

G-10¹ PROPOSAL ON MARKET ACCESS

General principles

- These contributions from G-10 elaborate on the trade-offs among various elements in market access, including the use of options which will result in an equivalent level of commitments.
- The modality should enable various types of agriculture to coexist, and thus should take account of particular concerns of various Members including their different tariff structures and NTCs.
- S&D will be an integral part for all elements of negotiations, such as the tariff reduction formula, the number and treatment of sensitive products including the issue of longstanding preferences and implementation period. The particular concerns of recently acceded members will be effectively addressed through specific flexibility provisions.

The Tariff Reduction Formula

- Agree to use G-20 proposal as a starting point.
- Number of tiers : 4
- Level of thresholds:
 - Developed countries: from 0% up to 20%, over 20% up to 50%,
over 50% up to 70%, over 70%
 - Developing countries: from 0% up to 30%, over 30% up to 70%,
over 70% up to 100%, over 100%
- Members should have the choice between two options:

[Option 1]

- A simple linear cut without flexibility with a fixed reduction rate in each tier (the overlap issue will be solved by adjusting a limited range of tariffs surrounding the thresholds) .

¹ Iceland, Israel, Japan, Korea, Liechtenstein, Mauritius, Norway, Switzerland, Chinese Taipei.
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[Option 2]

- A formula with constrained flexibility. The flexibility is achieved by either of the following:
 - By having a limited deviation from the overall reduction level in a given tier: The overall reduction rate in each tier should be greater than the cut in Option 1.
 - By making deeper cut than in Option 1 for a tariff line in a tier, and by using this as the credit for another tariff line in the same tier: Each tariff line should be subject to a minimum cut, the number of tariff line eligible for credit should be limited, and the credit earned should be less than the extra effort made, hereby resulting in an overall cut level of the tier higher than in Option 1.

Capping

- The G10 rejects the notion of capping agricultural tariffs.

Sensitive products

[selection]

- The standard number of sensitive products will be defined as a certain percentage of tariff lines. Within this percentage, Members should have full discretion to designate the tariff lines to be treated as sensitive.
- Where the flexible formula is applied, the percentage of sensitive products must be smaller than where the formula without flexibility is applied.
- In either case (application of formula with and without flexibility), a Member may be entitled to a greater percentage of sensitive products provided compensation is offered by means of additional TRQ commitments and tariff reductions in a standard combination (see below).
- In addition, in order to take account of differences in tariff structures, Members with more than [] % of tariff lines belonging to the highest tier will be allowed to have an additional number of sensitive products.
- The principles enunciated on S&D will also apply in the choice of sensitive products and in particular the issue of longstanding preferences should be duly taken into account.

[treatment]

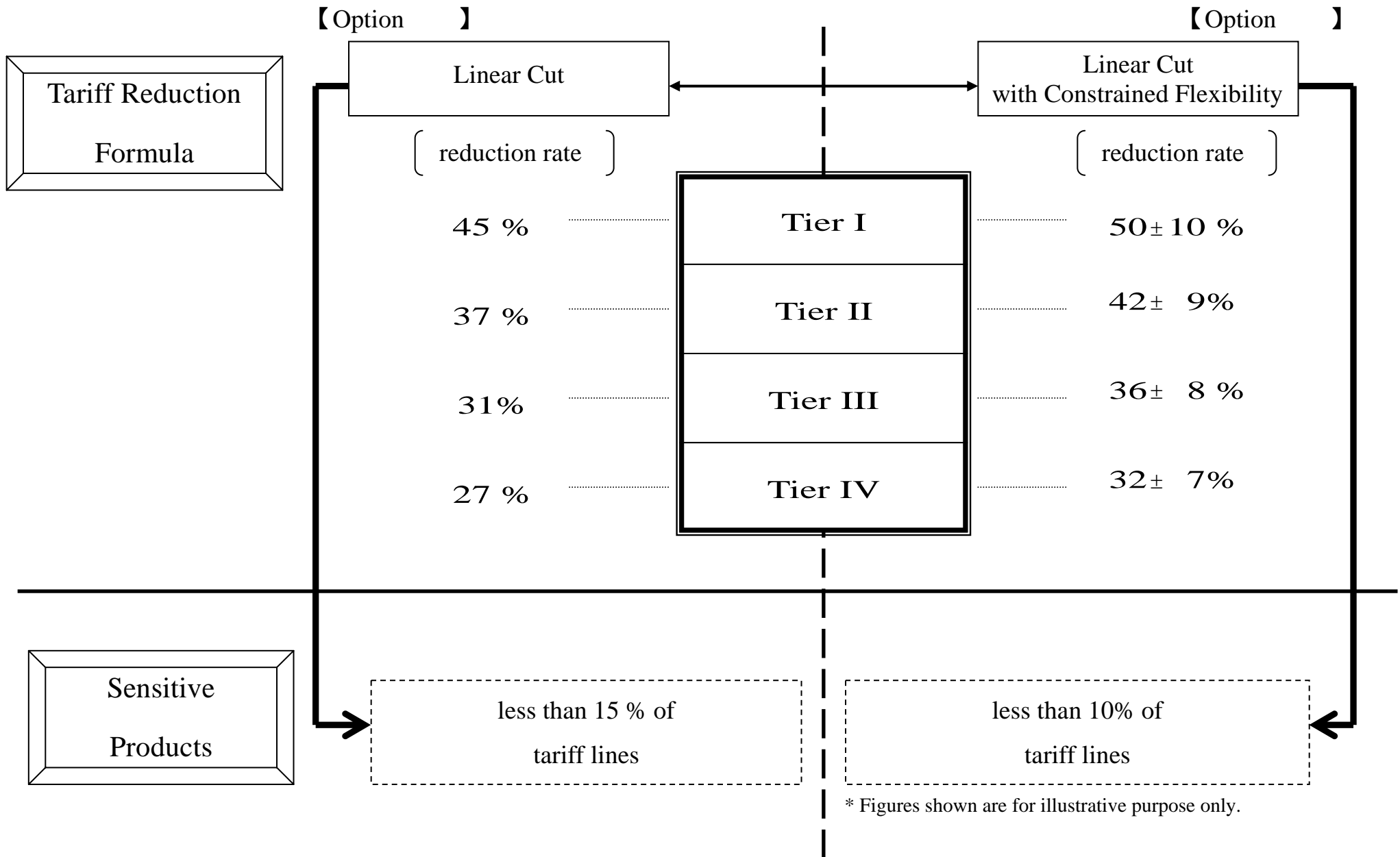
- Sensitive products shall be taken out of the tariff reduction formula for other products, and put into a separate box.
- Market access improvement for sensitive products will be less than that for other products and will be achieved through a standard combination of tariff cut and TRQ commitment applying to each product. Deviation from the standard combination should be possible, based on a sliding scale mechanism under which the degree of commitment for one element will slide in

accordance with the degree of commitment for the other element. If one element of the combination (e.g. tariff cut) is lower than the standard combination by a certain percentage points, the other element (e.g. TRQ expansion) will have to be increased by the same percentage points.

- When a product currently not subject to TRQ is designated as sensitive, Members may choose not to create a new TRQ provided that the tariff reduction derived from the sliding scale mechanism above will be achieved in a shorter implementation period. Alternatively, a Member may opt for a longer implementation period for the reduction required by applying the tiered formula.
- Any changes in descriptions of existing tariff quotas set down in the Section I-B, Part I of the Schedules of Members concerned, which result in improved market access opportunities, shall be regarded as tariff quota commitments. The way to count these elements in the sliding scale mechanism above will be negotiated when the revised Schedules are submitted by Members.
- The base for TRQ expansion will reflect various elements affecting sensitivities, including present and future supply and demand, consumption patterns, and NTCs.
- For sensitive products whose TRQ are already substantial in relation to the domestic consumption, the degree of TRQ commitment in the standard combination will be adjusted in an equitable manner.

G10 approach: illustration to show the balance between options

(Sheet No. 1)



(Sheet No. 2: Example for current access TRQs)

Sensitive Products

* X=10 or 15 according to the option chosen in sheet No.1

[Option A]

[Option B]

X % of tariff lines

(X+5) % of tariff lines

<selection>

<treatment>

reduction rate	tariff quota commitment
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(0)	(30)
:	:
5	25
10	20

Standard Combination	15%	+ 15% of current access commitment
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20	10
25	5
:	:
(30)	(0)

reduction rate	tariff quota commitment
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(0)	(40)
:	:
10	30
15	25

Standard Combination	20%	+ 20% of current access commitment
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25	15
30	10
:	:
(40)	(0)

* Figures shown are for illustrative purpose only.

AGRICULTURAL MARKET ACCESS "CREDIT OPTION" – CONSTRAINED FLEXIBILITY WITHIN THE BAND

Members may be credited for making deeper cuts than required by the linear formula (option 1) subject to the following constraints:

- would apply to a limited number of tariff lines to be negotiated,
- a minimum cut would be set
- no accumulation of credits allowed (line by line),
- no transportation of credits between the tiers,
- credits earned should be less than the extra effort made, thereby resulting in a higher average cut

The credit could be calculated as follows:

- Tariff after required cut within the band (tb) – Tariff after real cut (tr) = Extra effort (e)
- Credit (c) = e * y

where y is a factor <1 to be negotiated. If y =1, members are fully credited for their extra effort. When y<1, the credit will be less than the extra effort. This means that any application of the credit system will have a cost, and the resulting average cut will be higher when applying the credit system then compared to a straight cut.

The credit could then be used to reduce the cut in another tariff by adding the credit to a tariff which has already been reduced by the required amount.

The minimum cut could be defined as a percentage of the formula cut.
