

**Committee on Agriculture  
Special Session**

**ACHIEVING SUBSTANTIAL IMPROVEMENTS  
IN MARKET ACCESS IN DEVELOPED COUNTRIES<sup>1</sup>**

Communication from the Cairns Group<sup>2</sup>

The following communication, dated 10 July 2007, is being circulated at the request of the Cairns Group.

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Following is a communication from the Cairns Group<sup>2</sup> outlining its view on the overall market access package required to achieve the mandate of substantial improvements in market access into developed country markets. The paper draws on the following proposals submitted by the Cairns Group in relation to market access issues, to which the Group remains committed:

- Other Market Access Elements (JOB(06)/167), 2 June 2006
- Sensitive Products Proposal (JOB(07)/30), 16 March 2007
- Tropical and Alternative Products (JOB(07)/31 and /Add.1), 16 March 2007
- Monitoring and Surveillance (JOB(07)/88), 12 June 2007
- Article 5 Special Agricultural Safeguard: Reasons for its Immediate Elimination in Developed Members (JOB(07)/90/Rev.1), 15 June 2007.

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<sup>1</sup> This paper does not address the issue of special and differential treatment in market access for developing countries.

<sup>2</sup> Canada does not subscribe to this paper.

The Cairns Group has consistently stated there can be no successful outcome to this Round without a substantial package of reforms on agriculture consistent with the Doha mandate. Substantial improvement in market access is an important component of a strong overall reform package in agriculture, and essential to the development dimension of the Round. At this late stage of the Doha Round, it is vital that all Members have clarity on how the mandate of substantial improvement in market access will be met. The question is what commitments and disciplines are required to deliver clear and unambiguous improvements in market access?

The Cairns Group offers in this paper its view on the overall package required to deliver substantial improvements in market access. The Cairns Group has outlined core aspects of an architecture that will provide the clarity and negotiating structure to deliver fully on the mandate<sup>3</sup>. In presenting its view, the Cairns Group is including below some of its initial reactions to papers from other Members and will elaborate further at the appropriate stage.

1. **Clarity on All Aspects of Market Access:** Headline numbers and averages are not enough. We must avoid market access in agriculture being undermined by a series of special provisions. An assessment of the extent to which new market access will be delivered in this Round requires clarity not only on tariff cuts per tier, but also on the tariff cap, permitted deviation for sensitive products, size of tariff quota expansion, the Article 5 Special Agriculture Safeguard, tariff simplification, tariff escalation, tariff quota administration and in-quota tariff rates, and how the mandates on tropical and alternative products will be met. The practical impact of each of these measures on tariffs and tariff quotas must be clear in the modalities, not at the draft scheduling stage.
  2. **Tariff Formula:** The Cairns Group has stated that a cut of 75 per cent in the top tier is an essential, but not sufficient, part of meeting the reform mandate.
  3. **Sensitive Product Treatment:** The Cairns Group (JOB(07)/30) has articulated a neutral structure which provides a transparent and equitable basis for determining commitments on tariff cuts and tariff quota expansion. This approach will provide clarity for all to assess the size of tariff quota expansion commitments by a percentage of domestic consumption and deliver outcomes in terms of new trade measured in tonnes. In contrast, the EC's latest contribution on Sensitive Products (JOB(07)/117) is overly complicated and would not lead to transparent outcomes. The model would perpetuate current patterns and levels of protection through the use of current import levels as a base for expansion. Members' sensitivities are already taken into account through the flexibility provided by tariff quotas, so the mandate in this Round is clear: substantial improvements in market access for all products, rather than the notion of "partial compensation". To achieve these substantial improvements, the Cairns Group has proposed a two-step approach to deviation (20 or 40 per cent of the formula cut), as any deviation beyond these levels would undermine the integrity of the tiered tariff formula. This level of deviation would be compensated by corresponding tariff quota expansion (5 or 8.5 per cent) of consumption.
- **Partial Designation:** A new concept introduced by the EC in relation to Sensitive Product treatment is "partial designation", which would allow Members to designate some but not all tariff lines within a product as Sensitive. It is the means by which Members intent on limiting new access to their markets could minimise trade flows under the combined impact of the normal tariff formula cut and the tariff quota expansion. Under this approach, Members could substantially reduce the consumption base upon which tariff quota expansion would otherwise have occurred.

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<sup>3</sup> See the following job documents: JOB(06)/167 (Other Market Access Elements), JOB(07)/30 (Sensitive Products), JOB(07)/31 and Add. 1 (Tropical and Alternative Products), JOB(07)/88 (Monitoring and Surveillance), JOB(07)/90/Rev.1 (Article 5 Special Safeguard).

It could mean that the tonnages of tariff quota expansion could be significantly lower than Members are led to believe (see Attachment).

4. **Article 5 Special Agricultural Safeguard:** The Cairns Group has been very clear on the reasons the elimination of the Special Agricultural Safeguard (SSG) is critical to substantial improvements in market access (JOB(07)/90/Rev.1). Offers to substantially reduce coverage are meaningless: even SSG coverage on a small number of tariff lines would undermine the mandate on substantial improvements. This is because it would leave in place a mechanism to protect even further from competition some of the most highly protected products in world trade. The EC position also fails to recognise that in relation to some products, the SSG has become a permanent market access barrier into some markets since the Uruguay Round. Complete elimination of this mechanism is the only way that substantial improvements in market access can be met.

5. **Tropical and Alternative Products:** The Cairns Group has provided a clear and targeted basis for fulfilling the mandate on both tropical and alternative products (JOB(07)/31/Add.1). On coverage, the Uruguay Round indicative list was used as a basis for establishing the Cairns Group list, having regard to the new mandate on alternative products and to the level of protection on the lines concerned. The Cairns Group is always willing to engage with others on product coverage. On treatment, the approach outlined in JOB(07)/116 amounts to reopening the mandate – there is no mandate for a non-MFN approach to alternative products, for applying Sensitive Product treatment to tropical or alternative products, or for calls for reciprocity in regard to tropical products. It is now time for developed Members to fully engage and comply with this mandate, given its importance to the development dimension of the market access pillar.

6. **Other Elements:** A complete market access package must ensure transparency and clarity for all stakeholders. Members' final schedules of commitments will need to provide full transparency and simplicity of tariff commitments, and be consistent with existing WTO agreements, including Article 4.2 of the Agreement on Agriculture and the mandate for the Doha Round. The need for full tariff simplification into ad valorem bindings, without the complex and opaque systems – such as the EC's entry price system, and the use of matrix, compound and mixed tariffs – is important in fulfilling this objective. Full simplification is already a fact in NAMA, so there is no case for anything less in agriculture in order to meet the mandate of a balanced and ambitious outcome. Clear and transparent rules for the administration of tariff rate quotas is also critical in ensuring that the market access opportunities represented by Doha Round commitments are made fully and effectively available. As stated earlier, there is also a need to implement the tariff cap, to address tariff escalation and to agree on the elimination of in-quota tariff rates applied by developed countries.

The Cairns Group urges all Members to demonstrate their full commitment to ensuring substantial improvement in market access through addressing fully the mandate on each of these important elements.

The EC and Cairns Group approaches to Sensitive Products - Worked Examples

In the following worked examples, the assumptions are:

- a Sensitive Product with an initial tariff of 100%
- a normal cut of 75% and a Sensitive Products cut of 45% (i.e. deviation in relative terms of 40%, or in absolute terms of 30 points, from the formula cut)
- the domestic consumption base for the product is 1,000,000 tonnes
- imports of the product in question are 50,000 tonnes (or 5% of consumption)

EC formula	Cairns Group formula
= imports x coefficient x (e2 or e3) x $\frac{(\text{Initial AVE\%} \times \text{Déviation})}{(100\% + \text{Initial AVE\%})}$	a % deviation = c% consumption
= 50,000 tonnes x 0.8 x (e2 or e3) x $\frac{(100\% \times 30\%)}{(100\% + 100\%)}$	40% deviation = 8.5% of consumption, or 85,000 tonnes
= 50,000 x 0.8 x (e2 or e3) x 0.15	
= 6,000 tonnes x (e2 or e3) = ?	
The result above could be reduced further by partial designation, if relevant to the imports figure.	

There are a number of uncertainties and limitations with the EC approach.

- As it is based on **imports** (and not domestic consumption), results will be low where imports are low, perpetuating existing patterns of protection.
- The formula is complex (additional elements are not replicated above) and the inclusion of several variables contributes to a lack of clarity of outcomes. The rationale for the variables 'e2' or 'e3' (and the other variables in the EC formula, 'a1' and 'a2') is unclear and their ultimate impact on outcomes, like other variables in the formula, is opaque. If e2 or e3 are set at the value of 2, the result will be 12,000 tonnes (or 1.2 per cent of consumption); if set at 3, the result will be 18,000 tonnes (or 1.8 per cent of consumption).
- The EC's approach to '**partial designation**' (JOB(07)/117) would reduce the result even further. For instance, if this approach reduces the consumption base to 25% through trade-weighting, the result of 12,000 tonnes would be reduced to 3,000 tonnes - only 0.3% of consumption of the whole product.
- Further, the idea of 'partial' compensation, represented by the **factor of 0.8**, has no basis in the mandate.
- There is also no justification for products not subject to a TRQ to be eligible for Sensitive Product treatment.

In contrast, the Cairns Group approach (JOB(07)/30) suggests that tariff quota expansion be related directly to two different levels of deviation, as required by the July Framework. The Cairns Group has suggested these figures be set at 5 and 8.5 of consumption for levels of deviation of 20 and 40 per cent respectively. In the above situation (40% deviation), the relevant consumption figure is 8.5%, or 85,000 tonnes. The approach is transparent with respect to resulting outcomes and, as it is based on **domestic consumption**, will be coherent and equitable across different markets.