

**Committee on Agriculture  
Special Session**

**G-20 SUBMISSION  
TARIFF CAPPING**

The following communication, dated 17 December 2007, is being circulated at the request of the G-20.

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1. The G-20 remains convinced that its basic proposal on the market access formula remains the middle-ground position in the negotiations. A balanced approach for the market access formula is to be achieved by the combination of the tariff cut formula structure (bands, thresholds, cuts, capping) and the benchmarks of minimum average cuts for developed and maximum average cuts for developing countries.
  2. The G-20 formulation also takes into consideration different realities of tariff structures between developed and developing countries and is geared towards achieving overall proportionality of commitments.
  3. In the Chair's Draft Modalities (TN/AG/W/4), those basic elements of structure and benchmarks of the tariff reduction formula are reflected, though the level of ambition remains open to negotiation.
  4. However, an essential element of the structure has not been addressed in the Chair's draft: tariff capping for all products as an integral part of the tiered formula. There is little need for additional justification of the reasons for establishing a tariff capping and its contribution to narrow down the existing differences between agriculture and NAMA.
  5. Paragraph 24 of the Hong Kong Declaration recognizes the need for balanced and proportionate results between agriculture and NAMA to be achieved through a comparatively high level of ambition in market access. As a matter of fact, the acceptance of a Swiss Formula in NAMA implies the imposition of a much stricter capping for developing countries than the one suggested in agriculture by the G-20 for developed countries.
  6. In order to address the tariff capping in the formula structure, the G-20 is prepared to work pragmatically and to recognize specific situations. However, absurdly high tariffs should be addressed, for they have neither economic justification nor political legitimacy in a process of reform in agriculture trade geared towards development.
  7. In a spirit of compromise, the G-20 proposes the following structure for the tariff capping:

Capping	Developed Members	Developing Members
<b>Non-sensitive products</b>	100%	150%
<b>Sensitive products</b>	150%	225%

8. For developed Members, and for a very limited number of tariff lines, the following rule shall apply for the capping of sensitive products<sup>1</sup>:

- The tariff capping of 150% will entail an additional substantial compensation of [X%] in terms of MFN TRQ expansion for the product concerned;
- As a further flexibility, developed Members may choose to apply a 200% tariff capping, with a substantially higher compensation of [Y%] in terms of MFN TRQ expansion for the product concerned.<sup>2</sup>

9. The Group is willing to examine specific cases of compensation when the current TRQ of a sensitive product already represents a substantive percentage of domestic consumption.

10. It should be stressed the significance of the fact that developing countries are proposing a tariff cap that will also be applicable to them, and are also prepared to apply a tariff capping for sensitive products.

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<sup>1</sup> It is the view of the G-20 that there will be no TRQ creation.

<sup>2</sup> Where  $Y > X$ .