

ACP PROPOSAL FOR ADDRESSING LONG-STANDING PREFERENCES AND PREFERENCE EROSION

*Communication from Jamaica on behalf of the ACP Group of States*

**Background**

1. The July 2004 Framework and the Hong Kong Ministerial Declaration acknowledged the importance of longstanding preferences and mandated that preference erosion must be addressed. It is well-known that preferences are vital to the ACP Group of States for foreign exchange earnings, employment growth and development. Most ACP countries depend on the production and exports of a few primary commodities. Thus the ACP Group has consistently reiterated its position that it will not be able to join the consensus on a modalities text that does not address its concerns regarding preference erosion in a meaningful and effective manner.

2. It must be borne in mind that in treating with the mandate for the liberalization of trade in tropical and diversification products, there is a need to deal with the overlap in respect of the commitment to address the erosion of preferences which will inevitably result from this round of negotiations. Failing to do so would not only be inconsistent with their development needs but would impose a disproportionate share of the costs of reform on some of the poorest and more vulnerable Members of the WTO.

3. In this regard, the ACP Group is submitting this proposal with a view to contributing to the process of finalizing modalities that take account of the concerns related to preference erosion. . It includes proposals on the treatment that the ACP Group envisages as critical to addressing the issue and with a view to easing the burden of adjustment that will result from the erosion of preferences. Further, it includes, in attachment, a list of agricultural products that are of vital importance to the export earnings of ACP countries and, according to our analysis, will be genuinely affected by preference erosion.

4. The ACP Group reiterates its commitment to continue working together with other Members with a view to finding a satisfactory solution to the issue of the overlap between preference-receiving products and tropical and diversification products.

5. The proposal takes into account paragraph 44 of the July Framework.

## The Proposal

### **The ACP list of products that will be genuinely affected by preference erosion**

6. In compiling the list of products in Attachment 2 of the Chair's Revised Draft Modalities for Agriculture (TN/AG/W/4), the criteria used were 10 percentage point loss in preference margin and/or a minimum of US\$ 50,000 in total ACP trade value of a product. In the ACP's analysis, the criteria, particularly that of 10% loss in preference margin, were found to be too restrictive, resulting in a number of products that are of vital importance to the ACP Group, for their export revenue, rural livelihood and employment and the development of these countries being omitted.

7. The Analysis by the ACP Group, which builds on the list in Attachment 2 of the Chair's text, utilized the following additional criteria:

- A minimum of 3 percent of export revenue in at least one ACP country; and
- A minimum of 5 percent preference margin

8. In order to avoid duplications, the ACP list contains only products that satisfy the above criteria and are not in the list of products in Attachment 2 of the Chairman's text; products that satisfy the above criteria but are already on the list in Attachment 2 of the Chairman's text are not included in the ACP list. In this regard, the ACP list is additional to Attachment 2 of the Chairman's text.

9. The ACP list is compiled at 6 digit level. In this regard, the ACP group is showing flexibility by moving from its previous list which was compiled at 4 digit level. The shift from 4 digits to 6 digits has reduced the number of tariff lines of preference products by over 75 per cent. In addition, the use of 6-digit level for preference products is highly important for addressing the overlap between tropical and diversification products and preference products as the lists submitted by other members on tropical and diversification products were also compiled at the 6-digit level.

10. An analysis of the ACP Group's list of preference receiving products vis-à-vis the Uruguay Round list of tropical and diversification products, at the 6-digit level, showed a 28% overlap, including on key products of export interest to ACP countries.

11. The ACP Group reserves the right to amend the attached list as necessary. The list is therefore indicative.

### Treatment

12. The ACP Group envisages both trade-based and non-trade based approaches for addressing adjustment burdens related to preference erosion. The ACP Group will not be able to join the consensus on any final modalities text that does not address issues of long-standing preferences and preference erosion through trade-based and non-trade based solutions.

13. Products which will be affected by preferences will be addressed as follows:

#### *Trade-based solutions*

- In implementing their tariff reduction commitments, preference-granting Members undertake to maintain the nominal margins of tariff preferences and other terms and conditions of preferential arrangements they accord to their preference-receiving partners.
- Tariff reductions by preference-granting Members with respect to the products on the ACP list shall be implemented in equal annual instalments over a period of 15 years, with the first instalment being deferred to the end of the tenth year of the implementation period.
- Where a preference-granting Member designates any of the products in the ACP list as sensitive, the maximum possible deviation in tariff cuts and the minimum TRQ expansion shall be applicable on such products.

#### *Non-trade solutions*

- Preference-granting Members shall make binding commitments to provide targeted technical assistance to address supply-side constraints, ease adjustment burden and promote the diversification of production in preference-receiving Members. In that regard, a Monitoring

Body shall be established to ensure that the commitments will be fully implemented; and it shall report to the General Council on annual basis.

- There shall be continued bilateral consultation between preference-granting and preference-receiving countries to ensure that preference-receiving countries will not be disadvantaged by the outcome of the Round, as regards longstanding preferences.

14. This proposal is without any prejudice to future proposals by the ACP Group.

## ATTACHMENT

## ACP Indicative list of Preference Products

Tariff Lines at HS 6	Product Description	
020230	Frozen, boneless meat of bovine animals	
020312	Fresh or chilled hams, shoulders and cuts thereof of swine, with bone in	
070200	Tomatoes, fresh or chilled	
070810	Fresh or chilled peas "Pisum sativum", shelled or unshelled	
070820	Fresh or chilled beans "Vigna spp., Phaseolus spp.", shelled or unshelled	
071490	Roots and tubers of arrowroot, salep, Jerusalem artichokes 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 and sago pith (excl. manioc "cassava")	
080719	Fresh melons (excl. watermelons)	
080720	Fresh pawpaws "papayas"	
081090	Fresh tamarinds, cashew apples, jackfruit, lychees, sapodillo plums, passion fruit, carambola, pitahaya and other edible fruit (excl. nuts, bananas, dates, figs, pineapples, avocados, guavas, mangoes, mangosteens, papaws "papayas", citrus fruit, grapes,	
081340	Dried peaches, pears, papaws "papayas", tamarinds and other edible fruits (excl. nuts, bananas, dates, figs, pineapples, avocados, guavas, mangoes, mangosteens, citrus fruit, grapes apricots, prunes and apples, unmixed)	
090121	Roasted coffee (excl. decaffeinated)	
090500	Vanilla	
090700	Cloves, whole fruit, cloves and stems	
100620	Husked or brown rice	
121210	Locust beans, incl. locust bean seed, fresh, chilled, frozen or dried, whether or not ground	
150810	Crude ground-nut oil	
151190	Palm oil and its fractions, whether or not refined (excl. chemically modified and crude)	
151311	Crude coconut oil	
151321	Crude palm kernel and babassu oil	
151590	Fixed vegetable fats and oils and their fractions, whether or not refined, but not chemically modified (excl. soya-bean, ground-nut, olive, palm, sunflower-seed, safflower, cotton-seed, coconut, palm kernel, babassu, rape, colza and mustard, linseed, maize	
180310	Cocoa paste (excl. defatted)	
180400	Cocoa butter, fat and oil	
190590	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products (excl. crispbread, gingerbread and the like	
200830	Citrus fruit, prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, n.e.s.	
200860	Cherries, prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit (excl. preserved with sugar but not laid in syrup, jams, fruit jellies, marmalades, fruit purée and pastes, obtained by cooking)	
200979	Apple juice, unfermented, Brix value > 20 at 20°C, whether or not containing added sugar or other sweetening matter (excl. containing spirit)	
220890	Ethyl alcohol of an alcoholic strength of < 80% vol, not denatured; spirits and other spirituous beverages (excl. compound alcoholic preparations of a kind used for the manufacture of beverages, spirits obtained by distilling grape wine or grape marc,	
230990	Preparations of a kind used in animal feeding (excl. dog or cat food put up for retail sale)	
240110	Tobacco, unstemmed/unstripped	