

MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND

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Negotiating Group on Tariffs

MODALITIES FOR TARIFF NEGOTIATIONS

Submission by the United States

In the first two meetings of the Negotiating Group on Tariffs, there have been inconclusive discussions on the question of modalities for the tariff negotiations. This paper is presented to set out how the United States suggests we might proceed on tariff negotiations in the Uruguay Round. At least some broad common conclusions will be needed on this point in the early fall in order to permit the technical work necessary to the actual tariff negotiations to get underway.

Three broad options have emerged from the discussions within the Negotiating Group on Tariffs: first, a request-offer procedure; second, a "formula" approach; and third, some combination of these first two procedures. The United States clearly supports the first option, a request-offer procedure, for those CPs having made their contribution through formula tariff reductions in the last two rounds of multilateral negotiations. Such a request-offer procedure must take into account negotiations in other negotiating groups. For those CPs that have participated in a much more limited fashion in past tariff negotiations, or whose bindings cover a relatively small proportion of their imports, a formula approach would be more appropriate.

The U.S. position is based on the premise that, unlike previous rounds of multilateral trade negotiations, tariff negotiations will, at least for CPs that have made formula cuts in the past, constitute a minor portion of the overall contribution to trade liberalization in the Uruguay Round. For these CPs, with certain exceptions, tariffs no longer constitute a significant obstacle to trade. This is not the case for other CPs, especially those that did not participate in past formula cuts.

Request-Offer Countries

As indicated in MTN.GNG/NG1/W/1&2, ten countries and the European Community participated in the formula cuts of the Tokyo Round. With a few exceptions, these are countries with a very high proportion of their trade covered by bindings, and with very low overall levels of tariff protection. These countries generally have very little tariff protection left. In effect, most have contributed significantly towards eliminating tariffs as an obstacle to trade in their markets. For the United States, the average tariff rate is now under 4 percent, and approximately 99 percent of U.S. imports are bound.

The request-offer approach offers clear advantages. The "request offer" procedure provides maximum flexibility to all CPs. Each can choose whether or not to participate in the negotiations, or how extensively it wishes to participate. Furthermore, it does not limit the requests to tariffs alone, but rather could also involve a combination of barriers such as tariffs and quantitative restrictions. This is consistent with the concept of market access liberalization. The request-offer procedure also makes it more likely that the focus of the negotiations would be on those concessions of greatest prospective value, rather than covering all products. The request offer procedure is well suited to address the specific types of tariff issues raised to date in the Tariff Group, namely tariff escalation, tariff peaks, and sectoral tariff issues.

#### Tariff Escalation

If a CP is most concerned about "tariff escalation" covering a certain sector, it will be in a position to focus its requests to this problem and direct the requests at those markets of greatest prospective value. This avoids the need to try to define "escalation" which would give rise to unnecessary debates, and instead provides a mechanism to deal with the problem as perceived by any individual CP.

#### Tariff Peaks

To the extent that tariff "peaks" are deemed to constitute serious obstacles to market access by CPs, requests can be expected to be directed at lowering the peaks. It should be noted that to the extent that CPs that have participated in formula cuts in the past still have certain tariff "peaks", this is likely to be a reflection of particular domestic sensitivity to tariff reductions on such products. It is therefore quite unlikely that it would be possible to subject such products to formula reductions in the Uruguay Round. These sensitive products would have to be the subject of separate discussions in any event.

#### Sectoral Negotiations

Finally, the request offer procedure would permit a "sectoral" focus in the negotiations, if there were sufficient interest in emphasizing the removal of barriers to market access in a particular sector. Such a sectoral focus could be the result of a multilateral consensus or it could be driven by the requests of those CPs with a special interest in the given sector.

It has been noted that the request-offer procedure was utilized prior to the Kennedy Round and that it was abandoned as the principal negotiating procedure because it was considered cumbersome and inadequate in producing broad tariff liberalization. However, such concerns no longer appear warranted. Those CPs who participated in past formula cuts have already substantially liberalized their tariff regimes to the point where very little tariff protection actually remains. Furthermore, as to the mechanics of a tariff negotiation, modern data processing techniques should enable CPs to conduct request offer negotiations efficiently.

#### Formula Countries

Most CPs either participated in a very limited manner in the Tokyo Round and previous multilateral tariff negotiations, or did not participate at all. Generally speaking, these CPs, for various reasons, maintain relatively high rates of duty and have generally bound relatively few tariff items covering a low proportion of their overall imports. For these CPs, a formula approach provides an opportunity to more fully harmonize their tariff structures with those of the "formula" countries of past rounds. This will provide a greater degree of predictability for the trading community and will contribute to economic efficiency and growth.

#### Integrated Market Access Negotiations

The United States favors an integrated approach to market access negotiations, meaning that requests would not be limited to a particular type of barrier such as tariffs. Instead, a request could involve several barriers such as a combination tariff/licensing request. This would provide maximum flexibility for the negotiations. It would also help ensure meaningful results because overall conditions of market access would be taken into account systematically in exchanging requests. The request-offer procedure is well suited to such an integrated negotiation and thus will be advocated by the United States in other groups.