

**Committee on Agriculture
Special Session**

**CAIRNS GROUP¹ PROPOSAL
SENSITIVE PRODUCTS**

The following communication, dated 15 March 2007, is being circulated at the request of the Cairns Group.

I. TREATMENT

Tariff quota expansion shall be provided on a most-favoured nation basis in accordance with the following:

1. Permitted deviation:

- Only 2 deviation options shall be permitted: either [a%] deviation from the cut which would otherwise apply in the tiered tariff reduction formula or [b%] deviation from the cut which would otherwise apply in the tiered tariff reduction formula.
- Deviation will be expressed as a percentage of the formula cut.²

2. TQ expansion:

TQ expansion volumes³ shall be related to the two deviation options in paragraph 1. The levels of MFN TQ expansion shall be as follows:

- by [c] per cent of domestic consumption for a [a%] deviation
- by [d] per cent of domestic consumption for a [b%] deviation

Special and differential treatment: developing countries will be required to expand by two-thirds of the percentages of marketable consumption specified above.

3. The base for TQ expansion shall be domestic consumption, or for developing countries, domestic 'marketable consumption'.

- National consumption data shall be used in each case.
- In the case of developing countries, data estimates of the non-marketable⁴ portion of consumption will be provided by the importing government concerned, using, to the extent possible, government or reliable industry sources or estimates. Members shall present their data, sources, and methodology for these estimates.
- There shall be a multilateral review of Members' consumption data.

4. High initial TQ commitments: where a designated product is already covered by an existing TQ the volume of which represents over 30 per cent of domestic consumption,

¹ Canada does not share the views expressed in this non-paper.

² For example, suppose an initial tariff of 70% would, ordinarily, be cut by 70%, i.e. to 21%.

- if deviation (expressed as a percentage of the formula cut) is 40%, that means the sensitive products tariff cut is 42%; and
- the final sensitive tariff would be 40.6%.

³ Tariff quota expansion as a result of the DDA shall be in addition to the results of other WTO negotiations on tariffs and tariff quotas.

⁴ The non-marketable portion of domestic consumption will be the proportion grown and consumed by subsistence producers and not sold.

the Member concerned will increase access, by an amount half of that described in paragraph 2 above.

5. The tariff cap shall apply to sensitive products.

If there is agreement that Members may be permitted to apply, for a limited sub-set of sensitive tariff lines⁵, a higher tariff cap than that which applies to non-sensitive tariffs, the Members who choose to do so will be required to expand TQ volumes by levels, to be agreed, higher than the level specified in paragraphs 2 and 4 above, commensurate with the level of deviation from the tariff cap.

6. No TQ creation: TQs shall not be permitted for any Member on products which are not already covered by existing TQs. Only those products already covered by TQs may be designated sensitive.
7. Developing countries shall have the right, for a limited number of HS 6-digit tariff lines - within the limits established in paragraph 8 - to designate sensitive products on which there is no existing scheduled TQ. For these tariff lines, the full cut under the tiered formula shall apply on the following basis:
- Backloading of commitments until the last half of the implementation period or
 - A longer implementation period of an additional 2 years to implement commitments.

II. SELECTION

8. The number of permitted sensitive products will be [e]⁶ per cent of dutiable HS 6-digit lines for developed countries and [f] per cent of dutiable HS 6-digit lines for developing countries. In no case must the total number of lines designated as sensitive represent any more than [g] per cent of a Member's total agricultural imports.
9. If any single tariff line within a product is selected as sensitive, all lines within that product grouping⁷ shall be selected, except for those tariff lines which are not covered by an existing tariff quota commitment. A single level of deviation and its corresponding level of TQ expansion, as modified by paragraphs 4 and 5 above, selected from the options in paragraph 1 and 2, must be adopted for all tariff lines within the product concerned.

III. DATA ISSUES

10. The measurement of domestic consumption data for the calculation of additional tariff quota quantities is to be carried out according to the rules in Annex 1.
11. The WTO Secretariat shall be requested to prepare by [...] a compilation of publicly available and verifiable sources for domestic consumption data.

⁵ The Uruguay Round precedent on exceptions to tariffication shall be followed by strictly limiting the number of products which can access this flexibility.

⁶ The Group's position on the number of lines in paragraph 8 will depend in part on the outcome on the issue of partial designation, as at paragraph 9.

⁷ Product groupings shall be at the following level of aggregation: wheat and wheat flour, maize, oats, rye, barley, sorghum, rice, soy, ground-nuts, rapeseed, palm oil, soy oil, oilcakes, sugar, butter and butteroil, skim milk powder, whole milk powder, cheese, other milk products, bovine meat, pigmeat, poultry meat, sheepmeat, garlic, eggs, wine, apples, oranges, tomatoes, potatoes, tobacco, cotton, etc. The list provided here is solely for the purpose of illustrating the level of aggregation at which products will be designated. Other products not appearing in this list must be at the same level of aggregation.

IV. SCHEDULING ISSUES

12. New tariff quota access is to be scheduled in accordance with the rules in Annex 2.

V. CONSULTATION & TRANSPARENCY

13. Members will consult with any other Member requesting consultations on any matter relating to sensitive products, including in relation to the selection of particular products. Members are encouraged to do so as early as possible, particularly before the preparation of draft schedules.

ANNEX 1: DATA ISSUES

The measurement of domestic consumption and the scheduling of the additional tariff quota access for the products designated sensitive will be carried out according to the following rules.

1. Domestic consumption data used for the calculation of the tariff quota expansion quantity for each sensitive product will be sourced from publicly available and verifiable data, such as the OECD or the FAO, from other publicly available and verifiable sources such as published national statistics or from sources identified by the Secretariat. Members may present data on the domestic consumption of particular products in other Members' markets.
2. The base period for calculating domestic consumption will be a 3-year average over the 2003-2005 period.
3. As set out in paragraph 8 above, for each tariff line declared sensitive all tariff lines within the relevant product grouping, as long as they are already covered by a tariff quota in the Member's Schedule, must be designated as sensitive. The "product groupings"⁸ will be at the following level of aggregation: wheat and wheat flour, maize, oats, rye, barley, sorghum, rice, soy, ground-nuts, rapeseed, palm oil, soy oil, oilcakes, sugar, butter and butteroil, skim milk powder, whole milk powder, cheese, other milk products, bovine meat, pigmeat, poultry meat, sheepmeat, garlic, eggs, wine, apples, oranges, tomatoes, potatoes, tobacco, cotton, etc.

⁸ The list provided here is solely for the purpose of illustrating the level of aggregation at which products will be designated. Other products not appearing in this list must be at the same level of aggregation.

ANNEX 2: SCHEDULING ISSUES

1. New tariff quota volumes shall be bound in Part I-B of Members' Schedules of Concessions on a most favoured nation basis.
2. TQ commitments agreed in earlier negotiations, including the Uruguay Round, shall be maintained separately⁹ from commitments agreed in the Doha Round (i.e. "grandfathered") without any deterioration of their associated conditions.¹⁰
3. There will be no sub-allocation of import quantities with respect to the different tariff lines within a single tariff quota volume, i.e. import licences or other mechanisms could not specify the individual products to be imported from this list.
4. The new tariff quota quantity will be Scheduled according to the following rules:
 - (a) Where an existing Schedule includes a TQ for a single product grouping (e.g., "0405 butter") or where it lists several tariff lines for a single product grouping (e.g., several poultry meat tariff lines) and that product is deemed sensitive – the new ("Doha") Scheduled quantity will set out the same tariff lines with a new volume commitment representing the expanded quantity.

[For example if butter is deemed sensitive and the existing tariff quota refers to "0405 butter", or if poultry is considered sensitive and the existing tariff quota lists several tariff lines for poultry, then total domestic consumption of "butter and butteroil" or "poultry meat" is the relevant level of aggregation for measuring domestic consumption. The Doha Scheduled quantity will set out the same tariff lines for "0405 butter" or "poultry meat" with the additional TQ quantity.]

- (b) Where the existing Scheduled TQ covers a range of products (e.g., barley, maize and oats) but only one is designated as sensitive (e.g., oats) – the Doha Schedule will first set out the TQ volume and conditions for the existing TQ (i.e. it will be maintained separately, or "grandfathered") and in addition will set out the new (Doha) access quantity against only those tariff lines representing a single sensitive product (at the level of the "product grouping" set out above).

[For example, if oats is deemed sensitive but the tariff quota covers "barley, maize and oats" then all tariff lines for oats currently included in the TQ will be considered sensitive and "oats" will be the relevant product for domestic consumption data. The Doha Schedule will set out the existing TQ volume from other WTO negotiations for barley, maize and oats, and then, in addition, a separate single TQ for "oats" with the new TQ quantity calculated.]

- (c) Where there is more than one existing Scheduled tariff quota covering the same product – the new (Doha) Scheduled TQ will set out all tariff lines for that product in a single new (Doha) access quantity equalling the expanded quantity while the existing beef TQs are maintained separately ("grandfathered").

⁹ Subject to provisions, to be agreed, on other aspects of tariff quotas.

¹⁰ Conversely the commitments on TQs agreed in the Doha Round shall be maintained separately from the commitments agreed in earlier negotiations without any deterioration of their respective amounts and conditions.

[For example, a country with many different tariff quotas for, say, beef (from fresh to frozen and different cuts, etc.) – would have to calculate only one new quantity covering all beef tariff lines. For example there may currently be three tariff quotas:

0201 "fresh and chilled beef" – 200 tonnes;
0201 and 0202 "fresh, chilled and frozen beef" – 300 tonnes; and
1602.50 "beef preparations" – 20 tonnes.

In this case, the sensitive product is "beef" and domestic consumption for all beef products will be calculated. The Doha Schedule will set out separately the TQ commitments of other WTO negotiations as they are and will add, as a result of the Doha negotiations a single additional tariff quota quantity for all beef - that is, in this example the tariff line coverage of the new tariff quota would be 0201, 0202 and 1602.50 and the volume will equal the new access quantity.]
