

MARKET ACCESS:

Issues in the negotiations

New Delhi

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Agriculture and Commodities Division

MARKET ACCESS

Objective

substantial improvements in market access +

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MAIN ELEMENTS

- “ Tariff reduction by developed countries
- “ Tariff reduction by developing countries
- “ Flexibilities

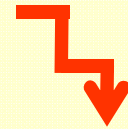
Framework Modalities

Tariff reduction - Tiered formula



Principles

- “ Tariff reductions from bound rates
- “ All Members, except LDCs, to contribute
- “ Deeper cuts for higher tariffs; flexibilities for sensitive products; substantial improvements in market access for all products
- “ SDT for developing countries (including SP and SSM)



Thresholds and type of tariff reductions to be negotiated



Tariff cap?

**4 bands for tariff cuts -
agreed at Hong Kong**



Developed Country Tariff Cuts & Flexibility

I

TIERED FORMULA	
Threshold/Tier/Band (bound tariffs)	Cuts
0-20%	50%
20-50%	57%
50-75%	64%
>75%	70%

Overall minimum average cut of 54%

Developed Country Tariff Cuts & Flexibility II

Sensitive Products

- In general, 4% of tariff lines (Japan & Canada argue for more)
- Three possibilities ($\frac{2}{3}$, $\frac{1}{2}$ and $\frac{1}{3}$) of deviation from tiered formula:
2/3rd deviation : tariff quota expansion of 4% of domestic consumption
- Issue of new tariff quotas

Tariff Cap

- No tariff cap on Sensitive Products
- 100% on non-Sensitive Products (with possibility for limited exceptions)

Developing Country Tiered Formula Cuts

		SVEs	RAMs
Threshold/Tier/Band (bound tariffs)	Cuts (2/3rds DdC cuts)	Cuts	Cuts
0-30%	33.3%	23.3%	25.3%*
30-80%	38%	28%	30%
80-130%	42.7%	32.7%	34.7%
>130%	46.9%	36.9%	38.9%

**: tariffs upto 10% exempt from cuts.*

Overall maximum average cut of 36%

Tariff Cap

- 150% but does not apply to Sensitive or Special Products



Developing Country Flexibilities from Tiered Formula

Sensitive Products

- bigger number (1/3rd more than DdC)
- lesser compensation (2/3rd of DdC tariff quota expansion)
- Non-tariff quota expansion possibilities

Special Products

Treatment			
	# TLs	# zero cut TLs	Average SP cut
DgC	12%	5%	11%
RAMs	13%	5%	10%

Small, Vulnerable Economies (SVEs)

Tariff reduction flexibility

Either

- (i) Apply moderated tiered cuts
plus
Sensitive Products flexibility
plus
Special Products flexibility

OR

- (ii) Simply meet an average cut target of 24%

Special Agricultural Safeguard (SSG)

Developed country Members:

- Reduced coverage to 1% of scheduled tariff lines on 1st day of implementation
- Elimination after 7 years (detailed timetable provided)

Developing country Members:

- Developing countries . reduce coverage to 2.5% on 1st day of implementation
- SVEs . reduce coverage to 5% of tariff lines over 12 years

SSM – Volume-based

Remedy not to exceed the pre-DDA bound tariff:

Volume Trigger	Remedy (higher of)
>110% <115%	25% of bound tariff or 25% points
>115% < 135%	40% of bound tariff or 40% points
>135%	50% of bound tariff or 50% points

Remedy exceeding the pre-DDA bound tariff

Some options contained in the working document (TN/AG/W/7):

Trigger

Remedy (higher of):

120%-140%

33% of bound tariff or 8% points

>140%

50% of bound tariff or 12% points

- Disciplines on re-application of remedy (so-called 'holiday')
- Cross-check (not normally applicable unless domestic price is declining)
- Not applicable to more than 2.5% tl in any 12-months period
- Seasonal and perishable products

SSM – Price-based

Trigger price	Remedy
85% of three year monthly average	85% of difference between trigger price and import price

- Pre-DDA bound tariff not to be exceeded.
- Applied on a shipment-by-shipment basis
- Not normally take recourse if import volumes manifestly declining (cross-check)

Tropical Products

Mandate:

July Framework: %fullest liberalization of trade+ in tropical agricultural products and diversification products

Issues:

- “ Definitional issues i.e. what are tropical products?
- “ Treatment: what is meant by %fullest liberalization of trade+
- “ Obvious linkage with the issue of %preference erosion+.

Tropical Products & Preference Erosion

- List-based approach for both Tropical Products and preference erosion modality
- Considerable progress made in July 08 mini-Ministerial on the so-called overlapping-products issue
- A lot depends on the outcome of the banana agreement
- Chairman wanted to record progress in latest draft modalities text but due to certain material changes+which occurred post July, the Chairman was unable to modify the draft modalities text
- Existing text:
 - Tropical products . essentially seeking greater tariff reductions than under the tiered formula
 - Preference erosion . normally tiered formula based tariff reductions but greater implementation period

Tariff escalation

Mandate

- “ July Framework: %tariff escalation will be addressed through a formula to be agreed+.

Draft Modalities Text

- “ List-based approach (Annex D of the Revised Draft Modalities)
- “ Additional tariff cuts for the processed products in the list (tariff cut for the next higher band); processed product in the top band to be subject to cut for top band + 6% ad valorem points.
- “ Tariff escalation modality not to apply to products declared as Sensitive Products
- “ To be applied by developed country Members; developing country Members may also apply, if they so decide.

Tariff simplification

- “ Two possible scenarios mentioned in the draft modalities text:
 - . All bound tariffs to be converted into ad-valorem; or
 - . Target-based approach i.e. to achieve 90% simplification and review of the situation after the end of the implementation period with a view to achieving 100% simplification

- “ Special emphasis on most highly complex forms of bound tariffs

- “ Methodology contained in Annex A of TN/AG/W/3 to be used (Paris methodology)

- “ Staged simplification (Annex N of the revised draft modalities): high prices during the recent period and the possible impact of simplification using the prices of 1999-2001, as per the Paris methodology

Other issues: Market Access

- Commodities . *inter alia*, if tariff escalation not eliminated, Members to engage with commodity-dependent producers to find satisfactory solution
- Tariff quotas
 - “ reductions in bound in-quota tariff rates
 - “ tariff quota administration
- LDCs . duty- and quota-free access
- Cotton market access - duty- and quota-free for cotton exports from LDCs

THANK YOU