

G10 Proposal: Treatment of Sensitive Products

This proposal sets out the G10 common position on the treatment of sensitive products. It is without prejudice to further revision of G10's position in light of the development in the negotiations on the tariff reduction formula and other aspects of the market access issues. In this respect, the G10 members reiterate their strong objection to the concept of tariff capping for any product. Furthermore, additional criteria may also be considered, consistently with Para 34 of the Framework, to reflect various elements affecting sensitivities, including present and future supply and demand, consumption patterns and NTCs. S&D is an integral part of negotiations, and issues such as long standing preferences and ceiling bindings should be duly addressed in the negotiations.

i) The treatment of sensitive products should result in substantial improvement in market access, which, by definition, should be less than that for other products. Substantial improvement for these products will be achieved through combinations of tariff reductions and tariff quota commitments.

ii) Sensitive products will be, in principle, subject to a standard combination of tariff cut and TRQ commitment for each product:

- 1/X of the full tariff cut applied in the tariff reduction formula,
 - the TRQ expansion by
 - Y% of the current TRQ commitment
- and subject to adjustment by coefficients set out in iv).

iii) Deviation from the standard combination shall be possible. If a commitment smaller than the standard is applied for the tariff reduction element, a larger commitment than standard is applied for the tariff quota element, and vice versa.

iv) The expansion of current TRQ commitments, as determined by ii) and iii), will be adjusted by coefficients using a tiered formula which is based on the current level of TRQ commitment as a percentage of domestic consumption (b).

| % of current TRQ to consumption | TRQ commitment multiplied by: |
|---------------------------------------|----------------------------------|
| $0 < b \leq 5\%$ | 1 |
| $5 < b \leq 10\%$ | M |
| $10\% < b$ | N |

100

where $1 > M > N$

For products whose TRQ are exceptionally high in terms of the percentage to the domestic consumption, the degree of TRQ commitments will be further adjusted in an equitable manner.

In case only a part of the existing TRQ is designated as sensitive and the corresponding consumption data is not available, the percentage of consumption will be calculated on the basis of the entire TRQ volume.

v) When a product currently not subject to TRQ is designated as sensitive, Members may choose not to create a new TRQ, provided that the tariff cut resulting from ii) and iii) above is 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.

vi) Any changes in descriptions of existing tariff quotas set down in the Section I-B, part 1 of the Schedules of Members concerned, which result in improved market access opportunities, shall be regarded as TRQ commitments. The way to evaluate these elements in the combinations of tariff cuts and TRQ commitments will be negotiated on the comprehensive draft Schedules submitted by Members.
