

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG1/3
13 July 1987

Special Distribution

Group of Negotiations on Goods (GATT)
Negotiating Group on Tariffs

MEETING OF 29 AND 30 JUNE 1987

Note by the Secretariat

1. The Group was chaired by H.E. Mr. L. Duthie. It pursued the discussion on the following points.

A. Continuation of exchange of views on submission of proposals by participants relating to the tariff negotiations

2. The Chairman recalled that at the Group's meeting in April, some participants had made a number of specific comments and suggestions relating to the tariff negotiations, while others had delivered more general statements. He noted that since the last meeting, the secretariat had prepared a document on the submission of tariff information by participants (MTN.GNG/NG1/W/3), in addition to the two documents on tariff negotiations in the Kennedy and Tokyo Rounds (MTN.GNG/NG1/W/1) and a survey of the importance of tariff bindings for the twelve delegations participating in the Tariff Study (MTN.GNG/NG1/W/2), which had already been before the Group at the last meeting.

(a) Approach to tariff negotiations

3. Several written proposals related to the modalities of tariff negotiations were submitted to the Group (subsequently issued as MTN.GNG/NG1/W documents). The first proposal envisaged the binding, at zero level by developed countries, of all their tariffs on all products. This objective would be implemented, on a preferential basis, for the sole benefit of developing countries, during a period of ten years, after which the zero bound rates would automatically be extended to developed countries. Developing countries would, in return, consider binding erga omnes their tariffs on a substantial number of products and reduce them after the end of the ten-year period.

4. Referring to the actual situation with respect to tariff rates and tariff bindings, another delegation suggested that for countries which had participated in previous negotiations on a formula basis and which had thus substantially reduced and bound their tariffs, a request-and-offer procedure would be more appropriate and would also best solve the problem of tariff peaks and tariff escalation. The other countries should follow a tariff cutting formula approach which would set targets for the coverage of bindings at a specific percentage of overall imports and the reduction of duty rates by an agreed percentage.

5. A third proposal provided for total bindings of tariffs by all participants, the level of the bindings being subject to negotiations, with a view to improving security of access for all products. The proposal envisaged that participants should aim to submit by 1 December 1987 lists of products of export interest to them.

6. Another participant reiterated its proposal previously made aiming at the complete elimination of duties in the industrial sector by developed countries except for agricultural, fishery, mining and forestry products.

7. A fifth proposal provided for the bindings by all contracting parties of all tariff items at an agreed maximum level or below, and the reduction of all rates to a maximum ceiling level to be agreed upon. A certain period of time would be envisaged to this effect, but no exceptions should be allowed.

8. The possibility of a hybrid approach to the negotiations, i.e. combining a harmonization formula for tariffs above a certain level with a request-and-offer procedure for lower tariffs, was reiterated.

(b) Low tariffs and base rates for negotiations

9. On the question of low tariffs, most participants expressed the view that even low tariffs represented a barrier to trade, especially for exports of commodities, and that they should not be excluded from the negotiations. Regarding the base rates for negotiations, divergent views were presented, some delegations suggesting that the negotiations should be carried out on bound and unbound rates which were in force at the time of the Punta del Este Declaration. Other participants felt that the negotiations should relate to bound rates only. Regarding the nomenclature to be used for the negotiations, several participants pointed out that the negotiations should be conducted on the basis of the Harmonized System nomenclature for those countries which would have implemented it at the time of the negotiations.

(c) Degree of bindings

10. It emerged from the discussion that in the course of the forthcoming tariff negotiations, many countries would be seeking a substantial increase of bindings in both developed and developing countries, in order to provide greater security in the trading system.

B. Broadening and updating of factual basis for the tariff negotiations

11. The Chairman recalled that at the previous meetings of the Group, the view had been expressed by several participants that it would be desirable that the two data bases on tariffs presently existing, i.e. the Tariff Study and the Harmonized System Data Bank, should be broadened and updated and that more countries participate in the collection of tariff and trade

data in computerized form. Reference was made to a secretariat paper on the submission of tariff information requested by contracting parties with a view to participating in the Tariff Study and in the Harmonized System Data Base, which had been circulated in MTN.GNG/NG1/W/3.

12. Regarding the proposal for the establishment of an integrated data base in response to requests made in various GATT fora and negotiating groups, the Chairman noted that consultations were still being held among interested delegations with a view to preparing a recommendation to the Council.

13. Several participants reiterated their support for the enlargement of the existing trade data bases and two delegations indicated that their governments were examining the possibility of joining a trade data base. Emphasis was placed on the fact that an adequate trade data base was essential for carrying out negotiations in a satisfactory manner.

C. Observer organizations

14. The Chairman pointed out that the question of observer organizations, including invitations to international organizations to participate in meetings of negotiating groups, had been discussed in the GNG on 26 June. No decision had been taken, but consultations on the question of observers were taking place prior to the meeting of the TNC on 3 July. These consultations would cover possible guidelines for the participation of international organizations in meetings of negotiating groups.

15. One delegation proposed that the IMF, World Bank, UNCTAD and UN secretariat should be invited as observers, but no agreement was reached on this question.

D. Other business

Date of next meeting

16. The Chairman explained that it had been agreed at the GNG on 26 June that each negotiating group would be asked to indicate its needs in terms of meeting time, formal and informal, between the third meeting and the end of 1987, in order to complete the initial phase provided for in the negotiating plan.

17. There was consensus that the Group would need five days of formal and informal meetings to conclude the initial phase and that it would initially meet in mid-October, subject to endorsement by the GNG.