WORLD TRADE ORGANIZATION

G/L/1108
G/SG/134

5 March 2015

(15-1269)

Council for Trade in Goods
Committee on Safeguards

Original: Spanish

NOTIFICATION UNDER ARTICLE 12.5 OF THE AGREEMENT ON SAFEGUARDS TO THE COUNCIL FOR TRADE IN GOODS OF THE MEANS OF COMPENSATION REFERRED TO IN ARTICLE 8.1 OF THE AGREEMENT ON SAFEGUARDS

COSTA RICA AND URUGUAY

(Pounded Rice)

The following communication, dated 2 March 2015, is being circulated at the request of the delegations of Costa Rica and Uruguay.

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In accordance with the obligations laid down in Article 12.5 of the Agreement on Safeguards to notify the Council for Trade in Goods immediately of:

a. the results of the consultations held with Members having a substantial interest as exporters of the product concerned, prior to the application of a safeguard measure, as referred to in Article 12.3; and

b. the means of compensation to these interested Members, as referred to in Article 8.1 of the Agreement on Safeguards;

and based on the agreed format for notifications (G/SG/1/Rev.1), Costa Rica and Uruguay hereby provide the following joint notification to the Council for Trade in Goods.

1 MEASURE AND PRODUCT SUBJECT TO THE MEASURE REGARDING WHICH THERE WAS AN AGREEMENT ON AN ADEQUATE MEANS OF TRADE COMPENSATION UNDER ARTICLE 8.1, AND PROVIDE REFERENCE TO THE WTO DOCUMENT THAT NOTIFIED THE SAFEGUARD MEASURE

The measure and the product subject to it regarding which Costa Rica and Uruguay reached an agreement on trade compensation under Article 8.1 consists of the safeguard measure imposed by Costa Rica on imports of pounded rice (Central American Harmonized System (SAC) tariff subheadings 1006.30.90.91 and 1006.30.90.99), which was notified to the Committee on Safeguards and circulated to all WTO Members in notification G/SG/N/10/CRI/1.

2 MEMBERS THAT AGREED TO TRADE COMPENSATION UNDER ARTICLE 8.1

Trade compensation under Article 8.1 was agreed between Costa Rica and Uruguay.

3 TRADE COMPENSATION AGREED BY EACH OF THE INTERESTED MEMBERS

Costa Rica will grant imports from Uruguay the following annual tariff quotas:

Annual quota volume (metric tonnes)	**Tariff subheadings (description)**	**Applicable in-quota tariff rate**
6,960	1006.30.90 (pounded rice)	35%
3,062	1006.10.90 (rice in the husk)	0%
1,100	1904.90.10 (precooked rice)	0%

The above quotas will be made available by Costa Rica over the four-calendar year period of application of the safeguard measure, starting upon entry into force of the decree establishing the quotas and ending in 2018.

As the importing country, Costa Rica will be responsible for administering these quotas. In no event will the allocation mechanism be construed as a violation of the spirit of this agreement.

Costa Rica will use the following mechanism for administering the quotas:

Quotas for pounded and precooked rice (6,960 MT and 1,100 MT, respectively)

The volumes for these two quotas will be apportioned among enterprises – including rice processors as well as rice traders – having records of imports of pounded rice from Uruguay in 2014 and rice processors duly registered with the National Rice Growers Corporation (CONARROZ) that had no record of imports in 2014.

If, for any reason, the two quota volumes are not used in full by the close of a calendar year, the remaining portions will be added to the volume of the respective quota for the following calendar year. This rule does not apply to unused portions of the quotas in the calendar year 2018.

In 2015, namely the year in which they are opened, the quotas will be allocated as follows:

a. 80% of the volume of each quota is to be allocated equally among applicants having records of imports from Uruguay in 2014; and

b. the remaining 20% is to be allocated equally among applicants duly registered with CONARROZ that had no record of imports from Uruguay in 2014.

In 2016, 100% of each quota will be allocated in proportion to each applicant's share of imports under the respective quota in 2015.

In 2017, 100% of each quota will be allocated in proportion to each applicant's share of imports under the respective quota in 2016.

In 2018, 100% of each quota will be allocated in proportion to each applicant's share of imports under the respective quota in 2017.

Since the allocation of each quota is based on actual utilization of the quota in the immediately preceding calendar year, in 2016, 2017 and 2018 allocation will take place in the first 30 working days of the year in question. As 2015 is the first year of application of the quotas, the allocation process will start upon entry into force of the executive decree governing these quotas and must be completed within a period of 20 working days.

In order to encourage full utilization of the quotas, the following penalties will be established:

a. Applicants that record imports of less than 95% of the apportioned volume in a given year will, in the following year, be allocated a quantity not exceeding that effectively imported.

b. Applicants that have recorded imports of less than 95% of the volume apportioned each year for two consecutive years forfeit the right to participate in the allocation of the quotas for the following years.

c. Applicants that have received an allocation for a given year without recording any imports forfeit the right to participate in the allocation of the quotas for the following years.

The full quota volume is apportioned each year among eligible importers. Any portions remaining after the initial allocation will be distributed among all interested parties that so request following the resolution stipulating the initial allocation.

Return of allocated volumes: The beneficiary of an import quota may return all or part of the share allocated to it by applying to the Costa Rican Ministry of Foreign Trade (COMEX) in writing before 30 June of the year in which it received the allocation. COMEX will issue a special invitation on the last working day in July with a view to distributing and allocating portions returned, including any portions returned after 30 June of the relevant year.

COMEX will publish a notice in the Official Journal *La Gaceta* and on the Ministry's official website to announce the availability of the remaining portions. However, the full quota volume will be distributed and allocated in the order of submission of applications, i.e. on a first-come, first-served basis. Any subsequent portion that may remain or was not included, for any reason, in the special invitation referred to in the preceding paragraph will remain available to interested parties until it is fully allocated, and will be assigned by COMEX on a first-come, first-served basis.

Quota for rice in the husk (3,062 MT)

The quota for rice in the husk will be allocated in a manner similar to that established in COMEX Executive Decree No. 34.926, which governs allocation of the import tariff quota for rice in the husk under the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR). This allocation scheme is based on Law No. 8285 establishing CONARROZ, which provides for allocation in proportion to the applicants' share in the purchase of domestic crops in the immediately preceding year.

CONARROZ provides the Ministry of Foreign Trade with the records of purchases of domestic crops to be used as a basis for allocation.

Since data concerning shares in the purchase of domestic crops in 2014 will not be available until the second half of 2015, in the first year (i.e. 2015) this quota will be allocated among applicants in proportion to their share of the CAFTA-DR quota allocation for rice in the husk applicable in 2015 (http://www.comex.go.cr/tramites_servicios/contingentes/contingentes/importacion/DMR-asignacion granza.pdf).

If, for any reason, the quota volume is not used in full by the close of a calendar year, the remaining portion will be added to the volume of the quota for the following calendar year. This rule does not apply to unused portions of the quota in the calendar year 2018.

4 DATE UPON WHICH COMPENSATION WILL BEGIN TO APPLY FOR URUGUAY

Both Parties have agreed that Costa Rica will incorporate this agreement in its domestic legislation by means of an executive decree, within a maximum period of 30 working days counted from 19 February 2015.

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