

**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 Switzerland

At earlier meetings of the Negotiating Group, Switzerland, together with a large number of other participants, advocated the application of a harmonization formula and proposed that the Tokyo Round formula be used as a basis for discussion.

We remain convinced that only the application by all participants of a harmonization formula will make it possible to attain the maximum number of objectives set in this area by the Punta del Este Declaration, in other words to reduce or eliminate tariffs, including high tariffs and tariff escalation.

As a contribution to a more concrete discussion of approaches to this issue, this note sets out our ideas concerning the use of a harmonization formula in the negotiations.

1. Formula for tariff cutting

Switzerland proposes the following harmonization formula:

$$z = \frac{15 x}{15 + x}$$

z = final duty

x = initial duty

According to this formula, the final duty is calculated as follows: the initial duty is multiplied by 15 and then divided by the sum of the initial duty plus 15.

This is the Tokyo Round formula, with a factor of 15 instead of 14. This factor has tariff-cutting effects that are virtually identical to those of 14 and is only slightly less ambitious; however, it has the advantage of producing rounder rates: for example, an initial rate of 3 per cent is reduced to 2.5 per cent, a rate of 10 per cent to 6 per cent, and so forth.

The harmonizing effect of this formula is undeniable: low initial tariffs are reduced less than higher ones; the reduction rate<sup>1</sup> increases as the level of the initial tariffs rises.

For example:

<u>Initial tariff</u>	<u>Final tariff</u>	<u>Rate of reduction</u>
z	z	z
1.0	0.94	6.25
3.0	2.5	16.67
5.0	3.75	25.0
10.0	6.0	40.0
15.0	7.5	50.0
20.0	8.57	57.14
30.0	10.0	66.67

This formula has a particular impact on tariff peaks and may also make a large contribution to reducing tariff escalation.

## 2. Scope and bindings

In principle, the formula should apply to industrial products in chapters HS 25-97 (or CCCN 25-99). The Negotiating Group on Tariffs could examine certain exceptions to the scope of the formula. Possible tariff reductions for agricultural products and tropical products should be negotiated in the groups concerned.

The formula should cover bound and unbound tariffs. Broadening the scope of bindings is a recognized objective of the Punta del Este Declaration, and therefore the aim should be to bind all rates resulting from the application of the formula.

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<sup>1</sup>Formula for calculating the reduction rate:

$$y = \frac{100 \cdot x}{15 + x}$$

where y = rate of reduction  
x = initial duty

### 3. Base rates

Switzerland, like other delegations, considers that the base rates should be the rates actually applied and not the bound rates.

Furthermore, it is difficult to fix the reference date (1988 or 1987, or date of the Punta del Este Declaration) since over 40 countries introduced the Harmonized System as from 1 January 1988, and others will follow. This state of affairs also complicates the determination of ad valorem rates in the case of specific duties, and influences the reliability of rates and volumes of trade that would be calculated only on the basis of tables of equivalences between the former tariff and the Harmonized System tariff. In view of this drawback, and in order to allow the negotiations to be based on the latest and most realistic rates, we also consider that countries applying the Harmonized System should fix as the base date the date of the introduction of the new tariff, in other words 1 January 1988.

This date should apply to all countries, except perhaps those which introduce the HS later (we are aware that this base date will oblige us to wait for the first trade statistics under the Harmonized System but, in this way, we will be able to use more realistic figures that are not distorted by theoretical tables of equivalences).

### 4. Transparency in tariffs

#### (a) For the negotiations

We propose that, in the context of the updating of the data base, each participant should furnish the secretariat with a complete and up-to-date tariff actually in use, in other words including bound and unbound tariff items, if possible in a GATT language. We consider that these tariffs are already available in government services and/or incorporated in national legislation, and therefore could be supplied to the secretariat shortly. If needs be, some of this information could be circulated for our work and included in the tariff study or simply made available for participants.

#### (b) For regular information

It seems clear that the contracting parties to the General Agreement on tariffs and trade should have the possibility of obtaining information, if not of being automatically informed, through that instrument, concerning any tariff applied by their partners.

The present situation needs to be improved. Consequently, we should like to discuss information needs and possibilities regarding tariffs actually in use so as to reach a decision on this subject in the Uruguay Round.

5. We are ready to discuss the details and modalities of the formula outlined above, and reserve the right to submit further proposals on some of these elements.