

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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

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MODALITIES FOR TARIFF NEGOTIATIONS

Submission by the European Economic Community

The Ministerial Declaration provides for negotiations to reduce or, as appropriate, eliminate tariffs including the reduction or elimination of high tariffs and tariff escalation. Emphasis is given to the expansion of the scope of tariff concessions.

The Declaration closely resembles the Community's long-standing preoccupation with three problem areas in the tariff field, namely:

- tariff peaks;
- tariff escalation;
- the extent and scope of tariff bindings by individual contracting parties.

1. The scope of work of the Negotiating Group on Tariffs

Notwithstanding reference to tariff negotiations in connection with specific topics in the Ministerial Declaration, tariff issues of a general character and horizontal problems affecting tariffs should be dealt with in the Negotiating Group on Tariffs. More particularly, tariff reductions should be negotiated in this group except in those areas where specific reference is made to tariff negotiations (or, more generically, reduction of import barriers) i.e.:

- tropical products;
- agriculture;
- natural resource-based products.

2. Equilibrium of rights and obligations in the tariff area

Negotiations on tariffs are complicated by the wide difference in starting positions of individual contracting parties. Certain participants, including the European Economic Community, have bound

virtually the totality of their industrial tariffs. Moreover, the bindings in question are generally set at levels which have allowed the development of a large volume of trade. At the other end of the scale, a large number of contracting parties have few or no tariff commitments, and some tariffs are set at levels which do not permit trade to develop.

The Uruguay Round tariff negotiations should be conducted in a manner which will substantially narrow the gap between the levels of obligation assumed hitherto by the various contracting parties and participants.

The Community is ready to examine, together with its trade partners, procedures and modalities designed to narrow that gap. For its part, the Community is prepared to undertake a further reduction of tariffs alongside other contracting parties assuming that:

- a) Such reduction does not exacerbate the existing imbalance; on the contrary, it should form an integral part of an agreed programme designed to narrow the present gap between tariff levels among contracting parties and participants, it being understood that the more advanced developing countries make a significant contribution; and
- b) such reduction is coupled with a commitment by all contracting parties to achieve full bindings for their industrial tariffs.

3. An Integrated Approach to Tariff/Non-Tariff Negotiations?

The Ministerial Declaration recognises an inter-relationship between different topics identified for negotiation. Such a link clearly exists between tariff and non-tariff measures, particularly in so far as market access is a function of both types of measures. However, the Community believes that the essentially distinct character and procedures relating to tariffs in the General Agreement should be respected in the negotiating process, particularly during the early phases.

4. Bound and Applied Tariff Levels

The value of a given tariff concession is conditioned by the level of the tariff actually applied. A binding substantially above the level applied provides only limited advantage and little security in the absence of any guarantees that the duty payable will not be increased.

The terms of the decision on tariffs in the Ministerial Declaration lends significance to tariffs actually applied at the time of the

Punta del Este meeting (1).

5. Information on Tariff Schedules and Trade Flows

It is essential for the negotiations that there is transparency on contracting parties' tariff schedules and trade flows. Given the need for thorough preparation for the substantive phases of the negotiations, the updating and enlarging of the GATT Secretariat's Tariff Study and other relevant data bases is particularly important. So far only a limited number of developed countries have committed themselves to participate in the GATT Tariff Study. Other countries who, having achieved a certain level of economic development, and who now play an important role in world trade are expected to fully participate in the Study.

6. Formula Approach or "Request and Offer"

The question has been posed whether the objectives set out in the Ministerial Declaration would be best met by means of a general formula or through the request and offer procedure, if a general formula is applied, what kind should it be, and how can the problem of tariff peaks and tariff escalation best be tackled?

A request and offer procedure is unlikely, alone, to lead to meaningful reductions in tariffs. It would entail a series of bilateral negotiations targeted to reduce specific tariffs which, even if successful, would provide little incentive for the majority of contracting parties to participate in the tariff reduction process. There is no reason to believe that this approach would result in a substantial increase in the level of tariff bindings among contracting parties.

The development of trade among contracting parties would be best served by a general harmonisation formula covering tariffs other than those in the agricultural sector, on natural resource-based products and industrial tropical products. Such a formula would give the widest scope for tariff reductions on a consistent basis, so as to avoid exacerbating existing tariff disparities. Given the importance of reducing tariff peaks, it should apply to high tariffs in excess of a level to be decided, so as to ensure that negotiations cover significant tariffs maintained by contracting parties.

Concomitantly, and as part of the formula approach, contracting parties who have fewer tariff bindings must increase the level of their obligations in the tariff area.

As a complement to the formula approach, an opportunity should be provided for the reduction of tariffs in a middle range by means of requests and offers between interested parties.

The reduction or removal of low tariffs should only be considered on a case-by-case basis after careful examination.

(1) The applied rates are relevant, whether or not they are matched by bound or statutory tariffs at higher levels. However, temporary tariff suspensions or partial suspensions to meet specific demand/supply considerations constitute a special case.

Tariff Escalation and Special Factors

The problem of tariff escalation cannot readily be solved by the application of a general tariff reduction formula, given the lack of uniformity in the incidence of tariff escalation as between contracting parties and between sectors.

Tariff escalation tends to affect specific sectors, particularly tropical products, natural resource-based products and agriculture - each of which topics is the subject of a separate group. In the main, it would therefore be logical to tackle the issue of tariff escalation in the context of the three negotiating groups concerned.

Care must be taken to take due account of special negotiating interests and any exceptional and particular tariff situation in a given area other than the three sectors identified above.