

**Negotiations on Agriculture**

**Revised Consolidated Reference Paper on Possible Modalities on Market Access**

***Introduction***

1. As you know, you have directed that I prepare a draft modalities text on or around 19 June. I have myself made clear that, in subscribing to the bottom-up, transparent process we are adopting, any such draft is unlikely to contain things you have not seen or heard before, or things that Members would not be able to work out for themselves. After all you have made it clear that it is not my role to invent solutions out of thin air, and even if I was sufficiently deluded or misguided enough to make the attempt, you would hardly accept them given that they emerge in a vacuum and are severed from any real emergent consensus or convergence on your part as Members. Indeed, TNC laid it out in words of one syllable: "Chairpersons should reflect consensus, or where this is not possible, different positions on issues." Thus, unless or until there is such emergent consensus, one has to respect the substantive positions of Members. Come that date, therefore, I will be issuing a document that does so.

2. But this is also a "no surprises" exercise. So I feel that the most useful thing I can do right now is to share with you what, as of this date, I would envisage that I would produce on or around the 19<sup>th</sup> of June as regards the Market Access pillar. In doing so, I have to preface this by saying that I sincerely hope that I do *not* produce a document of this kind. That is because this document – with all its square brackets – reflects the degree of divergence that actually exists right now, and it is not at all easy (albeit not impossible) for me to see how those divergences will be bridgeable in the time available between the week of the 19<sup>th</sup> and an end of June rendez-vous.

3. Of course, the only way that such a document would look different is if, between now and the week of the 19<sup>th</sup>, Members have themselves moved. And maybe seeing this document of this kind right now will indeed help emphasize just how important it is that such moves are made in the coming days. Absent that, what you see below (subject to your comments to come) is essentially what you will get on this pillar. As was foreshadowed, the export competition pillar is to come next week, and I aim to adopt the same kind of approach. And, thereafter we will have the consolidation with domestic support to create an integrated first draft in the week of the 19<sup>th</sup>.

4. What is set out there, in that form, is of rather limited operational use to anybody who wants seriously to reach a negotiated outcome. I know, and I believe you all know, that to be true. But that is a direct consequence of where the Membership is, as a matter of substance, in the negotiations. And so it will remain, as long as you all feel that you have to hew to your positions. As a Chair I respect that and, as a Chair, it is not my business to pretend that there is a solution when you have not got to that point. But although I am a Chair, I am not totally deaf dumb and blind. So I do not feel entirely comfortable in taking a bureaucratically anaesthetized view of my task and simply leaving things at that: you might as well give the job to a tape recorder. The fact is that I cannot help but form my own observations on where things are at – with no pretence that they are any more than my best guess at things. So I will, for what it is worth, (and I freely confess it is not much) – at least offer some of my views, as a keen observer of this process, here and there in what comes below. This is after all a reference paper and not a text. Indeed my previous reference papers have had similar remarks in them, because that seemed to be part and parcel of what the reference paper process was about. This one is still a reference paper albeit the last for this pillar. Consistent with that I have (mostly) confined reference paper-like remarks to elements on market access that were not previously

the subject of reference papers. Such comments will, of course, drop out when it becomes a draft text per se.

5. It must also be borne in mind that the conclusion of modalities, in whatever form, does not represent the end of negotiations. Indeed, much more work will be needed in the next phases as Members will have to prepare draft Schedules based on the modalities, the draft Schedules will be subject to verification and (maybe?) bilateral negotiations. Therefore, this document (and the same would apply to the draft text), which does not even represent the end of this phase of the negotiation, will not represent the end of the negotiations.

6. You will also see that I have endeavoured to cover all the July 2004 framework elements: if I have not done so it is by accident rather than design. You have made it clear that that is what I am to do. But I was cognizant of it anyway: it is pretty clear from the Framework and from Hong Kong that that is the requirement in any case. But that is not just a matter of form. It reflects an underlying reality: these issues are *intrinsically* connected. You cannot settle tariff cuts and thresholds without knowing what your lesser cuts will be if you are a developing Member. A similar calculation applies if you are, for instance, a small and vulnerable economy. And a developing Member will need to know (as will their partners) what the associated entitlements are for special products and SSM before they are in a position to go firm on any agreement on thresholds and cuts. Ditto, for preference erosion and tropical products.

7. Nor should this be viewed as an entirely negative linkage. Relative comfort in one area can actually induce flexibility in another. In the same vein, the number of sensitive products cannot be determined without knowing the treatment and what the "lesser" cut will be. Indeed, it will be a function of what the overall cuts and thresholds would be. Clearly it can work the other way around: cuts and thresholds can be rendered, if not meaningless, then at least of much reduced value, if sensitive product number and treatment are wide-ranging. And the same can be explained for other categories of issues. All of this is perhaps obvious, but if so it does no harm to emphasize it yet again. Of course, at an operational level you do not get paralyzed by this so that nothing moves because it is impossible to move simultaneously on all fronts. What gets done is that you work from a certain working hypothesis on a certain initial fixed point (e.g. as regards thresholds and cuts) and then see what those imply for the other elements. But that has to be clearly understood and accepted—otherwise Members will (rightly) fear that they will be salamied. They will have to swallow their least favoured course first, only to find that their favoured and much-anticipated dish which was to come next never in fact makes it to the table. It needs to be clearly understood that that cannot occur: hence the inclusive character of this consolidated document. I could go on, but I think you all understand the point. Unless or until you collectively change the ground-rules, that is how I, at least, will continue to operate.

8. A few lawyerly-like observations: in official terms the key documents in the negotiations are the Doha Ministerial Declaration (WT/MIN(01)/DEC/1), which set out the basic mandate for negotiations, the General Council Decision of 1 August 2004 (WT/L/579), which gives a more detailed outline for many of the issues under negotiation in agriculture, and the Hong Kong Ministerial Declaration (WT/MIN(05)DEC), which gives some further guidance.

9. In addition, there have been many proposals, supporting documents and statements made by participants covering every issue under market access in the Framework. As these proposals have been made as formal documents, as job number documents, as non-papers and even by way of letters to Ministers, it is impossible to count them all but it is correct to say that practically every Member has been involved in some way in some proposal. But, because every proposal is different, it is also true to say that no delegation's position can be reflected perfectly in the final deal. On every issue compromise is needed. This document does not suggest compromises, it tries simply to reflect current positions and, by so doing, to highlight where compromise is needed.

10. Finally, it needs to be noted that, like the General Council Decision of 1 August 2004 (paragraph 2) and the modalities of the Uruguay Round (fourth paragraph of MTN.GNG/MA/W/24 of 20 December 1993), modalities cannot be used for dispute settlement. Therefore, draft modalities certainly cannot be used for dispute settlement.

11. As this is the first pillar to be addressed in this manner, I have tried to look at how the definitions might look either for modalities or for an amended Agreement on Agriculture. For this reason, I have included these, but mostly to the extent that they concern market access. No doubt, they will be changed and be added to as we proceed. They would have to undergo legal revision at a later stage.

12. In addressing some issues that cross different pillars, such as cotton or commodities, I have focused only on market access. Domestic support and export competition will be taken up subsequently. But, as you will see below, some of my own remarks reflect a view on where things are at that reflects judgements about what is going on (or not) in other pillars.

## Draft Possible Modalities on Agriculture

### I. DEFINITIONS<sup>1</sup>

- Year in relation to the implementation period and to the specific commitments of a Member refers to the calendar, financial or marketing year specified in the draft Schedules to be submitted pursuant to the modalities.
- The base period for supporting data is [1995] to [2000] unless otherwise stated.
- The implementation period is [2008] to [ ] unless otherwise stated and [2008] to [ ] for developing country Members unless otherwise stated.
- Value of production is defined as the gross value of all agricultural production of basic products at farm gate prices.
- Product coverage is as in Annex 1 of the Agreement on Agriculture with any appropriate changes arising from HS2002 applying *mutatis mutandis*.
- *Note: Members draft Schedules should be based on HS2002 nomenclature to the extent possible and disaggregated at the HS 6-digit level as a minimum. In the alternative, Members should clearly indicate the version of the Harmonized System being used (E.g. HS96).*
- Tropical products and products of particular importance to the diversification of production from the growing of illicit narcotic crops (hereinafter referred to as tropical and diversification products) are defined as those products listed in Annex F to this document.
- For the purposes of the modalities for commitments on agricultural products, a recently acceded Members is a Member of the WTO that acceded [under Article 12 of the Marrakesh Agreement Establishing the World Trade Organization].
- Cotton is defined as HS headings 52.01 to 52.03: raw cotton, waste and cotton carded or combed.

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<sup>1</sup> In general the definitions would remain as set out in Article 1 of the Agreement on Agriculture but some changes are needed in order to reflect the new commitments which Members will make, the new implementation period(s) and other factors.

## II. MARKET ACCESS

### A. TIERED FORMULA FOR TARIFF REDUCTIONS

#### 1. Basis for reductions

1. Subject to the provisions set out in sections B to H below, customs duties shall be reduced in equal annual instalments from bound duty levels<sup>2</sup> using the tiered formula in paragraphs 3 and 4 below.

2. In order to place bound non-*ad valorem* tariffs in the appropriate band of the tiered formula, Members will follow the methodology to calculate *ad valorem* equivalents (AVEs), along with associated provisions, included in Annex A.

#### 2. Tiered Formula

3. Members shall reduce bound duties in accordance with the following tiered formula:

- (a) Where the bound duty or *ad valorem* equivalent is greater than 0 and less than or equal to [20-30] the reduction shall be [20-65] per cent;
- (b) Where the bound duty or *ad valorem* equivalent is greater than [20-30] per cent and less than or equal to [40-60] per cent, the reduction shall be [30-75] per cent;
- (c) Where the bound duty or *ad valorem* equivalent is greater than [40-60] per cent and less than or equal to [60-90] per cent, the reduction shall be [35-85] per cent]; and
- (d) Where the bound duty or *ad valorem* equivalent is greater than [60-90] per cent, the reduction shall be [42-90] per cent.

Despite the ostensible gaps that these square brackets represent, I still have the feeling that there is indeed a much narrower real potential zone that exists within the extremes – which means that matters are potentially more convergent than what formal positions would suggest. At this point in time, I cannot see how any objective observer could avoid the conclusion that the real zone of engagement has to be *around* the G-20. Whether it is, in the currently fashionable jargon, on the G-20, north of the G-20 or south of the G-20 is moot. As is the issue of just how far north or south that might be. But if we are going to have an agreement I have the sense that that is where the real negotiation will have to take place. And I think it is no surprise that outside of Geneva Meeting Rooms – if the media reports are to be believed – that that is what a number of players are actually talking about. Two points to emphasise. First, in saying that, I am just talking about cuts and thresholds – not e.g. sensitives. Second, this is not a view formed in looking at market access in and of itself. I say that, making certain assumptions about where the convergence points can and should be on domestic support and export competition. If the latter were to disappoint, obviously even the kind of hypothetical judgement I have made above would differ.

Of course that is outside the declared comfort zone of a number, including those in respect of whom those media are reporting! Indeed probably everyone will consider – and feel they have to say – that this just will not work. In formal terms, that is fine: all proposals remain on the table. The formality of what is written above in purely text-like terms is, I think, a faithful enough account of that and, as Chair, I will continue to give them fair air time. The fact is that I cannot help but form my own observations on where things are likely to end up at - with no pretence that they are any more than my best guess at things. So I will, for what it is worth, (and I freely confess it is not

<sup>2</sup> That is, all out-of-quota duties. In-quota tariffs will be subject to commitments under paragraph 13.

much) - at least offer you my view as a keen observer of this process. And I cannot escape the conclusion that the zone described above is where you will all end up *if there is to be an agreement in the time frame we are all working to.*

Now, having said that, as the broad sense of where we will end up – if at all – I also frankly share with you my sense that at least some G-10 developed Members may just not prove to be able to make it to certain parts of that zone (which is, after all, still fairly extended), or at least if that was the case and we were also to end up with the range and treatment of sensitive products that I also note below as most likely to end up as the centre of gravity. But I still do not think we will reach agreement on a G-10 basis. I might be wrong. It is just my guess-and it is certainly not my “view” or “proposal” (on this or on anything else). But if I am right, either the Members concerned do in fact swallow hard and accept (and find enough flexibility elsewhere) or they block consensus. As long as those concerned stick simply to their G-10 position – as they are perfectly entitled to do – and do not show any preparedness to move from that, this will be the only scenario we have to deal with. My sense is that some more pragmatic approach is both doable and desirable but that would need some flexibility from all sides – and pretty soon.

4. Developing country Members shall reduce bound duties in accordance with the following tiered formula:

- (a) Where the bound duty or *ad valorem* equivalent is greater than 0 and less than or equal to [20-50] per cent, the reduction shall be [15-slightly less than 65] per cent;
- (b) where the bound duty or *ad valorem* equivalent is greater than [20-50] per cent and less than or equal to [40-100] per cent, the reduction shall be [20- slightly less than 75] per cent;
- (c) where the bound duty or *ad valorem* equivalent is greater than [40-100] per cent and less than or equal to [60-150] per cent, the reduction shall be [25-slightly less than 85] per cent; and
- (d) where the bound duty or *ad valorem* equivalent is greater than [60-150] per cent, the reduction shall be [30- slightly less than 90] per cent.

I did note as long ago as my report to the TNC prior to Hong Kong that that there was a certain centre of gravity for two-thirds cuts for developing countries. But of course, I am well aware that that is resisted, and that, among developing countries themselves there are views that cuts should be still less than that would lead to. As Chair, I find it hard to get away from the sense that the basic concept of 2/3 has a certain resonance as broadly “about right” when it comes to the concept that there should be “lesser” cuts for developing than developed. Why do I feel like that? Well, I think it’s undeniable that that concept is as it were “still around”, and that is no small thing in the circumstances. I think it reflects the fact that it does have that resonance even if it is by no means something that has been agreed and, indeed, is formally resisted. What is more, with the clock ticking, I find it much more difficult to see any other concept on the table that has anything like the plausibility of this one as a concept to work with. In other words I don’t yet see anything else that has any credible chance of getting anything like comparable traction with the Membership. Maybe that “something else” will emerge, but if so, time is very short and I, for one, cannot see what it would be. Yes, we can keep on holding fast to our formal positions. On the other hand, I would counsel that it might be the most productive thing in the circumstances to at least use this as a working hypothesis to see if it can be moved from what I would call “working concept” to “operational basis”. After all, there is a bit of a gap between what I would call the basic concept of “around about a two-third commitment” and how it would work on the ground.

But I know also that what is not far under the surface of this difference over the two-thirds proposition – or what is really getting in the way of a practical way forward – is a view that some at least hold that the divergence between cuts in bound and applied is too wide on this basis. If so, I feel that, given the late hour, we now have no choice but to deal openly and frankly with each other over this and lay it to rest. If we all resolve that it is a matter of all accepting that a bound tariff is a bound tariff and those are the only apples that we are comparing, life will be a lot simpler. But that is up to you as Members. I don't think you are there yet. I would venture only four observations.

First, this negotiation cannot be expected to “make up” for any regrets that Members might have had about where past negotiations got them: whatever one makes of past deals with hindsight, they were past deals. It is true that for a good number of developing country Members it means now there is a gap between their bound and applied rates. That is not some kind of crime. Nor is it some kind of fluke of history. It reflects past bargains: deals to which all-including developed countries – have subscribed. It may well be that trading partners would prefer that the bound rates were lower, but that is in a sense nothing else than saying they wish they had done a different deal. They didn't. Second, whatever view one takes on this cannot be determined in isolation from how this structural issue pans out in other pillars of this negotiation, particularly domestic support. (On other negotiating Groups I make no comment). What is sauce for the goose is sauce for the gander. Third, even if one looks solely at an alleged distinction between “bound” and “applied” rates, it is important to recall that even the so-called “applied”, in some instances at least, have “water” in them in any case, which somewhat dilutes the validity of that comparison to begin with. Fourth, whatever view one takes on all of this from a “contractual” standpoint, you cannot expect to entirely expel nature with a pitchfork. By which I mean the overall question of what happens in the real world will I feel enter into this at some point as we get to crunch time. Of course it will be not only here, but elsewhere too. All I would say is that on this point, and all other areas where the consideration is relevant, I find it difficult to see that we can credibly end up with a negotiation outcome that makes negligible or virtually no commercial difference to the real world *status quo*. That, it seems to me is inescapable, but it is certainly just as clear to me that the outcome, if it is to satisfy that real world standard, has to do it in a way that is unambiguously compatible with special and differential treatment. And in the real world that means that, yes, developed countries will need to do “more” than developing – and “about a third more” in this particular context doesn't sound too dissonant to my ear as a core concept at least.

## B. [TARIFF CAP

5. If, after the application of the tiered formula, a bound duty should be greater than [75] [100] per cent, it will be reduced to that level. [Non-*ad valorem* tariffs will be reduced by the amount required to bring the *ad valorem* equivalent to this maximum level]. For developing countries, the maximum tariff shall be [150] per cent.]

The views of Members on this are well known. Some want this. Others reject it utterly. The square brackets reflect that. All I would observe at this point is that we are still today in the phase of “evaluating” the role of a tariff cap as laid down in the Framework. There is no question that the tariff cap as proposed by some Members would, if it was ever applicable, have a stronger incidence – in formal or nominal terms - on some Members than others. If it is doubted, that can be seen from certain simulations that are widely available. Now, proponents of the cap would observe “indeed, that is exactly the point and it is entirely appropriate”. All I would add is that it is important also not to look at this only in purely formal or nominal terms. For instance, it can be true also that nominal tiered formula cuts below any cap by Members which do not have tariffs above the cap could conceivably account to a real world “x” amount of “substantial improvement”. We do not have to be mathematically exact about this – and can hardly be so – but it is certainly conceivable that whatever that “x” would amount to for any particular Members, it could be conceivably considerably “less” than certain types of effects for those for whom the tariff cap would be a very real constraint. Now, there is nothing that is inherently problematic – in the abstract – with that: indeed

the very logic of the tiered formula itself is to have that general effect as you go up the nominal tariff chain. So, of course, the view may be taken by cap proponents that that is entirely appropriate. All I would note is that in this, as in so many other things, it is not a matter of abstraction or formality. There is a matter of *degree* also so that we not end up with outcomes that are manifestly disproportionate on this –or on any other matter of course. Let's not lose sight of that as we deal with this "evaluation".

## C. SENSITIVE PRODUCTS

### 1. Designation

6. [Each [developed] country Member will have the right to designate up to [1-15] per cent of dutiable tariff lines as "Sensitive Products". [Developing country Members shall have the right to designate up to [27 tariff lines<sup>3</sup>] [[ ] per cent of tariff lines] as "Sensitive Products"]. Designation of such status will be indicated by the symbol "SePs" in Column [ ] of Table 1, Section 1 of the Member's Schedule. Each such product will be subject to a combination of a reduction in bound duties and an expansion of tariff quota for the product concerned or a proportionate increase if the product is one of a number in a single bound tariff quota [unless a current bound quota for the Sensitive Product concerned does not exist] [in which case a Member [may] [shall] apply the provisions under paragraph ... below].

On numbers, similar mental processes apply here as was the case with the cuts and the bands. As you are already aware from my previous reference paper, I have said that I think it would be rather a stretch to conceive of the Membership ending up in agreement on 15% of tariff lines – at least not as the general rule. You saw in my previous draft reference paper what that could lead to in terms of percentage of trade coverage. But, of course, I also accept that you could get to such percentage of trade figures with even a much lower number of sensitive product lines. Nor, it must be said, can I see 1% at the other end of the spectrum doing the job either. While I cannot help but feel that 15% is going to prove to be too much as the general rule, it is still a position that has to be dealt with in negotiating terms, and 1%, in my view at least, will not be sufficient to meet the underlying political concern – and certainly not of all Members. We do have to remember that all these elements are not in silos: they are connected, and what happens in terms of cuts directly affects this (and vice-versa).

So, in saying that, I would emphasise that I am not forming this view in the abstract. I am operating from the perspective I described above: that cuts and bands could conceivably end up in some penumbra around that G 20 zone. Indeed, because of that I would suspect that for some at least of those that have argued (or are still arguing) for an even higher level of ambition than that as far as cuts and thresholds are concerned, they would end up seeking themselves some rebalancing of the number of sensitive lines. From that perspective, it just seems to me, from what I am aware of, that the calculus would work in the direction of a more medial number. That said I do think we will need to reflect in due course very intensively on where such a scenario would leave at least some few developed Members overall .

And, having said that, I am conscious of the fact that sitting on locked in positions does not allow us to engage and get down to important elements that mere reference to abstract numbers conceals. For instance, Members do not have the same number of tariff lines. So, e.g. 5% of lines for one Member means more (or less) than 5% of lines for another in terms of absolute number of tariff lines. There is, it seems to me, an equity issue here that cannot be easily brushed under the carpet. In the same way, a mere fixed percentage – or even an absolute number – can lead to widely

<sup>3</sup> One proposal states that developing countries will be able to designate 50% more than the absolute number of tariff lines designated by the developed country having the highest number of such tariff lines. That could be as low as 18 tariff lines in one developed country Member's Schedule then developing countries will be able to declare 50 per cent more lines as "Sensitive", i.e. 27 tariff lines.

variable trade effects depending on what, in fact, the trade coverage is actually going to be. Even with, say, three percent of lines it is conceivable that the percentage of trade covered could be quite a high figure for one Member but quite a low figure for another. Are we completely relaxed about that? So, to my mind at least, I cannot help wondering whether all this focus on the number/percentage is all that sensible or whether it runs the risk of mistaking form for substance. But, it is not something over which there has been anything that I could describe as a serious negotiation. In the same vein, of course, we have to settle whether we are talking dutiable lines or all lines. It all makes, as one could say, quite a bit of difference one way or the other.

## 2. Treatment - Tariff Cut

7. Bound duties on products designated as Sensitive will be reduced by [at least [70] per cent] [by 20, 50 or 80 per cent] [by between one third and two thirds] of the reduction that would otherwise have been required by the tiered formula.

You have already seen from my previous reference paper that I do feel that we ought to have been at least moving into what I described as a "topping and tailing" mode. Regrettably (but not exactly to my surprise) there did not appear to be too many takers. I still think that we will end up doing that in due course. Although, "due course" in present circumstances is shaping up as being a matter of days and hours rather than weeks, given the timeframe we have left. I frankly find it difficult to avoid the sense that the general zone in which we will end up negotiating is between 30% and 70% of the cut. As I said orally during the last meeting, I find it quite plausible to believe that if we make no progress on this in an incremental way, Ministers – or whomever is in the room when we finally run out of time and simply have to make a decision – will have an overwhelming temptation to just go for a clean number – in which case, I for one, would not be at all surprised if we ended up with a straight 50% of the cut and it will be left at that. But that can be no more than me happening to have that feeling in my bones. If that prospect does indeed create particular anxiety amongst Members I can only urge that it would therefore seem to me to be a prudent negotiating technique to actually start negotiating more concretely on the margins. If not, the chances of a last minute single Solomonic slice just strikes me as more plausible.

Of course, unless and until things move that way, the fact remains that a number of Members are not prepared to move into that zone, as they consider that it is outside the range of possibility for them. As Chair I respect those views and, unless and until that changes, any draft text will simply have to reflect that reality. But I would feel I was derelict in my role as Chairman if I suppressed the observation that, wherever we end up on this as regards the "zone", I simply cannot see it as at all feasible that by the end of this process there will be *no* cuts for sensitive products for developed countries, on the assumption that all other things fall into place. And I say that knowing that there is one developed Member that still takes that view.

## 3. Tariff Quota Expansion

8. The basis for expansion of tariff quotas shall be [domestic consumption expressed in terms of physical unit] [current bound tariff quotas] [current imports [in the years [ ] to [ ]] of the product concerned.

(a) Subject to the provisions set out in (b) below, expansion of the tariff quota for a Sensitive Product shall be

[at least [6] per cent of domestic consumption]

[if the reduction in bound duty is (i) [20] per cent of the reduction under the tiered formula the expansion shall be at least [35] per cent of the current bound tariff quota (ii) [50] per cent of the reduction under the tiered formula the expansion shall be at

least [20] per cent of the current bound tariff quota and (iii) [80] per cent of the reduction under the tiered formula the expansion shall be at least [5] per cent of the current bound tariff quota]

[calculated according to the formula

$$\Delta Q = [\Delta Q_b] + (T_{1n} - T_{1s}) * [S]$$

Where

$\Delta Q$  is the expansion in the tariff quota expressed as a percentage of domestic consumption;

$\Delta Q_b$  is the base expansion of the tariff quota expressed as a percentage of domestic consumption;

$T_{1n}$  is the bound duty as calculated under the tiered formula;

$T_{1s}$  is the bound duty to be applied to the sensitive product;

S is the Slope.

]

[calculated according to the formula

$$\Delta Q = [0.8] * (r_f - r_s) * 100 / (1 + t_0)$$

Where

$\Delta Q$  is the expansion in the tariff quota expressed as a percentage of current imports;

M is current imports;

$r_f$  is the reduction in bound duty under the tiered formula;

$r_s$  is the reduction in bound duty for the sensitive product; and

$t_0$  is the current bound duty or its *ad valorem* equivalent.

]

(b) In cases where:

- (i) [the existing bound tariff quota represents more than [ ] per cent of domestic consumption the expansion in the tariff quota under (a) above shall be adjusted by [ ]];
- (ii) [current imports] [the existing bound tariff quota] represent[s] less than [ ] per cent of domestic consumption, the expansion in the tariff quota under (a) above shall be adjusted by [ .].];
- (iii) there is no existing final bound tariff quota commitment for a Sensitive Product the Member concerned [may choose] [shall] not create a new tariff quota, [provided that the tariff cut for the Sensitive Product will be achieved in a shorter implementation period. Alternatively, a Member may opt for a longer implementation period for the full tariff cut required by the tiered formula.]

There is no getting away from the fact that we are considerably apart on this and I cannot, frankly, find any discernable sign of further convergence at this point – beyond the elements I identified in my previous reference paper. It is clearly absolutely fundamental to closing this deal on modalities yet we are still not in a convergent zone

or even really talking the same language. Nor can I see easily how one final convulsion at the end of June can be expected to crunch this. This really needs very intensive work over the next few days.

One point on which Members may wish to reflect, however, is that the proposals I have tried to summarise above can be boiled down to a co-efficient multiplied by a variable. The choices for the co-efficient are domestic consumption, existing tariff quotas and current imports – but they do not decide the level of ambition the variable decides the level of ambition. Of course, the variable will have to change dramatically to achieve the same result from different co-efficients and there are other factors in the choice of co-efficient as well, such as the relative sizes of imports, consumption and existing tariff quotas which influence different positions but until we get some common basis for negotiation we need some progress here.

## D. OTHER ISSUES

### 1. Tariff escalation

9. Should, after application of the tiered formula for tariff reductions, the bound duty on a processed agricultural product be greater than the bound duty on the primary product, the bound duty for the processed agriculture product shall be reduced by applying a factor of [1.3] compared to the reduction which would otherwise have been required under the tiered formula.

10. The list of primary products and their processed forms is set out in Annex B.

The truth is that, whatever view one might take of the above, there haven't exactly been many other proposals. And we do have a Framework decision which needs to be respected so we need to find a formulation to discharge it. Absent anything better, this is all that is on the table.

### 2. Commodities

11. [In the event that adverse effects of tariff escalation were not to be eliminated via the tiered formula for reductions in bound duties and such specific measures on tariff escalation as are provided for, Members shall engage with commodity dependent producing country Members to ensure satisfactory solutions.]

12. [Provision shall be made for suitable procedures for negotiations on the elimination of non-tariff measures effecting trade in commodities.]

### 3. Tariff simplification

13. [All bound duties on agricultural products will be expressed as simple *ad valorem* [or specific] duties.] [Highly complex forms of bound duties, such as complex matrix tariffs [or compound tariffs] shall be simplified.] [Members undertaking such simplification will supply supporting data with their draft Schedules that demonstrates that the simplified bound duty is representative of the original complex duty.]

### 4. Tariff quotas

(a) Bound in-quota duties

14. [Bound in-quota duties rates will be [reduced by [ ] per cent] [eliminated]].

## (b) Tariff quota administration

15. The administration of bound tariff quotas shall be subject to the disciplines [set out in Annex C] [to be developed based on Annex C].

Again, we have a requirement on this so there will have to be an Annex C and, hopefully, something in it! Some very recent ideas have been tabled - such as the Australian and Canadian documents. But, frankly, the discussion on this has been so cursory that it is difficult to find any concrete language at this point which has any degree of backing and I do not feel even the Australian or Canadian text have that status. What I have done is to place that Australian text there but more out of the sense that we will have to start with "something". Some of it seems to me to be inherently more problematic than others so I have double square bracketed to ensure that you all appreciate I am not proposing it as text - and certainly not the more operationally problematic parts. If we can come up with something else, fine. I just feel we need to remind ourselves that something is needed even if it backs up to a higher level of generality.

## 5. Special Agricultural Safeguard

16. [Article 5 of the Agreement on Agriculture will expire [for developed country Members] [at the [beginning] [end] of the implementation period] [at the end of the reform process]] [Members having the right to apply the Special Safeguard Provisions of Article 5 of the Agreement on Agriculture shall reduce the coverage of products eligible for the SSG [by ....].]

### E. SPECIAL AND DIFFERENTIAL TREATMENT

#### 1. Special Products

##### (a) Selection

17. Each developing country Member may self-designate [at least 20 per cent of ] [up to 5] tariff lines in the Member's Schedule as "Special Products" [until the end of the implementation period]. Such tariff lines shall be designated by the symbol "SP" in column [ ] of Table 1 of Section 1 of its Schedule. Designation of a product as "Special" shall be guided by indicators based on the criteria of food security, livelihood security and rural development. [To show compliance with the criteria each developing country designating a product as "SP" shall, [upon request] demonstrate, using appropriate indicators how the product concerned meets the criteria of food security, livelihood security and rural development.]

18. [An illustrative, non-exhaustive, non-prescriptive and non-cumulative list of indicators that a developing country Member may wish to consider using to assist designation of "Special Products" is in Annex D.] [To be a candidate for designation as a "Special Product" [a product must be produced domestically or be a close substitute of products produced domestically] [, must represent greater than [ ] per cent of domestic consumption of the product must be met through domestic production; or the product must represent more than [ ] per cent of agriculture GDP; or the product must contribute at least [ ] per cent of the total nutritional value (dietary and calorific requirement) of the population].]

19. [A tariff line shall not be designated as a "Special Product" if: [developing countries export more than [ ] per cent of world exports of that product; or more than [ ] of imports by the Member concerned are imported from other developing countries;] [the developing country Member concerned is a net exporter; or if the developing country Member concerned exports the product on a most-favoured-nation basis.]]

20. [Developing country Members that declare less than [ ] per cent of dutiable tariff lines as Sensitive Products may increase the proportion of lines declared as "Special Products" at the rate of [ ] per cent of dutiable tariff lines for each per cent of undeclared Sensitive Products lines.]

## (b) Treatment

21. [[No product designated as a Special Product shall be subject to [a cap on the bound duty] [or to] [any new tariff quota commitment].

22. At least [50] per cent of tariff lines designated as "Special Products" shall be exempt from any reduction in bound duties, [25] per cent of tariff lines designated as "Special Products" shall be subject to a reduction in bound duties of [5] per cent and the remainder shall be subject to a reduction in bound duties of not more than [10] per cent.]

23. [Products designated as "Special Products" will be subject to a reduction in bound duties of [ ] per cent of the reduction that would otherwise have been applicable under the tiered formula for reductions in bound duties or, in the case where a cap in the bound duty would otherwise have been applied, the cap shall be [ ] per cent higher than would otherwise have been the case.

24. "Special Products" [currently subject to bound tariff quotas] shall be subject to tariff quota expansion of [ ] per cent.]

**2. Special Safeguard Mechanism**

## (a) Selection

25. Each developing country Member [may designate up to [ ] per cent of tariff lines as "SSM" in column [ ] in Part I, Section I of its Schedule] [may designate as "SSM" in its Schedule those products which have undertaken tariff reductions greater than [ ] per cent] [will have access to a Special Safeguard Mechanism for all agricultural products]. [Products designated as "Special Products" may not be designated as "SSM".]

## (b) Trigger and Remedy

26. The quantity and price triggers under which the Special Safeguard Mechanism may be invoked and the additional duties that may be charged are set out in Annex E.

**3. Fullest Liberalization of trade in tropical and diversification products**

27. Tropical and diversification products are those listed in Annex F.

28. Developed country Members shall reduce bound duties by tropical and diversification products [by the reduction applicable under paragraph 3.d above and, where such products are subject to tariff escalation an additional reduction in bound duties of 10 percentage points. The reduction in bound duties on tropical and diversification products will be implemented by [ ]] [ by an additional [ ] per cent of the appropriate reduction under the tiered formula [on [ ] per cent of tariff lines at the [ ] digit level for] products defined as tropical and diversification products]. [Any bound in-quota duty shall be eliminated.]

29. [No tropical or diversification product listed in Annex F may be designated as a Sensitive Product by a developed country Member.]

**4. Preference Erosion**

30. In recognition of the importance of long-standing preferences, preference erosion [associated with the products and markets listed in Annex G] shall be addressed by the preference-granting Member:

- (a) [applying a lesser reduction of [ ] percent of the appropriate reduction under the tiered formula;] [and] [or]]
- (b) [any bound in-quota duty shall be eliminated] [and] [or]]
- (c) [implementing the tariff reduction over an additional period of [ ] years [with the first year of the implementation deferred by [ ] years]]; [and] [or]
- (d) [to the extent technically feasible, maintaining the preference margin]; [and] [or]
- (e) [providing targeted technical assistance, including additional financial and capacity building assistance, to help address supply-side constraints and to promote the diversification of existing production in the territories of preference receiving Members]; [and] [or]
- (f) [providing improved market access opportunities for non-preference-receiving products which are also of vital export interest to preference receiving Members, to the extent possible].

#### F. RECENTLY ACCEDED MEMBERS

31. [The implementation period for recently acceded Members shall be [2011] to [three years after the end of the implementation period for other developing country Members ] .] [To the extent that the implementation period of commitments undertaken in acceding to the WTO overlaps with the implementation period of commitments undertaken in association with these modalities, the start of implementation of commitments undertaken in association with these modalities shall begin [immediately] [[ ] years] after the end of implementation of accession commitments.]

32. [All recently acceded Members may reduce bound duties by [ ] per cent of the reduction that would otherwise have been required by tiered formula] [and bound duties below [10] per cent in a developing recently acceded Member shall be exempt from reduction].

33. Developing recently acceded Members shall have the following additional flexibility on the selection and treatment of Special Products: [ ]. And on sensitive products the following additional flexibility [ ].]

34. [Small low-income, recently acceded Members with economies in transition shall not be required to undertake reductions in bound duties and shall have access to all instruments available to other Members at the same level of development under Market Access.]

#### G. LEAST-DEVELOPED COUNTRIES

35. Least-developed country Members are not required to undertake reductions in bound duties.

36. Developed-country Members shall, and developing-country Members declaring themselves in a position to do so should<sup>4</sup>:

- (a) Provide duty-free and quota-free market access on a lasting basis, for all products originating from all LDCs by 2008 or no later than the start of the implementation period in a manner that ensures stability, security and predictability.

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<sup>4</sup> The text of this paragraph is the "Decision on Measures in Favour of Least-Developed Countries" in Annex E of the Hong Kong Ministerial Declaration (WT/MIN(05)/DEC).

- (b) Members facing difficulties at this time to provide market access as set out above shall provide duty-free and quota-free market access for at least 97 per cent of products originating from LDCs, defined at the tariff line level, by 2008 or no later than the start of the implementation period. In addition, these Members shall take steps to progressively achieve compliance with the obligations set out above, taking into account the impact on other developing countries at similar levels of development, and, as appropriate, by incrementally building on the initial list of covered products.
- (c) Developing-country Members shall be permitted to phase in their commitments and shall enjoy appropriate flexibility in coverage.
- (d) Ensure that preferential rules of origin applicable to imports from LDCs are transparent and simple, and contribute to facilitating market access.

#### H. COTTON

37. Developed country Members [and developing country Members [in a position to do so]] shall give duty and quota free access for cotton exports from least-developed countries from the commencement of the implementation period.

#### I. [SMALL, VULNERABLE ECONOMIES

38. Members with economies defined as small, vulnerable in [ ] may reduce bound duties by [ ] less than those that would otherwise have been required under paragraph 4 above. Any product designated as a Special Product under paragraphs 16 to 19 above by a Member with a small, vulnerable economy shall not be required to [undertake reductions in bound duties,] [or ] [increase bound tariff quotas] [or] [be subject to a tariff cap.]

39. Members shall provide enhanced improvements in market access for products of export interest to Members with small, vulnerable economies.]

#### J. MONITORING AND SURVEILLANCE

**DRAFT GUIDELINES FOR THE CONVERSION OF FINAL BOUND NON-AD VALOREM DUTIES  
INTO AD VALOREM EQUIVALENTS<sup>1</sup>**

**I. OBJECTIVE**

1. There is general understanding amongst Members that construction of a tiered formula for tariff reductions requires a common measurement device for converting the various types of non-*ad valorem* final bound tariffs to *ad valorem* equivalents ("AVEs"). These Guidelines are intended to establish such a common methodology for the calculation, and subsequent submission, of AVEs for the purposes of allocating tariffs to the various tiers to be established. The Guidelines are based on the principles of practicality, comparability, simplicity, transparency and verifiability.
2. All Members with final bound non-*ad valorem* tariffs for agricultural products (as defined in Annex 1 of the Agreement on Agriculture) in their WTO Schedules will apply these Guidelines for converting their non-*ad valorem* tariffs into AVEs.<sup>2</sup>
3. There are no preconditions to the tabling of data sets as a working basis. However, it should be noted in this context that all tariff reductions will be made from Members' bound rates, as agreed in paragraph 29 of the Framework Agreement. The issue of tariff simplification remains under negotiation in accordance with paragraph 37 of the Framework Agreement.
4. A solution to the issue of the potential "overlap" in tariff cuts, which may be created at the margins of the tariff bands, will need to be found.
5. While there is broad acceptance that Members are searching for the closest approximation possible of the correct AVE (exact precision being unattainable), it should be noted that in the consultations strong linkages have been made between providing Members "flexibility" and "verification" procedures.
6. At the request of Members, the Secretariat will continue to provide advice on technical matters, including technical assistance which may be necessary in the case of some developing countries for applying the methodology set out below.

**II. CONVERSION METHODOLOGY**

7. The principal method for converting the final bound non-*ad valorem* duties into their *ad valorem* equivalents will be the unit value method based on IDB import data. This method will be applied in accordance with the modalities outlined in Section A below.
8. An alternative conversion method will be applied to the extent that the unit value method based on IDB import data is not appropriate or not practicable as determined in Section B below.

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<sup>1</sup> This text was first distributed as document number 2601 on 10 May 2005. The text and Members' submissions of *ad valorem* equivalents of bound non *ad valorem* tariffs can be found on the Members' website.

<sup>2</sup> Secretariat notes TN/AG/S/11, S/11/Add.1 and S/11/Add.2 describe the incidence of final bound non-*ad valorem* duties in Members' WTO Schedules.

A. UNIT VALUE METHOD BASED ON IDB IMPORT DATA

1. **Formula**

9. The final bound non-*ad valorem* MFN duties specified in Members' Schedules will be converted into their AVEs in accordance with the following formula:

$$\text{AVE} = (\text{SP} * 100) / (\text{UV} * \text{XR})$$

AVE: *AD VALOREM* EQUIVALENT (per cent)

SP: MONETARY VALUE OF DUTY PER UNIT OF IMPORTS

UV: IMPORT UNIT VALUE

where  $\text{UV} = \text{V} / (\text{Q} * \text{C}_Q)$

V = value of imports

Q = quantity of imports

$\text{C}_Q$  = conversion factor for quantity units, where appropriate

XR: CURRENCY EXCHANGE RATE, where appropriate

2. **Parameters for the calculations**

10. The calculations will be based on total import flows with respect to the non-*ad valorem* tariff item concerned. The result of the calculations must be closely representative of the true level of tariff protection afforded by the non-*ad valorem* tariff.

11. The calculations of AVEs will be made in terms of a weighted average for the period 1999-2001. Any exchange rates and conversion factors that may be required for the calculations will relate to, and be applied on, the raw data (i.e. value and/or quantity of imports) for the individual years of this period prior to summing up the values or volumes for the three-year period for the purposes of calculating the weighted averages. In other words, weighted averages for IDB import unit values and world Comtrade import unit values will be calculated, for each tariff line concerned, in the following manner: the import values registered during the three-year period 1999-2001 will be first summed up and then divided by the sum of the import quantities registered during the same period.

12. In the case of seasonal tariffs, a separate AVE will be calculated for each of the seasons.

3. **Data requirements and sources**

13. The final bound non-*ad valorem* MFN duties will be sourced from the Consolidated Tariff Schedules Database (CTS).

14. The import values and import quantities will be sourced from the WTO Integrated Database (IDB) at the most disaggregated tariff line level. The data necessary to calculate world import unit values at the HS-six-digit level derived from the UN Commodity Trade Statistics Database (Comtrade) can be downloaded from the password-protected Members' Web Site. In the following paragraphs, these world import unit values will be referred to as "Comtrade unit values".

B. ALTERNATIVE AVE CALCULATION

1. **Specific situations covered**

*Missing data*

15. An alternative method for the calculation of AVEs to that outlined in Section A above will apply in the following situations:

- the IDB import data for the tariff line concerned are missing, or
- the IDB import value for the tariff line concerned is, on weighted average of the 1999-2001 period, lower than US\$ 2,500 or the equivalent in another currency, or
- there are reporting or other errors in the IDB import data.

*40/20 Filter*

16. An alternative method to that outlined in Section A above will also apply in any case where the IDB-based AVE cannot be considered to reflect the true level of tariff protection afforded by the non-*ad valorem* tariff. The "40/20 filter" is designed to systematically identify distorted IDB-based AVEs using existing, publicly available data that all Members have access to. This filter will be applied to all AVEs calculated on the basis of IDB import data in accordance with Section A above as well as in the cases specified in paragraphs 22-24 below.

*Step 1: Identification of distorted IDB import unit values*

17. The difference between the IDB import unit value and an estimated world import unit value is the basis of the first step of the 40/20 filter. To run this filter Members shall:

- Calculate the difference in per cent between (i) the weighted average 1999-2001 IDB import unit values at the tariff line level<sup>3</sup> and (ii) the weighted average 1999-2001 Comtrade unit values.<sup>4</sup>
- If the IDB import unit value exceeds the Comtrade unit value by more than 40%, the tariff item is subject to Step 2.
- Otherwise, the IDB AVE is directly used to allocate this item in the appropriate tier of the tariff reduction formula to be established, and the item is not subject to Step 2.

*Step 2: Relevance test*

18. An IDB import unit value that exceeds the Comtrade unit value by more than 40% does not alone indicate whether a product should be subject to an alternative method of AVE calculation. Calculation of AVEs is not an exact science. In the end, the tariff will be placed within the tiers of the tariff reduction formula. Members are only attempting to identify those products, which are most likely to move to a lower tariff reduction tier as a result of distorted import unit values. Therefore, there should be no concern about an IDB import unit value that is 100% greater than the Comtrade unit value, if the resulting AVE is 3% using IDB data, rather than 6% using Comtrade data. Though

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<sup>3</sup> It should be noted that the majority of non-*ad valorem* tariffs is bound at the HS-eight-digit level. In the event that a Member has bound its non-*ad valorem* tariffs at a more disaggregated (or more aggregated) level, the IDB import unit values will be calculated at that more disaggregated (or more aggregated) level.

<sup>4</sup> For the calculation of weighted averages, see paragraph 11 above.

there is a 100% difference here, the absolute difference between the AVEs is low enough so as not to warrant additional attention.

19. The relevance test is designed to only identify tariff lines in which there is a large absolute difference between the AVE calculated using IDB and the AVE calculated using Comtrade. To run this test Members will:

- Complete the calculation of AVEs using IDB import unit values.
- Calculate AVEs using Comtrade unit values for those tariff lines identified in Step 1 as requiring the Step 2 relevance test.
- Subtract the IDB AVE from the Comtrade AVE.
- If the resulting difference is greater than 20 percentage points then the tariff line is subject to an alternative AVE calculation method as specified in paragraph 25 below. Otherwise, the IDB AVE is used to allocate this item in the appropriate tier of the tariff reduction formula to be established.

***Other***

20. Sugar will be treated in accordance with the provisions of paragraph 26 below.

**2. Alternative methods**

21. In any of the cases identified as a result of the provisions under in paragraphs 15 to 20 above, the provisions of paragraphs 9 to 14 will be applied, subject to the following modifications.

***Missing data***

22. In the case of missing data as specified in paragraph 15 above, Members may apply one of the following alternative methods in place of the average 1999-2001 IDB import unit value, subject to identification of the source of the data:

- (i) extend the base period 1999-2001 by up to two years at either end;
- (ii) use the IDB import unit value of a closely related tariff line;
- (iii) use the IDB import unit value of the tariff line at issue of a near country; or
- (iv) use the Comtrade unit value.

23. Members should in principle use a consistent method across all tariff lines. Should the choice vary in order to obtain the most representative price, Members shall specify for each such tariff line which method was used.

24. Except where option (iv) has been chosen, the provisions of paragraphs 16-19 above (40/20 filter) apply.

***Alternative treatment pursuant to the 40/20 filter***

25. The conversion of non-*ad valorem* duties, captured in the 40/20 filter, into their AVEs will be calculated using the following weightings based on unit values of Comtrade and IDB data:

- (a) For HS Chapters 1 to 16, and the products in Annex 1 of the Agreement on Agriculture in the HS Chapters beyond Chapter 24, a 82.5/17.5 (Comtrade/IDB) weighting will apply.
- (b) For HS Chapters 17-24, a 60/40 (Comtrade/IDB) weighting will apply.

***Other***

26. For all tariff lines for raw and refined sugar, world prices will apply [ ].

**C. ADDITIONAL DATA REQUIREMENTS**

27. The following provisions apply for the methods under both section A and section B above.

28. Where technical conversion factors are necessary, these will be sourced from the FAO unless they are already specified in the Schedule of the Member concerned.

29. All import unit values/prices will be expressed on a c.i.f. basis. Where necessary, f.o.b./c.i.f. conversion factors will be applied according to a methodology to be established.

30. Where the conversion of the currency used to record import values is necessary, the exchange rate to be used will be the annual average market exchange rate published in the *International Financial Statistics (IFS)* by the International Monetary Fund (IMF).<sup>5</sup> Where the exchange rates are unavailable from the *IFS Yearbook*, the rate of exchange to be used will be that duly published by the competent authorities of the importing Member concerned and will reflect, as effectively as possible, the current value of the currency in commercial transactions in terms of the currency of the country of importation.

**III. MULTILATERAL VERIFICATION PROCEDURE**

31. In order to ensure transparency, the preliminary AVE calculations resulting from the conversion methodology set out in Section II above will be subject to the multilateral verification procedure set out below.

**1. Submissions of AVE calculations**

32. Members will submit to the Secretariat their preliminary AVE calculations, including full details of the constituent data, data sources and methods applied, using the annexed electronic spreadsheet format.<sup>6</sup> Those tariff lines that have been identified by the procedures under paragraphs 15 to 20 above will be identified as such in order to allow particular scrutiny. The Secretariat will post all submissions on the password-protected Members' WTO Web Site for the purposes of the multilateral review.

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<sup>5</sup> In the country tables of the monthly editions of the *International Financial Statistics* the annual average market exchange rate can be found in line "rf" of the exchange rates section.

<sup>6</sup> To be distributed separately.

**2. Verification**

33. The verification process is to ensure that the AVE calculations have been performed in accordance with these Guidelines [details to be developed.]

34. Final lists of AVEs are to be submitted to the Secretariat within [ ] days following the completion of the verification process. Upon receipt, the Secretariat will promptly post these submissions on the password-protected Members' Web Site.

**Tariff Escalation**  
**Draft List of Primary and Processed Products<sup>1</sup>**

<b><u>Bovine meat</u></b>	
<b>Primary product</b>	<b>Processed product</b>
0102.90 Live bovine animals other than pure bred breeding animals	0201.10 – Meat of bovine animals, fresh or chilled; Carcasses and half-carcasses  Meat of bovine animals, fresh or chilled. 0201.20 – Other cuts with bone in 0201.30 – Boneless  0202.10 – Meat of bovine animals, frozen; Carcasses and half-carcasses  Meat of bovine animals, frozen. 0202.20 – Other cuts with bone in 0202.30 – Boneless  0206.10 – Edible offal of bovine animals, fresh or chilled  Edible offal of bovine animals, frozen. 0206.21 – Tongues 0206.22 – Livers 0206.29 – Other  0210.20 – Meat of bovine animals salted, in brine or dried or smoked; Other, including edible flours and meals of meat and meat offal  1602.50 – Prepared or preserved meat, meat offal or blood of bovine animals

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<sup>1</sup> The list is that proposed by Canada in JOB(06)/166 and is included here for illustrative purposes only.

<b><u>Swine meat</u></b>	
<b>Primary product</b>	<b>Processed product</b>
Live Swine, other than pure-bred breeding animals 0103.91 Weighing less than 50 kg 0103.92 Weighing 50 kg or more	0203.11 – Meat of swine, fresh or chilled; Carcasses and half-carcasses  Meat of swine, fresh or chilled. 0203.12 – Hams, shoulders and cuts thereof, with bone in 0203.19 – Other  0203.21 – Meat of swine, frozen; Carcasses and half carcasses  Meat of swine, fresh or chilled. 0203.12 – Hams, shoulders and cuts thereof, with bone in 0203.19 – Other  Meat of swine, frozen. 0203.22 – Hams, shoulders and cuts thereof, with bone in 0203.29 – Other  0206.30 – Edible offal of swine, fresh or chilled Edible offal of swine, frozen. 0206.41 – Livers 0206.49 – Other  Meat of swine salted, in brine, dried or smoked; Edible flours and meals of meat and meat offal 0210.11 – Hams, shoulders and cuts thereof, with bone in 0210.12 – Bellies (streaky) and cuts thereof 0210.19 – Other  Prepared or preserved meat, meat offal or blood of swine. 1602.41 – Hams and cuts thereof 1602.42 – Shoulders and cuts thereof 1602.49 – Other, including mixtures
<b><u>Sheep meat</u></b>	
<b>Primary product</b>	<b>Processed product</b>
0104.10 Live sheep	0204.10 –Carcasses and half-carcasses of lamb, fresh or chilled  0204.21 – Other meat of sheep, fresh or chilled; Carcasses and half-carcasses  0204.30 – Carcasses and half-carcasses of lamb, frozen  Other meat of sheep, fresh or chilled. 0204.22 – Other cuts with bone in 0204.23 – Boneless  Other meat of sheep, frozen. 0204.42 – Other cuts with bone in 0204.43 – Boneless
<b><u>Vegetables</u></b>	
<b>Primary product</b>	<b>Processed product</b>
0701.90 – Potatoes, fresh or chilled; Other than seed	0710.10 – Potatoes (uncooked or cooked by steaming or boiling in water), frozen  2004.10 – Potatoes prepared or preserved otherwise than by vinegar or acetic acid, frozen

0702.00 – Tomatoes, fresh or chilled	Tomatoes prepared or preserved otherwise than by vinegar or acetic acid. 2002.10 – Tomatoes, whole or in pieces 2002.90 – Other  2009.50 – Tomato juice, unfermented and not containing added sugar or other sweetening matter  2103.20 – Tomato ketchup and other tomato sauces
<b><u>Fruits</u></b>	
<b>Primary product</b>	<b>Processed product</b>
0805.10 – Oranges, fresh or dried	Orange juice, unfermented and not containing added spirit, whether or not containing added sugar or sweetening matter. 2009.11 – Orange juice, frozen 2009.12 – Orange juice, not frozen, of a Brix value not exceeding 20 2009.19 – Other
0805.40 – Grapefruit, fresh or dried	Grapefruit juice, unfermented and not containing added spirit, whether or not containing added sugar or sweetening matter. 2009.21 – Of a Brix value not exceeding 20 2009.29 – Other
0806.10 – Grapes, fresh	0806.20 – Grapes, dried
0808.10 – Apples, fresh	0813.30 – Apples, dried  Apple juice, unfermented and not containing added spirit, whether or not containing added sugar or sweetening matter. 2009.71 – Of a Brix value not exceeding 20 2009.79 – Other
<b><u>Coffee</u></b>	
<b>Primary Product</b>	<b>Processed Product</b>
0901.11 – Coffee, not roasted: Not decaffeinated	0901.21 – Coffee, roasted: Not decaffeinated 2101.11 – Extracts, essences and concentrates
0901.12 – Coffee, not roasted: Decaffeinated	0901.22 – Coffee, roasted: Decaffeinated 2101.11- Extracts, essences and concentrates
<b><u>Cereals</u></b>	
<b>Primary Product</b>	<b>Processed Product</b>
1001.10 – Durum Wheat 1001.90 – Wheat: Other	11.01 – Wheat or meslin flour 11.03.11 – Groats and meal, of wheat 11.03.20 – Pellets <sup>2</sup> 1108.11 – Wheat starch 11.09 – Wheat gluten, whether or not dried
10.03 – Barley	11.03.19 Groats and meal, of other cereals <sup>1</sup> 11.03.20 Pellets <sup>1</sup>  1104.19 – Rolled or flaked grains, of other cereals <sup>1</sup> 1104.29 – Other worked grains, of other cereals <sup>1</sup>  Malt, whether or not roasted 1107.10 – Not roasted 1107.20 – Malt, Roasted

<sup>2</sup> The test for determining tariff escalation will require examination of national schedules with detail beyond the 6 digit level.

10.04 – Oats	<p>11.03.19 Groats and meal, of other cereals<sup>1</sup> 11.03.20 Pellets<sup>1</sup></p> <p>Cereal Grains Otherwise Worked (for example, hulled, rolled, flaked, pearled, sliced or kibbled), except rice of heading 10.06; germ of cereals, whole, rolled, flaked or ground 1104.12 – Rolled or flaked grains: Of oats 1104.22 – Other worked grains: Of oats</p>
<b><u>Oilseeds</u></b>	
<b>Primary Product</b>	<b>Processed Product</b>
12.01 – Soya Beans, whether or not broken	<p>Flours and meals of oil seeds or oleaginous fruits, other than those of mustard: 1208.10 – Of soya bean</p> <p>Soya bean oil and its fractions, whether or not refined, but not chemically modified. 1507.10 – Crude oil, whether or not degummed 1507.90 – Other</p>
1202.10 – Ground-nuts, not roasted or otherwise cooked, whether or not shelled or broken: In shell	<p>Ground-nuts, not roasted or otherwise cooked, whether or not shelled or broken: 1202.20 – Shelled, whether or not broken</p> <p>Flours and Meals of Oilseeds or oleaginous fruits, other than those of mustard, 12.08.90 – Other than of soybeans<sup>1</sup></p> <p>Ground-nut oil and its fractions, whether or not refined, but not chemically modified. 1508.10 – Crude oil 1508.90 – Other</p> <p>Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included. 2008.11 – Ground nuts</p>
Rape or colza seeds, whether or not broken 1205.10 – Low erucic acid rape or colza seed 1205.90 – Other	<p>Flours and Meals of Oilseeds or oleaginous fruits, other than those of mustard, 12.08.90 – Other than of soybeans<sup>1</sup></p> <p>Rape, colza or mustard oil and fractions thereof, whether or not refined, but not chemically modified. - Low erucic acid rape or colza oil and its fractions: 1514.11 – Crude oil 1514.19 – Other - Other: 1514.91 – Crude oil 1514.99 – Other</p>
12.06 – Sunflower seeds, whether or not broken	<p>Flours and Meals of Oilseeds or oleaginous fruits, other than those of mustard, 12.08.90 – Other than of soybeans<sup>1</sup></p> <p>Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified. Sunflower-seed or safflower oil and fractions thereof: 1512.11 – Crude oil 1512.19 – Other</p>

1207.60 – Safflower seeds	Flours and Meals of Oilseeds or oleaginous fruits, other than those of mustard, 12.08.90 – Other than of soybeans <sup>1</sup>  Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified. Sunflower-seed or safflower oil and fractions thereof: 1512.11 – Crude oil 1512.19 – Other
Other oil seeds and oleaginous fruits, whether or not broken 1207.10 – Palm nuts and kernels	Flours and Meals of Oilseeds or oleaginous fruits, other than those of mustard, 12.08.90 – Other than of soybeans <sup>1</sup>  Palm oil and its refractions, whether or not refined, but not chemically modified  1511.10 – Crude oil 1511.90 – Other
Other oil seeds and oleaginous fruits, whether or not broken 1207.20 – Cotton seeds	Flours and Meals of Oilseeds or oleaginous fruits, other than those of mustard, 12.08.90 – Other than of soybeans <sup>1</sup>  Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified. Cotton-seed oil and its fractions: 1512.21 – Crude oil, whether or not gossypol has been removed 1512.29 – Other
<b><u>Sugar</u></b>	
<b>Primary product</b>	<b>Processed product<sup>3</sup></b>
1701.11 – Raw cane sugar, not containing added flavouring or colouring matter  1701.12 – Raw beet sugar, not containing added flavouring or colouring matter	1701.91 – Cane or beet sugar containing added flavouring or colouring matter  1701.99 – Cane or beet sugar, other than containing added flavouring or colouring matter  1704 – Sugar confectionery (including white chocolate) not containing cocoa
<b><u>Cocoa</u></b>	
<b>Primary product</b>	<b>Processed product</b>
1801.00 – Cocoa beans, whole or broken, raw or roasted	1803.10 – Cocoa paste, not defatted 1803.20 – Cocoa paste, wholly or partly defatted  1805.00 – Cocoa powder, not containing added sugar or other sweetening matter  1804.00 – Cocoa butter, fat and oil  Chocolate and other food preparations containing cocoa. 1806.10 – Cocoa powder, containing added sugar or other sweetening matter 1806.20 – Other preparations in blocks, slabs or bars more than 2 kg or liquid, paste, powder, granular or other bulk form in containers or immediate packings of a content exceeding 2 kg 1806.32 – Other, in blocks, slabs or bars, not filled 1806.90 – Other

<sup>3</sup> This does not preclude the possible addition of additional products within Chapter 17 and 18 that can be linked back to the primary product.

**Draft**  
**Tariff Quota Administration**<sup>1</sup>

1. [Tariff quota commitments shall be administered in a manner which is transparent and predictable, and ensures that the market access opportunities represented by such commitments are made fully and effectively available.
2. Members shall administer tariff quotas in conformity with WTO provisions, including through the following requirements:
  - (a) A tariff quota commitment shall not be administered in a manner which hinders in any way the importation of any product or tariff line within the tariff quota.
  - (b) Members shall provide timely initial allocations of import licenses and mechanisms for re-allocation or tradability of tariff quota allotments to ensure that the annual tariff quota quantity is imported within the quota year.
  - (c) Members shall not impose seasonal or other time limits on imports under tariff quotas, including those created through delays arising from licensing and associated procedures, which result in under-fill of the quota.
  - (d) Members shall not impose unfavourable commercial terms which act to restrict the importation of products within the tariff quota commitment, including product specification requirements, domestic purchasing requirements, non-viable quota allotments, restrictions on quota allocation to retail distributors and other end-users, restrictions on sales to final consumers, or export or re-export requirements.
  - (e) Members shall not credit allocations or preferential imports under bilateral and regional trade agreements against their scheduled WTO tariff quota commitments.
  - (f) Members shall publish all relevant information sufficiently in advance in relation to their administration of tariff quota commitments, including information regarding administrative requirements and procedures, the contact details of importers to whom tariff quota allocations have been attributed and current tariff quota fill rates.
3. [Underfill Mechanism:
  - (a) If the tariff quota fill rate in any year falls below [85%]<sup>2</sup> the under-filled portion of the tariff quota will be added to the tariff quota quantity for the following year.
  - (b) If fill rates are, in each year over a [two year] period, less than [85%] (excluding any additional amount added to the tariff quota under (a)), the out-of-quota duty shall be reduced to the in-quota rate [until such time that annual imports equal or exceed the volume specified in the Member's schedule]. Thereafter, the Member shall adopt one of the following options for administering the tariff quota: applied tariffs or licenses on demand.
  - (c) Provisions on special and differential treatment will be developed.]]

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<sup>1</sup> This document was distributed as JOB(06)/168 by Australia and is included here for illustrative purposes only. The Canadian proposal was distributed as JOB(06)/171 and referred to underfill of tariff quotas.

<sup>2</sup> A quota fill rate will be deemed to be below 85 per cent unless notified otherwise by the relevant Member to the CoA.

**Draft**  
**Illustrative list of indicators for designation of special products**

- (i) The product is identified as a staple food or as part of the basic food basket of the developing country Member through laws and regulations, including administrative guidelines.
- (ii)
  - (a) A significant proportion of the domestic consumption of the product in its natural unprocessed or processed form is met through domestic production in the developing country member concerned; or
  - (b) Total domestic production of each food class (in terms of carbohydrates, fats and proteins or any other food class) accounts for a significant proportion of the total normative requirement of that food class in accordance with the dietary preferences; or
  - (c) The product contributes to a significant proportion of the total calorific intake per capita per day.
- (iii)
  - (a) A significant proportion of the total food expenditure, or of the total income, at the household level in the developing country Member concerned is spent on the product; or
  - (b) A significant proportion of the total agricultural income at the household level in the developing country Member concerned is derived from the production of the product.
- (iv) Domestic consumption of the product in the developing country Member is significant in relation to total world exports of that product.
- (v) A significant proportion of total world exports of the product is accounted for by the largest exporting country.
- (vi)
  - (a) A significant proportion of the total domestic production of the product is produced on farms or operational land holdings of 20 hectares or of average farm size of the developing country Member concerned or less in size; or
  - (b) A significant proportion of the farms or operational land holdings producing the product are of 20 hectares or the average farm size of the developing country Member or less in size.
- (vii) A significant proportion of the producers engaged in the production of the product are low income, resource poor and subsistence farmer or disadvantaged producers.
- (viii)
  - (a) A relatively high absolute number of people are dependent on the product; or
  - (b) A significant proportion of the total agricultural population or rural labour force is employed in the production of the product.

- (ix) A significant proportion of the gross arable land is under cultivation of the product.
- (x) A significant proportion of the domestic production of the product, including a product produced from livestock is produced in drought-prone or hilly or mountainous regions.
- (xi) A significant proportion of the domestic production of the product is produced by vulnerable populations such as tribal communities, ethnic groups, women, aged people, or disadvantaged producers.
- (xii) The productivity per worker or per hectare of the product in the developing country Member is relatively low as compared to either the average productivity in the world or the highest productivity level achieved in any country.
- (xiii) A relatively low proportion of the product is processed in the developing country Member as compared to the world average.
- (xiv) The product contributes to improving the living standards of the rural population directly and through its linkages to non-farm rural economic activities, including handicrafts and cottage industries or any other form of rural value addition.
- (xv) A significant proportion of the total value of agricultural production or agricultural GDP or agricultural income is contributed to by the product.
- (xvi) A significant proportion of the customs tariff revenue is derived from the product in a developing country Member.
- (xvii)
  - (a) A significant proportion of the agricultural income or agricultural production is derived from the production of the livestock product(s), or
  - (b) A significant proportion of the agricultural population or rural labour is employed in the production of the livestock product(s).

DraftSpecial Safeguard Mechanism for Developing Countries

1. Notwithstanding the provisions of paragraph 1(b) of Article II of GATT 1994 or of Article 4 of this Agreement, any developing country Member may take recourse to the imposition of an additional duty in accordance with the provisions of paragraphs 4 and 5 below in connection with the importation of any agricultural product [which is designated in its Schedule with the symbol "SSM"] if:

- (a) the quantity of imports of that product entering the customs territory of that developing country Member [during any year] exceeds a trigger level equal to [130 per cent of] the average yearly quantity of imports [on a most-favoured-nation basis] for the [36 month] period preceding the year of importation for which data are available [or 130 per cent of the average yearly import quantity on a most-favoured-nation basis for the base period of [ ] to [ ], whichever is the greater] (hereinafter referred to as the "average import volume") as set out in paragraph 4.

[Where there are minimal levels of imports or no imports in the base period or the most recent three-year period for which data are available, [ ] per cent of domestic consumption of the product shall be used as a proxy for "average import volume". Where historical trade patterns have been disrupted due to historical circumstances, an alternative representative base period shall be used];

or, but not concurrently:

- (b) the c.i.f. import price, expressed in terms of the developing country Member's domestic currency, at which a shipment<sup>1</sup> of imports of that product enters the customs territory of that developing country Member during any year (hereinafter referred to as the "import price"), falls below a trigger price equal to [70 per cent of] the average [monthly price<sup>2</sup>] [annual price] for that product [on a most-favoured-nation basis] [for the most recent three-year period preceding the year of importation for which data are available] [for the previous 36 month period] [or 70 per cent of the average price of imports of that product on a most-favoured-nation basis for the base period of [ ] to [ ], whichever is the greater] (hereinafter referred to as the "average [import] [monthly] price").

Provided that, where the developing country Member's domestic currency has at the time of importation depreciated by at least 10 per cent over the preceding 12 months against the international currency or currencies against which it is normally valued the import price shall be computed using the average exchange rate of the domestic currency against such international currency or currencies for the three-year period referred to above.

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<sup>1</sup> A shipment shall not be considered for purposes of this subparagraph or paragraph 5 unless the volume of the product included in that shipment is within the range of normal commercial shipments of that product entering into the customs territory of that developing country Member.

<sup>2</sup> The trigger price used to invoke the provisions of this subparagraph shall, in general, be based on the average monthly c.i.f. unit value of the product concerned, or otherwise shall be based on a price that appropriately reflects the quality of the product and its stage of processing. The trigger price shall, following its initial use, be publicly disclosed and available to the extent necessary to allow other Members to assess the additional duty that may be levied.

2. Imports under any [bound] tariff quota shall be counted for the purpose of determining the volume of imports required for invoking the provisions of subparagraph 1(a) and paragraph 4, but imports within such [bound] tariff quota shall not be affected by any additional duty imposed under either subparagraph 1(a) and paragraph 4 or subparagraph 1(b) and paragraph 5 below.

3. Any shipments of the product in question which have been contracted and were en route after completion of custom clearance procedures in the exporting country before the additional duty is imposed either under subparagraph 1(a) and paragraph 4 or under subparagraph 1(b) and paragraph 5 shall be exempted from any such additional duty, provided that:

- (a) the volume of such shipments may be counted in the volume of imports of the product in question during the following year for the purposes of triggering the provisions of subparagraph 1(a) in that year; or
- (b) the price of any such shipment may be used during the following year in determining the average [import] [monthly] price trigger for the purposes of triggering the provisions of subparagraphs 1(b) in that year.

4. (a) Any additional duty imposed under subparagraph 1(a) shall be maintained [for no more than 12 months after it has been imposed] [only until the end of the year in which it has been imposed].

[(b) An additional duty imposed under subparagraph 1(a) may only be levied at levels that do not exceed those specified in the following schedule:

- (i) where the level of imports during a year does not exceed 105 per cent of the average import volume, no additional duty may be imposed;
- (ii) where the level of imports during a year exceeds 105 per cent but does not exceed 110 per cent of the average import volume, the maximum additional duty that may be imposed shall not exceed 50 per cent of the bound tariff or 40 percentage points, whichever is higher;
- (iii) where the level of imports during a year exceeds 110 per cent but does not exceed 130 per cent of the average import volume, the maximum additional duty that may be imposed shall not exceed 75 per cent of the bound tariffs or 50 percentage points, whichever is higher; and
- (iv) where the level of imports during a year exceeds 130 per cent of the average import volume, the maximum additional duty that may be imposed shall not exceed 100 per cent of the bound tariff or 60 percentage points, whichever is higher.]

[(b) An additional duty under subparagraph 1(b) may be invoked if imports over the previous six months are [ ] per cent greater than imports over the same six months period in the preceding twelve months.

Any additional duty under subparagraph 1(a) and 1(b) above shall not exceed [ ] per cent of the difference between the Final Bound Rate of duty of the Uruguay Round and the current Bound Rate in the developing country Member's Schedule. Least-developed country Members may apply an additional duty of [ ].]

5. [(a) Any additional duty imposed under subparagraph 1(b) may be assessed either on a shipment-by-shipment basis or on an *ad valorem* basis for a duration of no more than 12 months as defined in subparagraph 5(b) below.
- (b) In the event that the additional duty is assessed on that product:
- (i) on a shipment-by-shipment basis, the additional duty shall not exceed the difference between the import price of each shipment and the trigger price;
- (ii) on an *ad valorem* basis, the additional duty shall not exceed the difference between the import price of the shipment and the trigger price referred to in subparagraph 1(b) above, expressed as a percentage of that import price;
- provided that if at least two subsequent shipments are at import prices that are 5 per cent or more lower than the trigger price referred to in subparagraph 1(b), the developing country Member may shift to the imposition of additional duty on a shipment-by-shipment basis as set out in subparagraph 5(b)(i) above.]
- [(a) An additional duty under subparagraph 1(a) may be invoked if the average domestic prices over the previous [ ] months are [ ] per cent lower than the average domestic prices over the same six month period in the preceding twelve months.
- (b) Any additional duty under subparagraph 1(a) and 1(b) above shall not exceed [ ] per cent of the difference between the Final Bound Rate of duty of the Uruguay Round and the current Bound Rate in the developing country Member's Schedule. Least-developed country Members may apply an additional duty of [ ].]

6. For perishable and seasonal products, the conditions set out above shall be applied in such a manner as to take account of the specific characteristics of such products. In particular, shorter time periods under subparagraph 1(a) and paragraph 4 may be used in reference to the corresponding period in the three-year period referred to in subparagraph 1(a) and different trigger prices for different periods may be used under subparagraph 1(b).

7. The operation of the special safeguard shall be carried out in a transparent manner. Any developing country Member taking action under subparagraph 1(a) above shall give notice in writing, indicating the tariff lines affected by the measure and including relevant data to the extent available, to the Committee on Agriculture as far in advance as may be practicable and in any event within 30 days of the implementation of such action. A developing country Member taking action under paragraph 4 shall afford any interested Members the opportunity to consult with it in respect of the conditions of application of such action. Any developing country Member taking action under subparagraph 1(b) above shall give notice in writing, indicating the tariff lines affected by the measure and including relevant data to the extent available, to the Committee on Agriculture within 30 days of the implementation of the first such action or, for perishable and seasonal products, the first action in any period. Developing country Members undertake, as far as practicable, not to take recourse to the provisions of subparagraph 1(b) where the volume of imports of the products concerned are declining. In either case a developing country Member taking such action shall afford any interested Members the opportunity to consult with it in respect of the conditions of application of such action.

8. Where measures are taken in conformity with paragraphs 1 through 7 above, Members undertake not to have recourse, in respect of such measures, to the provisions of paragraphs 1(a) and 3 of Article XIX of GATT 1994 or paragraph 2 of Article 8 of the Agreement on Safeguards.

[9. No developing country Member shall take recourse to measures under Article 5 in respect of any product on which it has imposed additional duties pursuant to the provisions of this Article.]

[10. This Article will expire [ ].]

**Draft****Tropical Agricultural Products and Products of Particular Importance to the Diversification of Production from the Growing of Illicit Narcotic Crops<sup>1</sup>**

<b>HS4</b>	<b>HS4 DESCRIPTION</b>
0602	Other live plants (including their roots), cuttings and slips; mushroom spawn.
0603	Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared.
0604	Foliage, branches and other parts of plants, without flowers or flower buds, and grasses, mosses and lichens, being goods of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared.
0701	Potatoes, fresh or chilled.
0702	Tomatoes, fresh or chilled.
0709	Other vegetables, fresh or chilled.
0711	Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.
0713	Dried leguminous vegetables, shelled, whether or not skinned or split.
0714	Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar roots and tubers with high starch or inulin content, fresh, chilled, frozen or dried, whether or not sliced or in the form of pellets; sago pith.
0801	Coconuts, Brazil nuts and cashew nuts, fresh or dried, whether or not shelled or peeled.
0802	Other nuts, fresh or dried, whether or not shelled or peeled.
0803	Bananas, including plantains, fresh or dried.
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried.
0805	Citrus fruit, fresh or dried.
0807	Melons (including watermelons) and papaws (papayas), fresh.
0810	Other fruit, fresh.
0811	Fruit and nuts, uncooked or cooked by steaming or boiling in water, frozen, whether or not containing added sugar or other sweetening matter.
0812	Fruit and nuts, provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.
0813	Fruit, dried, other than that of headings Nos. 08.01 to 08.06; mixtures of nuts or dried fruits of this Chapter.
0814	Peel of citrus fruit or melons (including watermelons), fresh, frozen, dried or provisionally preserved in brine, in sulphur water or in other preservative solutions.
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion.
0902	Tea, whether or not flavoured.
0904	Pepper of the genus Piper; dried or crushed or ground fruits of the genus Capsicum or of the genus Pimenta.
0905	Vanilla.
0906	Cinnamon and cinnamon-tree flowers.
0907	Cloves (whole fruit, cloves and stems).
0908	Nutmeg, mace and cardamoms.
0909	Seeds of anise, badian, fennel, coriander, cumin or caraway; juniper berries.
0910	Ginger, saffron, turmeric (curcuma), thyme, bay leaves, curry and other spices.
1106	Flour, meal and powder of the dried leguminous vegetables of heading No. 07.13, of sago or of roots or tubers of heading No. 07.14 or of the products of Chapter 8.
1108	Starches; inulin.
1202	Ground-nuts, not roasted or otherwise cooked, whether or not shelled or broken.

<sup>1</sup> This list is derived from that included in JOB(06)/129 by Bolivia, Colombia, Costa Rica, Ecuador, Guatemala, Nicaragua, Panama and Peru and is included here for illustrative purposes only.

HS4	HS4 DESCRIPTION
1203	Copra.
1207	Other oil seeds and oleaginous fruits, whether or not broken.
1208	Flours and meals of oil seeds or oleaginous fruits, other than those of mustard.
1211	Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh or dried, whether or not cut, crushed or powdered.
1212	Locust beans, seaweeds and other algae, sugar beet and sugar cane, fresh, chilled, frozen or dried, whether or not ground; fruit stones and kernels and other vegetable products (including unroasted chicory roots of the variety <i>Cichorium intybus sativum</i> ) of a kind used primarily for human consumption, not elsewhere specified or included.
1301	Lac; natural gums, resins, gum-resins and oleoresins (for example, balsams).
1302	Vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar and other mucilages and thickeners, whether or not modified, derived from vegetable products.
1401	Vegetable materials of a kind used primarily for plaiting (for example, bamboos, rattans, reeds, rushes, osier, raffia, cleaned, bleached or dyed cereal straw, and lime bark).
1402	Vegetable materials of a kind used primarily as stuffing or as padding (for example, kapok, vegetable hair and eel-grass), whether or not put up as a layer with or without supporting material.
1403	Vegetable materials of a kind used primarily in brooms or in brushes (for example, broomcorn, piassava, couch-grass and istle), whether or not in hanks or bundles.
1404	Vegetable products not elsewhere specified or included.
1502	Fats of bovine animals, sheep or goats, other than those of heading No. 15.03.
1504	Fats and oils and their fractions, of fish or marine mammals, whether or not refined, but not chemically modified.
1505	Wool grease and fatty substances derived therefrom (including lanolin).
1507	Soya-bean oil and its fractions, whether or not refined, but not chemically modified.
1508	Ground-nut oil and its fractions, whether or not refined, but not chemically modified.
1511	Palm oil and its fractions, whether or not refined, but not chemically modified.
1512	Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified.
1513	Coconut (copra), palm kernel or babassu oil and fractions thereof, whether or not refined, but not chemically modified.
1515	Other fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified.
1516	Animal or vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinised, whether or not refined, but not further prepared.
1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, other than edible fats or oils or their fractions of heading No. 15.16.
1518	Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, blown, polymerised by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of heading No. 15.16; inedible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, not elsewhere specified or included.
1520	Glycerol, crude; glycerol waters and glycerol lyes.
1521	Vegetable waxes (other than triglycerides), beeswax, other insect waxes and spermaceti, whether or not refined or coloured.
1522	Degras; residues resulting from the treatment of fatty substances or animal or vegetable waxes.
1701	Cane or beet sugar and chemically pure sucrose, in solid form.
1703	Molasses resulting from the extraction or refining of sugar.
1801	Cocoa beans, whole or broken, raw or roasted.
1802	Cocoa shells, husks, skins and other cocoa waste.
1803	Cocoa paste, whether or not defatted.
1804	Cocoa butter, fat and oil.
1805	Cocoa powder, not containing added sugar or other sweetening matter.
1806	Chocolate and other food preparations containing cocoa.
1903	Tapioca and substitutes therefore prepared from starch, in the form of flakes, grains, pearls, siftings

HS4	HS4 DESCRIPTION
	or in similar forms.
2001	Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid.
2004	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading No. 20.06.
2005	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading No. 20.06.
2006	Vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar (drained, glacés or crystallised).
2007	Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, being cooked preparations, whether or not containing added sugar or other sweetening matter.
2008	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included.
2009	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter.
2101	Extracts, essences and concentrates, of coffee, tea or maté and preparations with a basis of these products or with a basis of coffee, tea or maté; roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates thereof.
2103	Sauces and preparations therefore; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard.
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol.; spirits, liqueurs and other spirituous beverages.
2305	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of ground-nut oil.
2306	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetable fats or oils, other than those of heading No. 23.04 or 23.05.
2401	Unmanufactured tobacco; tobacco refuse.
2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.
2403	Other manufactured tobacco and manufactured tobacco substitutes; "homogenised" or "reconstituted" tobacco; tobacco extracts and essences.
3203	Colouring matter of vegetable or animal origin (including dyeing extracts but excluding animal black), whether or not chemically defined; preparations as specified in Note 3 to this Chapter based on colouring matter of vegetable or animal origin.
3301	Essential oils (terpeneless or not), including concretes and absolutes; resinoids; extracted oleoresins; concentrates of essential oils in fats, in fixed oils, in waxes or the like, obtained by enfleurage or maceration; terpenic by-products of the deterpenation of essential oils; aqueous distillates and aqueous solutions of essential oils.
5001	Silk-worm cocoons suitable for reeling
5202	Cotton, not carded or combed

Draft List of Products Relating to Long-standing Preferences and Preference Erosion<sup>1</sup>

<b>Importing Member</b>	<b>HS4</b>	<b>HS4 DESCRIPTION</b>
		<b>Meat of Bovine Animals</b>
EC	0201	Meat of bovine animals, fresh or chilled
EC	0202	Meat of bovine animals, frozen
		<b>Bananas</b>
EC	0803	Bananas, including plantains, fresh or dried.
		<b>Sugar</b>
EC and United States	1701	Cane or beet sugar and chemically pure sucrose, in solid form.
EC and United States	1703	Molasses resulting from the extraction or refining of sugar
		<b>Other Fruits and Vegetables</b>
EC	Ex 0804	Pineapples
EC	Ex 0806	Fresh grapes
EC	Ex 2005	Unshelled beans "Vigna spp., Phaseolus spp.", prepared or preserved otherwise than by vinegar or acetic acid (excl. frozen)
EC	Ex 2005	Vegetables and mixtures of vegetables, prepared or preserved otherwise than by vinegar, non-frozen (excl. preserved by sugar...
EC	Ex 2008	Pineapples, prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit...
EC	Ex 2008	Citrus fruit, prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit nes
United States	Ex 2009	Frozen orange juice, unfermented, whether or not containing added sugar or other sweetening matter (excl. containing spirit)
EC	Ex 2009	Grapefruit juice, unfermented, Brix value > 20 at 20°C, whether or not containing added sugar or other sweetening matter...
		<b>Beverages and Spirits</b>
EC	Ex 2207	Undenatured ethyl alcohol, of actual alcoholic strength greater or equal to 80%
EC	Ex 2208	Rum and raffia

<sup>1</sup> This list is derived from the WTO Staff Working Paper, "Non-Reciprocal Preference Erosion Arising From MFN Liberalization in Agriculture: What Are The Risks?" and included in the Chairman's reference paper on long-standing preferences and preference erosion (document number 3842).