

AGRICULTURE AND NAMA SIMULATIONS *Updated*

This statistical exercise does not prejudice any Members' negotiating positions and all proposals remain on the table. The variables utilized as well as the numbers generated are hypothetical.

Members agreed that data for NAMA will be provided by Members to the US and, for Agriculture, to Canada. Once linked files containing all necessary data are collected, the United States and Canada will disseminate data files to all Members. Simulations will be made on the basis of agreed assumptions, with a limited number of parameters for practical purposes.

Any Member may present in the future additional tabulations regarding all aspects of the exercise. Participants reaffirm their commitment to the Doha Mandate, to the July Framework and to the Hong Kong Declaration in undertaking this exercise.

Due Date for Data Submissions: February 14.

Due Date for Simulation Results: February 28.

Assumptions for market access simulations in agriculture

Formula simulation

Four bands; linear cuts in all bands

Thresholds for the bands: - Developed countries: 0-20; 20-50; 50-75; > 75;
- Developing countries: 0- 30; 30-80; 80-130; > 130.

Four options for linear tariff cuts:

US *Ad/Gen* Option A) For developed countries: 25%, 30%, 35%, 40%; for developing countries, 15%, 20%, 25%, 30%.

Option B) For developed countries: 35%, 45%, 50%, 60%; for developing countries, 25%, 30%, 35%, 40%;

Option C) For developed countries: 45%, 55%, 65%, 75%; for developing countries, 25%, 30%, 35%, 40%;

Option D) For developed countries: 60%, 70%, 80%, 85%; for developing countries, 50%, 60%, 70%, 75%.

Sensitive products: half the corresponding formula cut.

AVEs as currently submitted by each Member

For sugar, raw and refined (lines 1701.11, 1701.12, 1701.91, 1701.99), each participant could use its preferred methodology for the conversion to AVEs and make this methodology known to all participants. In case there is an agreement early enough to allow for the utilization of a common, agreed methodology in the current exercise, this will be used.

Sensitive products

Number - 6 alternatives: 1%, 8% and 15% of dutiable lines; 1%, 8% and 15% of all tariff lines.

Selection - (1) existing TRQs, ranked in decreasing order by level of out-of-quota tariff; complemented, as necessary, by (2) highest tariffs in decreasing order¹.

Treatment - In all cases, half of formula cut for out-of-quota tariff.

3 working hypothesis for TRQ expansion:

A) TRQ increase by 5% of domestic consumption;

B) TRQ increase = 10% of current TRQ, adjusted by the following coefficients based on ratio of TRQ to domestic consumption:

- current TRQ \leq 5% of consumption, coefficient = 1;

- current TRQ > 5% but \leq 10% consumption, coefficient = 0.5;

- current TRQ > 10% of consumption, coefficient = 0.25;

C) TRQ increase (% of imports) = (Full tariff cut – Reduced Tariff cut) / (100% + initial AVE) x 80%

Applied tariffs: Senior Officials should decide at their next meeting how to deal with the issue of applied tariffs.

Data collection

Final Bound Tariffs from the CTS, in HS 96

AVEs for non ad valorem tariffs as submitted in the AVE exercise.

Tariff lines with AVE data, sugar AVEs and over-quota lines are to be flagged.

Import data: from IDB, 1999-2001, quantity and value.

Consumption data

For the purpose of this exercise, it was suggested that publicly available sources of consumption data be used to the extent possible. These include OECD data, domestic sources, FAO Food Balance Sheets, and the Production, Supply and Distribution database.

Canada will prepare a common format for submitting the data.

Indicators

1) For the formula:

One simulation will be calculated with full cut for all tariff lines (i.e., without any sensitive products); another simulation with the 6 sensitive product numerical alternatives.

a) Initial average of bound tariffs (all lines);

b) Final average of bound tariffs (all lines);

c) Cut in the average in percentage points $((a-b)/a \times 100)$;

d) Average cut (average % line-by-line reduction in bound rates for dutiable lines);

¹ If tariff structure is flat, it has been suggested that the tariff lines be chosen in ascending order in HS.

- e) Current maximum tariff (bound);
- f) New maximum tariff (bound);
- g) % of total agricultural imports subject to full tariff cut (or share of imports in sensitive tariff lines in total agricultural imports);
- h) % of total dutiable agricultural imports subject to full tariff cut (or share of imports in sensitive tariff lines in total dutiable agricultural imports).

2) TRQ expansion:

The hypotheses based on current imports can be simulated on a tariff line basis; however, the one based on domestic consumption requires data which may not be immediately available. This raises comparability difficulties.

For illustrative purposes, it has been suggested that if it is not possible to carry out a study on a tariff line basis, an approach based on representative products will be carried out.

Participants undertake to carry out these studies, based on available data and to share data, spreadsheets and assumptions with others. The case studies may refer to the participant's own market or to other markets.

Among the indicators that could be drawn from such a sample are (1) increase over the Uruguay Round commitments, (2) % change with regard to current imports, % change with regard to current consumption.

Further references for the analysis of sensitive products are contained in the annex.

Assumptions for market access simulations in NAMA

AGREED ELEMENTS TO BE INCLUDED IN FORMULA SIMULATIONS

Countries subject to simulation

Developed: Australia, Canada, EC, Japan, Norway, and the United States

Developing: Brazil, Egypt, India, and Malaysia

Formula

A) A simple Swiss formula with the following coefficients:

For Developed Countries: 2, 5, 10, 15

For Developing: 15, 20, 25, 30, 35, 40

B) A Swiss formula, using as coefficient each Member's current bound tariff average, multiplied by a corrective factor. In this exercise, the corrective factors 1 and 3 will be utilized.

Unbound

Members agreed to proceed on the basis of two unbound simple nonlinear markups.

- i. + 5 percentage points
- ii. + 30 percentage points

Paragraph 8 flexibilities:

One simulation will be made with full cut for all tariff lines for all countries (i.e., without excluding tariff lines under paragraph 8 for developing countries. Members have also agreed to simulate the effects of both Paragraph 8a (less than formula cuts) and 8b (exceptions from formula cuts) on the formula results for each developing country tariff schedule, based on the following:

- i. The following numbers will serve as the basis for applying flexibilities on developing country tariffs
 - a. Para 8a: 10 percent of tariff lines /10 percent of value of NAMA imports;
 - b. Para 8b: 5 percent of tariff lines /5 percent of value of NAMA imports.
- ii. For Paragraph 8a: apply less than formula cuts (50 percent of the full formula cut) to the 10 percent of lines with the highest 2005 MFN applied rates, not accounting for the mandated 10 percent import limit.
- iii. For Paragraph 8b: Apply formula exemptions to the 5 percent of lines with the highest 2005 MFN applied rates, not accounting for the mandated 5 percent import limit.
- iv. Country results will indicate where trade under selected lines exceeds 10 percent and 5 percent trade limits, for Paragraph 8a and 8b respectively.

Indicators

For each country tariff schedule simulated, Members agreed to examine the following indicators for each coefficient to be calculated on a line-by-line basis:

- a. Current average of Final Bound Rate + Base Rates for previously unbound
- b. New average bound rate
- c. Average % line-by-line reduction in bound rate
- d. Current average applied rate
- e. New average applied rate
- f. Average % line-by-line reduction on 2001 applied rates
 - i. On all 2001 applied tariffs
 - ii. On dutiable 2001 applied tariffs only
- g. Average % line-by-line reduction on 2005 applied rates
 - i. On all 2005 applied tariffs
 - ii. On dutiable 2005 applied tariffs only
- h. 2005 Maximum Applied Tariff
- i. New Maximum Applied Tariff

Data Collections and Simulations Members agreed that the United States will collect data files from each Member and run formula simulations based on the above agreed elements.

DATA REQUIREMENTS

Each Member must provide a linked tariff and trade file in MS Excel file format containing all of the following data *at the national tariff line level*:

- i. 2005 MFN applied tariffs converted through a national line concordance into HS 1996 nomenclature*, where available
- ii. 2001 MFN applied tariffs in HS1996 nomenclature
- iii. Final WTO bound tariff commitments
- iv. Ad valorem equivalents (AVEs) for any non ad valorem tariffs in country tariff schedules, where applicable
- v. Global import data from reference period 1999-2001 in HS96 nomenclature at the national line level
- vi. NAMA Product coverage based on the WTO Secretariat's definition for HS1996 nomenclature, as contained in Annex 3 of WTO Secretariat Job (05)/32

Any technical problems or questions should be directed to Sara Rogge and Mary Thornton (contact information provided below).

SUBMISSION AND CONTACT INFORMATION:

Data files should be submitted as soon as possible but no later than February 14.

Please send NAMA data files to Sara Rogge (sara_rogge@ustr.eop.gov) and Mary Thornton (mary.thornton@mail.doc.gov).

Please send Agriculture data files to Jennifer Higginson (higginsonj@international.gc.ca).

Each Member must provide email contact information for technical staff for purposes of follow-up on any potential technical problems.

ANNEX

Analysing Sensitive Products Treatment

The treatment of sensitive products will be analysed using the following three approaches:

- a. an approach based on imports and
- b. an approach based on commitments
- c. an approach based on domestic consumption

Each Member will be bring two studies (each in a different market), following the common format set out below. Each Member is free to contribute more than two examples, including in its own market.

To underline that this is an analytical exercise only, examples chosen should not necessarily be those in which the Member has a strong commercial interest.

Members will coordinate among themselves to ensure a broad representation of studies.

Data sources and assumptions should be documented, including (if necessary) to demonstrate how domestic consumption data has been disaggregated to a tariff line level.

<i>Parameters</i>	<i>Suggestion</i>
Which products?	Each study will be for a single product in either a single market (product x in market a) or in multiple markets (eg product x in market a and market b).
Which lines will be designated?	Without prejudice to the right of WTO Members to designate an appropriate number of sensitive tariff lines to be negotiated, all the lines in any particular TRQ product will be designated sensitive for the purposes of this analytical exercise. To allow a comparison between the three approaches, the same set of tariff lines will be used for each of the three approaches analysed.
Common base period for data	- 1999-2001
Simplifying assumptions for approach (a) based on imports	- Deviation from core formula would be set at a single rate, 50% - Tariff quota expansion would be calculated through EC's formula, using the EC's tariff cuts
Simplifying assumptions for approach (b) based on commitments	- Deviation from core formula would be set at a single rate of 50% - Tariff quota expansion would be: - 10% of current commitments, adjusted as follows: <ul style="list-style-type: none"> ▪ if the current TRQ is between 0-5% of domestic consumption, by a factor of 1 ▪ if the current TRQ is between 5-10% of domestic consumption, by a factor of 0.5 ▪ if the current TRQ is over 10% of domestic consumption, by a factor of 0.25

Simplifying assumptions for approach (c) based on consumption
Outcomes to be produced

- Deviation from core formula would be set at a single rate, 50%
- Tariff quota expansion would be by 5 per cent of domestic consumption
- Calculation 1: For each study, the resulting TRQ expansion arising from the three approaches will be calculated in volume terms (eg tonnes).
- Calculation 2: These three figures will each then be calculated as a ratio of imports, commitments and domestic consumption.
- Presentation: Presentation of the output will be as below.

Sample Output for each study

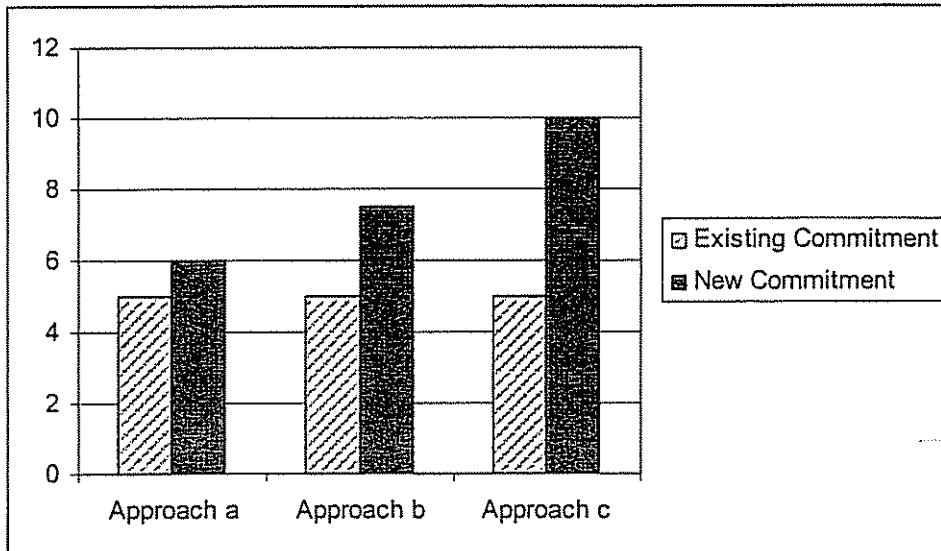
Product x, Market y
Tariff lines: xxx, yyy
Data source: National statistics
Assumptions:

Domestic consumption of product x in market y: 200000
Imports of product x in market y: 50000

<i>Approach</i>	<i>TRQ Commitment (tonnes)</i>	<i>TRQ Commitment Ratio to domestic consumption</i>	<i>TRQ Expansion (tonnes)</i>	<i>TRQ Expansion - ratio to domestic consumption</i>	<i>TRQ Expansion - ratio to imports</i>	<i>TRQ Expansion - ratio to current commitment</i>	<i>New TRQ Commitment - ratio to domestic consumption</i>
<i>a</i>	10000	5	2000	1	4%	20%	6%
<i>b</i>	10000	5	5000	2.5	10%	50%	7.5%
<i>c</i>	10000	5	10000	5	20%	100%	10%

TRQ Expansion Approaches

*% of domestic
consumption*



The other graphs (charting TRQ expansion against imports and commitments) should be presented in a similar format.