

Market Access (further commitments)

Specific Input: Cairns Group¹
Negotiating Proposal on Market Access

SUMMARY

The success of the Doha Development Agenda will depend on its ability to deliver **substantial improvements in agricultural market access**.

The Cairns Group is committed to ensuring developing and least developed country Members have access to appropriate measures to support liberalisation and the adjustment of their agriculture sectors. Special and differential treatment is an integral part of the Cairns Group proposal.

Key features of the proposal include:

- **Cutting tariffs significantly** by applying the Swiss formula, to reduce all developed country tariffs to 25 per cent or lower.
- **Expanding** developed country **tariff quota access** by adding 20 per cent of domestic consumption.
- Improving **tariff quota administration**.
- Eliminating the **special safeguard mechanism** for developed countries. Developing countries shall be permitted access to a new mechanism which would operate under an agreed range of circumstances.
- Also for **developing countries, a lower tariff reduction** (including a 50 per cent maximum reduction for all tariffs less than 250%) and **lower tariff quota expansion** (14 per cent of domestic consumption) phased in over a longer period.

The Cairns Group reserves the right to supplement this proposal with more elaborated proposals in relation to linkages between the three pillars, methodologies for calculating domestic consumption and a mechanism to address consistent tariff quota underfill in developed countries.

¹ Argentina, Australia, Bolivia, Brazil, Chile, Colombia, Costa Rica, Guatemala, New Zealand, Paraguay, Philippines, South Africa, Thailand and Uruguay. Canada's proposal to improve market access for all agricultural and food products is set out in G/AG/NG/W/12 of 19 June 2000 and subsequent presentations.

Introduction

The Uruguay Round represented an important first step in the agricultural reform task by bringing agriculture within the disciplines of the multilateral trading system. But the Uruguay Round failed to make significant inroads in improving market access. This proposal is designed to address this deficiency.

Market access is one of the three pillars that form the comprehensive negotiations outlined in the Doha agenda. Achieving the objectives of the Doha agenda will require members to commit to ambitious outcomes on domestic support and export competition if an ambitious market access outcome is to be achieved.

A priority in the Cairns Group's market access proposal is the provision of special and differential treatment. Developing and least developed countries should be afforded additional flexibility to better facilitate the process of agricultural adjustment in these countries.

The Cairns Group reserves the right to supplement this market access proposal with more elaborated proposals. In particular the Cairns Group would like to signal to its negotiating partners that work is proceeding within the Group in a number of areas including:

1. reflecting linkages among the three pillars, an additional mechanism that might both provide protection against imports still receiving trade-distorting support, while equally providing incentives to such countries to accelerate reduction of such support;
2. methodologies to calculate domestic consumption on which tariff quota expansion formulae in this proposal would be based
3. a mechanism for tariff quotas applied by developed countries which are substantially underfilled on a consistent basis.

The proposal

Least developed countries are to be exempt from undertaking reduction commitments.

Tariff reduction formula

To ensure deep cuts to all tariffs and to address problems associated with tariff peaks and tariff escalation we propose the application of the Swiss formula to agricultural tariffs. The Swiss formula would also assist in bringing the treatment of agricultural tariffs into line with that of other products in the world trading system.

The Swiss formula can be represented as follows:

$$\text{final tariff} = (\text{initial tariff} \times a) / (\text{initial tariff} + a)$$

The coefficient (a) of 25 shall apply for developed countries.

For developing countries, there would be three types of reductions:

- initial tariffs of 0-50%, using the Swiss formula with a coefficient of 50 shall apply
- initial tariffs of over 50% and up to 250% shall be reduced by 50%
- initial tariffs over 250% shall be reduced to a 125% final tariff - that is, the maximum final tariff for developing countries will be 125%.

Reductions shall be from final bound tariffs and be phased-in over five years for developed countries and nine years for developing countries. Developed countries shall make a downpayment in the first year of implementation equivalent to 50 per cent of the total cut required by the application of the above formula with the remainder of the cuts to be phased-in in equal annual instalments over the remaining four years. Where an importing country imposes any additional levies, import charges, taxes or mark-ups these are to be added to the initial tariff and subject to the same reduction commitments.

All non ad-valorem tariffs will be simplified to ad-valorem equivalents. Guidelines will be agreed to convert non ad-valorem tariffs to their ad-valorem equivalents.

The tariff reduction formula applies to all products.

We reserve the right to come forward at a later stage in the negotiations with a proposed mechanism to address the food security concerns of developing countries.

Tariff quota expansion

We believe that, ultimately, tariff quotas should be eliminated. This current proposal on tariff quota expansion builds on outcomes agreed in the Uruguay Round. The proposal locks in existing tariff quota commitments and provides for increased access based on updated consumption patterns:

- final bound tariff quota volumes in developed countries will be expanded by adding an amount equal to 20 per cent of current domestic consumption of the product concerned over a five year implementation period. Developed countries shall make a downpayment in the first year of implementation equivalent to 50 per cent of the total tariff quota expansion, with the remainder of the expansion to be phased-in in equal annual instalments,
- final bound tariff quota volumes in developing countries will be expanded by adding an amount equal to 14 per cent of domestic consumption of the product concerned over a nine year implementation period in equal instalments,
- guidelines will be established to ensure domestic consumption is measured accurately and consistently,
- tariff quota volumes are to be expanded on a most-favoured nation basis,
- within-quota tariffs shall be phased out during the implementation period for developed countries and phased out or reduced for developing countries.

Tariff quota administration

The Cairns Group considers it is important to ensure that tariff quota administration does not operate to restrict market access. Members will agree to prohibit the use of conditions or formalities in administering tariff quotas that would restrict market access. We propose new disciplines as set out in the Attachment.

Special Safeguard (SSG) Mechanism

The current SSG mechanism will be eliminated for developed countries. With a view to facilitating the attainment of the objectives for agricultural reform as provided for in the Doha Declaration, developing countries shall be permitted access to a new mechanism (to be negotiated) which would operate under an agreed range of circumstances (one proposal has been circulated by Argentina on behalf of six developing countries.).

Attachment: TRQ Administration disciplines

The following binding general principles on TRQ administration shall be introduced into the Agreement on Agriculture. All methods of allocation shall:

- be practicable, predictable and transparent,
- enable business decisions to be based on commercial considerations,
- enable full use of tariff quota volumes by WTO Members, and
- prohibit auctioning.

Current WTO rules and procedures, including those contained in the Agreement on Import Licensing Procedures, should be supplemented by further disciplines to prohibit the use of conditions or formalities in administering tariff quotas that would prevent the full utilisation of the tariff quota. Such prohibited conditions or formalities will include, but will not necessarily be limited to:

- any end-use requirements or sub-allocations of the tariff quota, including re-export requirements and sub-allocations to particular products where a quota contains several different tariff lines;
- setting unfavourable commercial terms such as product specifications, pricing and packaging, having regard to the nature of the product covered by the tariff quotas;
- limitations on the period of time for which a tariff quota is opened;
- prohibiting allocation of WTO tariff quotas to non-WTO Members, which reduce the opportunities available to Members.

There should also be a rule to ensure the reallocation of unused licenses.

In addition, a mechanism will be introduced for developed country tariff quotas which are substantially underfilled on a consistent basis. This mechanism would satisfy exporters that trade is not being impeded by tariff quota administration, while at the same time relieve importing countries of the burden of administration where market conditions are such that the tariff quota is unnecessary.
