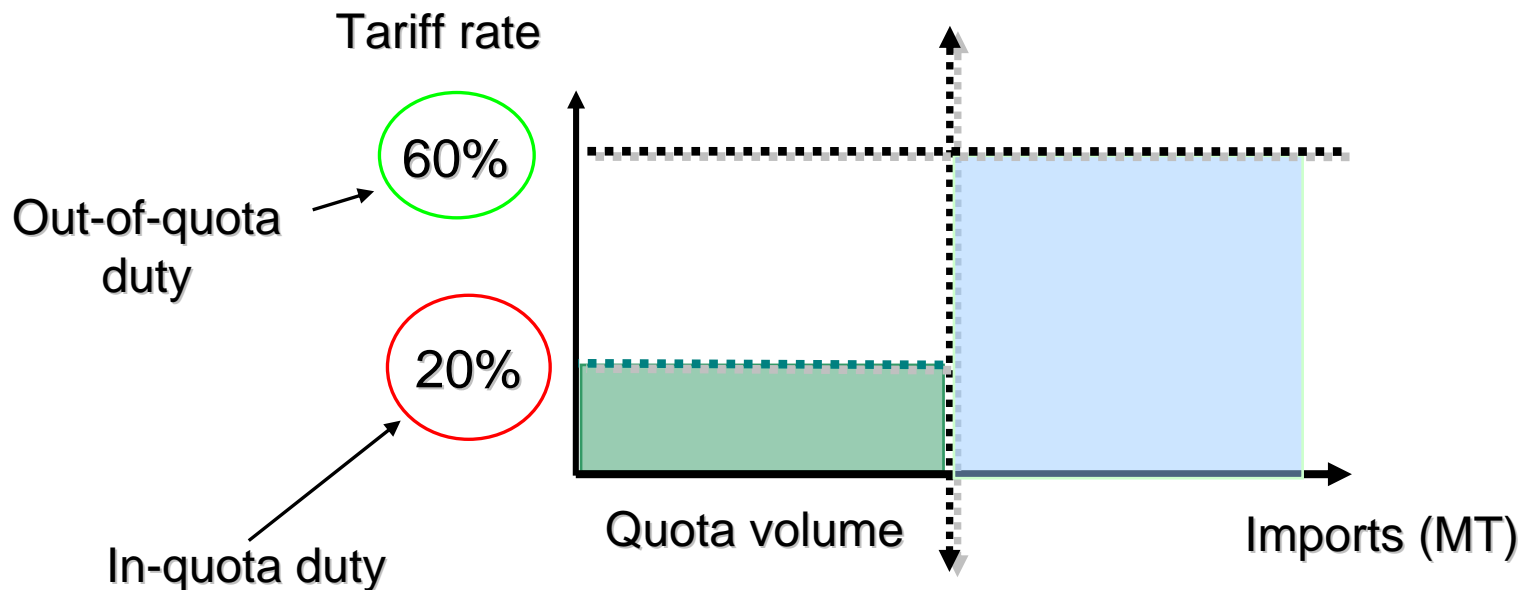
	Product	Binding (%)
Colombia	maize	194
Morocco	beef	239
Canada	chicken cuts	249
Norway	beef	344
Switzerland	butter	16420 SFr / t

- Concept of bound tariff quotas



Tariff quotas

- Current and Minimum Access Opportunities
3% - 5% of domestic consumption
- Low tariff for limited volumes – in-quota tariff rate
- High tariff for imports outside the quota volume – out-of-quota tariff rate (MFN rate)



Special Safeguard – Article 5



Additional import duty on over-quota imports, temporarily, if:

- Tariffication
- SSG right reserved in Schedule
- Volume or price triggers (notification)

33 Members have reserved the right



Volume-based SSG

Trigger: import surges

Extra duty: 1/3 of applied rate

Price-based SSG

Trigger: price falls

Extra duty depends on price

Option available only for “tariffied” products

Table MA:3

MARKET ACCESS – [Member]

Notification under Article 5 of the Agreement: special safeguard: volume-based

1. Description of product:	Chicken legs and wings
2. Tariff item number:	02071311, 02071411, 02109012 & 16023210
3. Trigger level: (as calculated in Annex 1)	600 tonnes
4. Volume of imports entering territory in current period	611 tonnes
5. Period of application:	from 13 April 2003 to <u>31 December 2003</u>

SPECIAL SAFEGUARD: VOLUME-BASED: Annex 1 to MA:3

Information required for the calculation of the Trigger Level

Imports in the 3 preceding years:	1999:	560 tonnes
	2000:	566 tonnes
	2001:	560 tonnes
	Average:	562 tonnes

And if import penetration is taken into account.

Consumption in the 3 preceding years:	1999:	990 tonnes
	2000:	1000 tonnes
	2001:	1010 tonnes
	Average:	1000 tonnes

Import penetration= $562/1000= 56%$ (base trigger therefore equals 105%)

Calculation of trigger level (pursuant to Article 5 of the Agreement on Agriculture):

$$\begin{aligned} \text{Trigger level} &= (105\% \times 562 \text{ tonnes}) + (1010 \text{ tonnes} - 1000 \text{ tonnes}) \\ &= 590 + 10 = 600 \text{ tonnes} \end{aligned}$$

Therefore, the trigger level is **600 tonnes**.





Market access

Objective

*"... substantial improvements in market
access ..."*



Main elements

- Tariff reduction by developed countries
- Tariff reduction by developing countries
- Flexibilities

Framework Modalities – WT/L/579



Tariff reduction - Tiered formula

1

Principles

- Tariff reductions from bound rates
- All Members, except LDCs, to contribute
- Deeper cuts for higher tariffs; flexibilities for sensitive products; substantial improvements in market access for all products
- S&D for developing countries (including SP and SSM)



2

Thresholds and type of tariff reductions to be negotiated

3

Tariff cap?

**4 bands for tariff cuts -
agreed at Hong Kong**

Sensitive products



1

Number of sensitive tariff lines - to be negotiated

2

“Substantial improvement” will apply to each product

3

Tariff quota commitment + tariff reduction

4

Base for tariff quota expansion – criteria to be developed



S&D



1

Lesser tariff reduction or TQ expansion commitments

2

Flexibility to designate Special Products to address food security, livelihood security & rural development needs

3

Special Products – eligible for more flexible treatment

4

Special Safeguard Mechanism (SSM)

5

Fullest liberalization of trade in tropical and diversification products – to be addressed

6

Erosion of trade preferences - to be addressed (reference - paragraph 16 of TN/AG/W/1/Rev.1)



Draft Modalities

Developed Countries' Cuts



Threshold	Cuts
0 - 20%	[48 – 52]%
20% - 50%	[55 – 60]%
50% - 75%	[62 – 65]%
>75%	[66 – 73]%

Proposals Bands	EC		G-20		US	
	Levels	Cuts	Levels	Cuts	Levels	Cuts
A	0-30	35%	0-20	45%	0-20	55-65%
B	30-60	45%	20-50	55%	20-40	65-75%
C	60-90	50%	50-75	65%	40-60	75-85%
D	90+	60%	75+	75%	60+	85-90%

- G-20 thresholds
- Special consideration for Members with >30% tariff lines in top band (more sensitive products)
- No minimum average cut requirement

Draft modalities

Developing Countries' Cuts



- G20 thresholds and 2/3^{rds} of developed country cuts

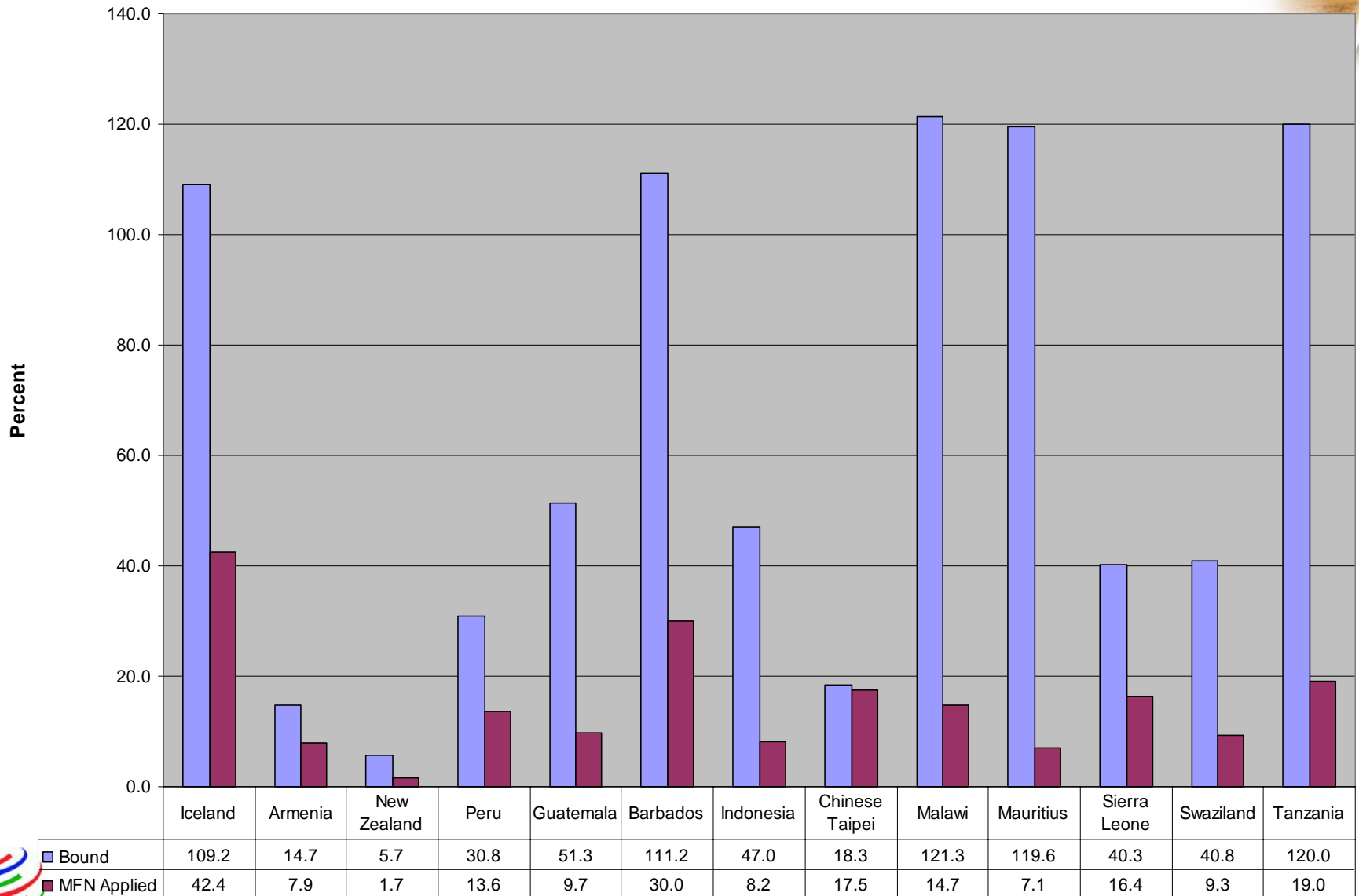
Threshold	Cuts
0 - 30%	[32 - 34.7]%
30% - 80%	[36.7 - 40]%
80% - 130%	[41.3 - 43.3]%
>130%	[44 - 48.7]%

- But if overall reduction in bound duties more than [36][40]%, flexibility to moderate cuts proportionately across the bands
- SVEs
 - Same thresholds, 10% deviation in each band vis-à-vis DGC cuts
 - Overall cut target of [24]%
 - Further flexibilities for SVEs with ceiling bindings or homogeneous low bindings



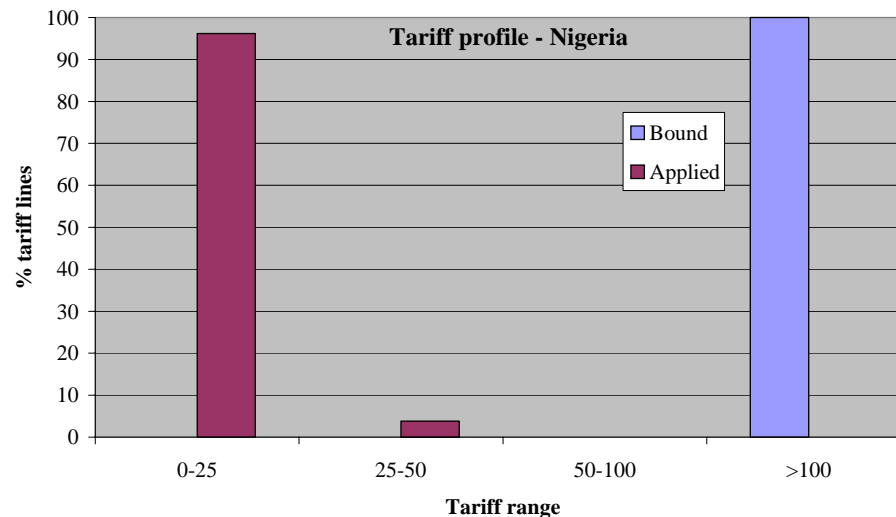
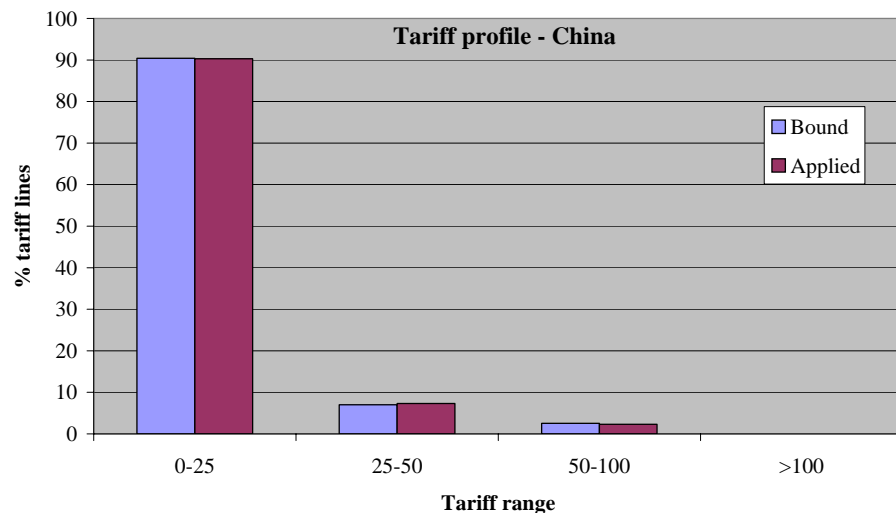
Uruguay Round approach (overall cut of 36% with a 15% minimum cut on each line)?

Simple average tariffs





What additional efforts by developing country Members? – Possible extremes





Sensitive Products

➤ Designation

- DDCs: up to [4][6]% of dutiable tariff lines as "Sensitive Products"
- If > 30% in the top band, [6][8]%
- If due to tariff commitments at 6 digits level "disproportionate constraint", [6][8]%
- DGCs: up to 1/3 more of tariff lines as "Sensitive Products"

➤ Treatment – Tariff cut

- DDCs: Deviate by a minimum of 1/3 and a maximum of 2/3 of the formula reduction
- DGCs: may reduce duties by no less than 2/3 of the reduction that would have been required by the tiered formula

Sensitive Products Tariff Quota Expansion



Assumption	Tariff quota expansion (as percentage of domestic consumption)
Deviation of 1/3 from the tariff reduction formula	[3] [5]%
Deviation of 2/3 from the tariff reduction formula	[4] [6]%
Where a Member is entitled to designate a higher number	[4.5] [6.5]%
If, after applying the formula, a Member retains more than 5 % of its dutiable tariff lines in excess of 100%	[]%

(*) Expansion will take place purely on a MFN basis



Tariff escalation



- DGC with strong interests in commodities and tropical products
- Will not “trump” the main formula, but will supplement the formula
- *De facto* threshold benchmark for priority attention. [...]
 - ie: minimum spread concept in *ad valorem* terms

Commodities



- If adverse effects of tariff escalation were not to be eliminated, Members shall engage with commodity-dependent producing Members to ensure satisfactory solutions
- Approach:
 - Commodity-dependent DGCs to identify products of interest to them and the match of products on which tariff escalations should be addressed
 - DDCs and DGCs in a position to do so will undertake tariff escalation reductions
 - At the end of implementation period, the difference between the identified primary and processed products shall not exceed [x] percentage points. All non-*ad valorem* duties on products identified shall be bound in *ad valorem* terms.
- Provision shall also be made for procedures for negotiating the elimination of non-tariff measures affecting trade in commodities
- Members may take joint action - including through adoption of intergovernmental commodity agreements - for stabilization of prices for exports of commodities
- The general exceptions of Art. XX(h) of the GATT shall also apply to agreements of which only producing countries are Members
- Technical assistance shall be provided for, *inter alia*, the improvement of world markets for commodities and adoption and implementation of such agreements. Financial resources for providing assistance shall be monitored through the mechanism established in the WTO for administering Aid for Trade



Tariff simplification

- All bound duties on agricultural products shall be expressed as simple *ad valorem* [or specific and compound] duties no later than the end of the implementation period
- No tariff may be bound in a form more complex than the current binding
- Highly complex forms of bound duties, such as complex matrix tariffs, shall be eliminated or at least simplified in a transparent and verifiable way
- Supporting data required in draft Schedules (or to the Committee on Agriculture)



Tariff quotas

➤ **Bound in-quota duties**

- At the very minimum, reductions of in-quota duties shall not be less than the rate of cut in the respective band; some Members seek a better outcome, including a total elimination of all or some in-quota tariffs
- Reductions in in-quota tariffs shall not count for purposes of calculating average cuts

➤ **Tariff quota administration**

- Shall be subject to disciplines to be developed
- Further intensive work required in this area

Special products



July Framework

Flexibility to designate an appropriate number of products as Special Products, based on criteria of food security, livelihood security and rural development

Eligible for more flexible treatment

Criteria and treatment to be further specified in negotiations

Hong Kong Ministerial Declaration

Developing country Members will have the flexibility to self-designate an appropriate number of tariff lines as Special Products guided by indicators based on the criteria of food security, livelihood security and rural development

Issues

➤ Selection: “appropriate” number?

- G33 proposed “at least 20 percent of tariff lines as special products”
- US proposed 5 tariff lines

➤ Treatment:

“more flexible treatment”?



Special products



- **Not able to be developed in modality type language!**
- **Possible orientation indicated:**

Selection

- Work on indicators (based on G33) to make them transparent, objective and verifiable
- Two options:
 - No a priori number of SPs
 - A more tailored approach:
 - No less than a certain minimum percentage of SPs be made available and the number to be higher than Sensitive Product allowance
 - Additional flexibilities for RAMs and SVEs

Treatment

- “More flexible treatment” means no complete exemption from tariff cut treatment

Special agricultural safeguard



➤ Two options:

- Expiration for DDCs at the end of the implementation period
- DDCs retain an SSG for tariff lines equivalent in number to their entitlement under the Sensitive Product provision...but streamlined
 - quantity trigger
 - price trigger

} Harder to trigger

Special safeguard mechanism (SSM)



July Framework

A Special Safeguard Mechanisms will be established for use by developing country Members.

Hong Kong Ministerial Declaration

Developing country Members will also have the right to have recourse to a Special Safeguard Mechanism based on import quantity and price triggers with precise arrangements to be further defined.

Issues

- Scope of application (for all Ag products?)
- Trigger parameters (for both volume and price triggers)
- Remedy and duration of remedy (role of tariff bindings)
- Duration/existence of SSM

Special Safeguard Mechanism (SSM)



- There will be two distinct triggers: price and quantity
- Scope: domestically produced products and substitutes of these products
- Coverage: the working assumption could be that no preferential trade would be counted in the trigger
- Price- and quantity-based remedies would not be applicable at the same time to the same product
- The remedy would be applicable until the end of the year



SSM architecture

- Quantity trigger: reasonable benchmark
 - previous [3] [5] years
 - trigger, around [110]%
- Price trigger:
 - movement over a period of [12 - 18 months]
 - Remedy? full difference between the average benchmark price and the actual import price?

SSG vs. proposed SSM (Volume-based)



Assume: Applied tariff rate = 30% & Bound tariff rate = 30%

Volume of imports	SSG (additional duty)	SSM (additional duty)
<105%	No	No
> 105% < 110%	No	40% (or 50% of bound tariff)
> 110% < 130%	10% (after 125% trigger)	50% (or 75% of bound tariff)
>130%	10% (constant) (till the end of the year)	60% (or 100% of bound tariff) (up to 12 months after imposition)



Major differences vis-à-vis SSG:

- Remedy: both amount and duration
- Variable triggers and increasing remedy
- No role of domestic consumption data

Tropical products

An unfinished agenda



July Framework

Full implementation of the long-standing commitment to achieve the fullest liberalization of trade in tropical agricultural products and for products of particular importance to the diversification of production from growing of illicit narcotic crops in overdue and will be addressed effectively in the market access negotiations

Hong Kong Ministerial Declaration

Nothing agreed in this Declaration compromises the agreement in the July Framework

Issues

- Definitional issues: what are tropical products?
 - Throughout the history of GATT/WTO, no fixed definition ever agreed; only an indicative list of tropical products
 - Proponents (Cairns Group) submitted a revised list including: flowers, vegetables, spices, bananas, tea, coffee, rice, sugar, cocoa, tobacco, etc.
- Treatment: what is meant by “fullest liberalization of trade”?

Tropical and diversification products



➤ Selection

- The “list” will be Uruguay Round list “plus”, but will have to be “less” than the Cairns Group list in its present form (there is no obligation for any Member to “separate out” “diversification” products, although this can be done)

➤ Treatment

- Cuts higher than the maximum tariff cut [66] [73]%; 2 tiers of products
- Could set a target of improving by an appropriate multiple the UR outcome for these products
- Shorter implementation period than the agreed implementation period for developed country Members
- Need to reconcile what is done in this area with mandates on tariff escalation, commodities and preference erosion

Preference erosion



July Framework

The importance of long-standing preferences is fully recognized. The issue of preference erosion will be addressed. For the further consideration in this regard, paragraph 16 and other provisions of TN/AG/W/1/Rev.1 will be used as a reference.


Hong Kong Ministerial Declaration

Nothing agreed in this Declaration compromises the agreement in the July Framework

Issues

Problem – existing preference margins eroded by further MFN tariff reductions to the extent that they impact on current applied tariff rates

Possible solutions – trade and non-trade options

 Linkage with the mandate on “fullest liberalization of trade in tropical and diversification products

Preference erosion



➤ Selection

- There is a certain range of “big ticket” items: sugar and bananas
- There are other items in respect of which preference erosion may occur; the focus must be on the precise items where there is a genuine impact and we should orient ourselves by sensible proxies

➤ Treatment

- Inevitably, there will be some trade-based measures involved; some lengthening of the implementation period is likely to be the practical outcome
- Non-trade based solutions are a given

Cotton



- DDCs and DGCs in a position to do so shall give duty- and quota-free access for cotton exports from LDCs from the commencement of the implementation period
- DGCs that are not in a position to give duty- and quota-free access for cotton exports from LDCs from the commencement of the implementation period shall undertake to look positively at possibilities for increased import opportunities for cotton from LDCs

Recently-acceded Members



- Saudi Arabia, the Former Yugoslav Republic of Macedonia and Viet Nam, as very recently acceded Members, no new commitments
- For all other RAMs, the start of implementation of commitments shall begin 1 year after the end of implementation of accession commitments
- The implementation period may be prolonged by up to [2] years after the end of the implementation period
- RAMs will be entitled to
 - moderate the cuts under the tiered formula by up to [5] % points in each band, and
 - bound duties below 10% shall be exempt from reduction
- Small low-income RAMs with economies in transition shall not be required to undertake reductions in bound duties

Least-developed countries



- LDCs are not required to undertake reductions in bound duties
- DDCs shall, and DGCs declaring themselves in a position to do so should:
 - Provide duty-free and quota-free market access for all products originating from all LDCs by 2008 or no later than the start of the implementation period
 - Members facing difficulties at this time shall provide duty-free and quota-free market access for at least 97% of products originating from LDCs, defined at the tariff line level, by 2008 or no later than the start of the implementation period
 - DGCs shall be permitted to phase in their commitments and shall enjoy appropriate flexibility in coverage
 - Ensure that preferential rules of origin applicable to imports from LDCs are transparent and simple, and contribute to facilitating market access