

Draft G-20 proposal

SENSITIVE PRODUCTS: SELECTION AND TREATMENT

1. SELECTION

1.1 A very limited number “N” of tariff lines at x-HS digit level to be negotiated, not more than one percent of dutiable tariff lines of each member’s schedule.

1.2 There should be a credible relationship between the trade value of a tariff line and its selection and treatment as a sensitive product with S&D for developing countries.

1.3 In the interest of transparency, Members shall provide before the Hong Kong Ministerial Conference their lists of products to be designated as sensitive.

2. TREATMENT

General Principles

2.1 The higher the number of sensitive products, the higher the compensation in their treatment. The greater the deviation from the tariff determined by the tariff reduction formula, the greater the TRQ expansion in the same tariff line.

2.2 Deviation from the Tiered Tariff Reduction Formula is measured in absolute percentage points, as the difference between the tariff to be bound for that sensitive product (“sensitive level of the tariff”), subject to tariff capping, and the tariff which the Tariff Reduction Formula delivers.

2.3 The maximum deviation from the Tariff Reduction Formula (TRF) shall be 30% of the cut determined therein.

2.4 Sensitive products will also be subject to tariff capping.

2.5 There will be no TRQ creation.

TRQ Expansion

2.6 For each tariff line designated as sensitive, TRQs will be expanded as a way to compensate for the deviation from the tariff reduction formula.

2.7 This TRQ expansion shall be based on the principle of Most Favoured Nation (MFN).

2.8 Specific rules for the TRQ expansion shall be established.

Base level for the TRQ expansion

2.9 TRQ commitments delivered by the UR constitute an *acquis* of the ongoing process of reform initiated in that Round. Hence, a “coherent and equitable” way to proceed could be to establish the base in a similar way as in the UR, for each product considered sensitive, as follows:

2.10 Define the minimum access level, on the basis of annual domestic consumption, as follows:

At least 6% of the annual domestic consumption resulting from the simple average in the base period expressed in the available physical unit.

Base period

2.11 The base period for the calculation of the annual domestic consumption shall be the most recent three-year period for which data is available.

3. SPECIAL AND DIFFERENTIAL TREATMENT

3.1 Developing countries shall undertake less than two thirds of the developed countries’ commitments in all the elements above, without prejudice to any other S&D provisions.

Selection

3.2 To ensure proportionality, for developing country Members, the number of tariff lines designated as ‘sensitive’ will be 50% higher than the absolute number “N” of tariff lines designated by the developed country having the highest number of such tariff lines.

Treatment and TRQ Expansion

3.3 Due to the fact that the situation in developing countries is completely different from the situation in developed countries, especially in terms of the importance of subsistence farming as a source of domestic consumption of agricultural products, different criteria shall be established for the expansion of TRQs in developing countries. These criteria would include, inter alia, the elements of:

- (i) proportionality
- (ii) the importance of self consumption of subsistence production

3.4 The levels of minimum access shall be less than two thirds of the annual domestic consumption as determined in paragraph 2.10 above;

3.5 Further, the objectively estimated self-consumption of subsistence production shall be subtracted from the annual domestic consumption level in the base period. Developing members shall present data, their source and methodology for this calculation;

3.6 For sensitive products included in a TRQ which did not result from the UR negotiating process (i.e. subsequent negotiations under Article XXVIII of GATT 94 and in the recent accessions) the Base shall be the minimum access level of annual commercial domestic consumption, as defined in paragraphs 3.4 and 3.5 above, or the current access, whichever is lower.

3.7 Developing country Members, that designate those tariff lines without TRQ commitments as sensitive, shall have the following options:

- i) Lower than applicable tariff reduction in the band in which the tariff line falls over the implementation period agreed for developing countries;
- ii) A maximum deviation of 45% from the tariff reduction formula over a shorter implementation period;
- iii) Applicable tariff reduction in the band in which the tariff line falls over a longer implementation period.
- iv) Other options, to be defined, including TRQ creation, which shall be kept to a minimum.

4 . LDCs

LDCs shall be exempted from expanding TRQs.