

**Possible Partial Designation Modalities for Sensitive Products:**  
**Distributed to Friends of the Chair, April 3, 2008**

**A) Product Categories:**

1) Product Category Tariff Line Coverage: For the purpose of these modalities, the scope of sensitive products are those specified and delimited in terms of each product's 6-digit tariff line coverage in Attachment A.

2) Core and Non-Core Product Tariff Line(s): The core and non-core product tariff lines associated with each product category are specified in Attachment A.

**B) Balance Sheet for Domestic Consumption:**

The domestic consumption for each product category, except for "other dairy", which is outlined below, will be calculated using a balance sheet approach based on the tariff line coverage specified for each product category in Attachment A using the template set out in Attachment B. Changes to domestic consumption as specified in Attachment C from the addition or subtraction of tariff lines to a product category will be made on a net trade basis (imports minus exports).

**C) Approach for all products, other than dairy and fruits and vegetables:**

For each product for which a Member chooses to provide data, they will use the partial designation two step approach, based on the agreed template in Attachment D, to allocate domestic consumption to each 8 digit tariff line.

Within each product category:

- i) All non-core tariff lines in Chapter 18 and higher shall be assigned a 6 digit coefficient of zero for Step 1.
- ii) A minimum of 90% of the domestic consumption will be allocated to the core product tariff lines. The remaining domestic consumption will be allocated in accordance with Attachment A.
- iii) When more than 90% of domestic consumption is allocated to the core tariff lines of a product category as a result of provision i) above and when non-core tariff lines are selected sensitive, a maximum of 90% of domestic consumption will be allocated to the core tariff lines and 10% will be allocated equally to non-core tariff lines.

**D) Approach for dairy products:**

For dairy products, domestic consumption will be calculated using the balance sheet for domestic consumption data for the following individual products<sup>1</sup> (as listed in Attachment A):

---

<sup>1</sup> As 2106.90 is included in several product categories (e.g. eggs, sugar, other dairy, wheat, rice, etc) a Member may use the balance sheet approach to calculate domestic consumption for 2106.90.

Fluid Milk  
 Butter  
 Skim Milk Powder  
 Whole milk powder  
 Cheese  
 Condensed/Evaporated milk  
 Yogurt  
 Ice Cream  
 Casein and Caseinates  
 Powdered Whey  
 Powdered Buttermilk

Methodology to calculate domestic consumption of other dairy tariff lines:

For the remaining dairy tariff lines, domestic consumption will be calculated using a residual methodology and an import cross-check. The common HS 6 digit coefficients used to allocate domestic consumption to each HS 6 digit tariff line are as outlined in Attachment F.

Residual Approach

Each Member will convert their total dairy consumption to a milk solids basis and subtract the domestic consumption for each of the dairy products listed above converted to a milk solids basis using common agreed coefficients as outlined in Attachment E. The residual amount of dairy consumption will be allocated to each of the bound tariff lines covered by the HS 6 categories listed in the “other dairy” product category in Attachments F using the Step1 and 2 allocation template.

Volume Import Cross-Check

For tariff lines that Members declare as Sensitive Products, the import volume will be compared to the allocated consumption calculated using the residual methodology. Import volumes will be converted to a milk solids basis using national coefficients in order to make this comparison. In cases where the import volume is greater than the allocated consumption using the residual methodology, the basis for calculating tariff quota expansion will be the volume of imports for that tariff line.

Floor-Application

The sum of the tariff quota expansion for all of the sensitive tariff lines (the greater of the residual methodology or volume import cross-check) must be greater than the agreed floor (based on the dairy residual domestic consumption); otherwise the agreed floor applies.

**E) Approach for Fruits and Vegetables**

For Fruit and Vegetables, Members wanting to designate a product as sensitive will do so on the basis of the product categories outlined in Attachment A.

Members designating sensitive products in the fresh product category relating to the product consumed as fresh shall also provide for transparency reasons the balance

sheet relating to the total domestic consumption of the whole product in fresh equivalent.

If a Member decides to designate sensitive products only in the product category of "fresh", the TRQ expansion resulting from the application of the partial designation methodology or the agreed floor of that product category shall at least be equal to 1.5% of the total domestic consumption in fresh equivalent for that product.

**F) Sub-Categorization of Product Categories:**

Members have the option to sub-divide at maximum two of the product categories as provided for in the agreed attachment into no more than two sub-categories for that product provided that the following conditions are met:

- (1) The sub-categories are clearly identified and based on specific product characteristics;
- (2) Products subject to sub-categorisation shall not be subject to any sub-allocation;
- (3) The domestic consumption shall be based on published data where available and shall be verifiable;
- (4) The minimum tariff quota expansion shall be the greater of 2% of domestic consumption for the sub-category or 1% of domestic consumption for the product prior to sub-categorisation;
- (5) In cases where the global tariff quota expansion resulting from the application of either the partial designation methodology or the minimum tariff quota expansion to any sub-categories containing sensitive products is less than the size of the tariff quota expansion that would have resulted had the product not been sub-categorised (without applying the global floor), the tariff quota expansion resulting from the sub-categorisation shall be increased to attain the latter size.
- (6) For one sub-categorised product only, in cases where the Member's commercial exports not benefiting from export subsidies under the tariff lines contained in the sub-category that has been defined on the basis of domestic consumption data were greater than 10% of the domestic consumption of the same sub-category during the 2003-2005 period, a Member shall meet all of the specified provisions except for (5), provided that the minimum deviation is applied.
- (7) The products to be sub-categorised and the domestic consumption and tariff lines relating to each sub-category shall be specified in advance of modalities.

**G) Scheduling of Tariff Quotas:**

For any given product category or sub-category, a single tariff quota shall be established.

### Sub-Allocation of Tariff Quotas

Any exception to the single tariff quota rule shall be specified in advance of modalities and shall not apply to product categories with less than ten tariff lines at the HS-6 digit level.

Exceptions to the single tariff quota rule shall be limited to a maximum of two tariff quotas for up to three product categories.

Members availing themselves of sub-allocation for a product shall forfeit the right to sub-categorize that product.

The domestic consumption base for each sub-allocated tariff quota shall result from the two step methodology for allocation of domestic consumption outlined in Annex C except:

- When a tariff quota contains one or more non-core tariff lines with a zero coefficient, the non-core domestic consumption (totalling 10% of the product's domestic consumption) which will be allocated equally to all sensitive and non sensitive 6 digit non-core tariff lines.
  - For such a TRQ the entire quantity allocated to a non-core 6-digit line will be included in the TRQ if any 8-digit tariff line within that 6-digit is declared sensitive.

In no case shall the TRQ expansion resulting from sub-allocation be less than the TRQ expansion resulting of partial designation without sub-allocation.

#### **H) Tariff Quota Fill Coefficients:**

Tariff quotas must be established and administered on a basis equivalent to the unit of measure on which domestic consumption was calculated and identified in Attachment B (e.g., grain equivalents, carcass weight equivalents, etc) or allocated and identified in Attachment F (milk solids basis).

Coefficients shall be used for the purpose of counting imports under different tariff lines against tariff quota fill where such imports need to be converted into the equivalent unit of measure for the product for which the tariff quota was established.

The coefficients to be used in the administration of the tariff quota shall be provided in advance of modalities and subject to verification, prior to their inclusion in schedules.