

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED
MTN.GNG/NG1/W/20
21 October 1988
Special Distribution

Group of Negotiations on Goods (GATT)

Original: English

Negotiating Group on Tariffs

COMMUNICATION FROM JAMAICA

I. Introduction

1. The views advanced in this communication are primarily in response to MTN.GNG/NG1/W/18 circulated by a number of delegations but additionally, elaborate on some points which Jamaica considers relevant to the work of the Group particularly in the light of the report which will be submitted to the Group of Negotiations on Goods in November 1988.

II. General Comments

1. There is a close linkage between trade liberalization to be achieved through tariff reductions and trade liberalization through elimination of and disciplines on Non-Tariff Measures which will require simultaneous and complementary action. The issue of Tariffs is also closely linked with other subjects e.g. Textiles and Clothing, Agriculture, Tropical Products and Subsidies, and will require attention as appropriate in the further stages of the negotiations.

2. The negotiations on Tariffs in the Uruguay Round should correct the imbalances which have existed arising from past rounds of negotiations where the exports of developing countries continue to face relatively high average tariffs, and where a significant proportion is subject also to NTMs, some even on a selective basis.

3. The elimination of this imbalance (bias or discrimination) can best be achieved if levels of protection for the exports of the developing countries are at least no less favourable than for those products traded among developed countries. When this is achieved, the differential and more favourable treatment accorded to less-developed contracting parties would provide them with additional benefits. Thus, less-developed contracting parties would face lower levels of protection at the border and better prospects in the markets of developed countries if the latter also reduced levels of support, including the use of trade distorting subsidies and arbitrary countervailing and anti-dumping measures.

4. The end result should be, that the "range", "average" and "peaks" of tariffs would be lower than those which prevailed at the end of the Tokyo Round, that the overall levels of protection, including "grey area" measures, other NTMs and Subsidies which existed at the adoption of the commitment on Standstill and Rollback in September 1986 would also be lower than those in existence for trade among developed countries.

5. Some quantitative indices should be developed in order to allow for the assessment of the concrete benefits accruing to less developed contracting parties in the course of the negotiations. It will of course be for each less-developed contracting party to make its own assessment as to the "value of the concessions" and other benefits it has derived when the negotiations are completed.

III. Elements of a Negotiating Approach

1. Tariff reduction formula

(a) A meaningful reduction of tariffs seem likely to result only by the application of a formula approach. A request-and-offer procedure should be used also as a supplement in limited and special circumstances.

(b) The formula to be used should have a pronounced harmonization effect so that higher or peak tariffs are substantially reduced, resulting in zero or low tariffs with a significant proportion "bound".

(c) Less-developed contracting parties either in the context of the Generalized System of Preferences (GSP) or contractual preferential arrangements should have tariffs set by developed countries at zero levels on products of export interest, in order that they may be able to compete on international markets. The lowering of tariffs on an m.f.n. basis and improvements in GSP Schemes and other preferential arrangements should not be seen as incompatible. The GSP and preferential arrangements should be tailored to and mutually agreed so as to meet the development, financial and trade interests of developing countries and should provide for greater stability and predictability.

2. Complementary approach for high tariffs

Tariffs on many products of particular export interest to less-developed contracting parties are quite high, especially for those products which did not benefit from reductions in the past rounds of negotiations. Where the application of a harmonization formula leaves the resultant rates for these products at a higher level, it should be complemented by the request-and-offer approach.

3. Exceptions to the formula

Exceptions to the formula should be kept to the minimum, and it should be agreed, inter alia, that exceptions by any of the developed countries will not exceed (x) per cent of their tariff lines or of total imports. Developed countries should not include products of export interest to less-developed contracting parties in their exceptions lists, due account being taken of each less-developed contracting party's competitiveness in international markets.

4. Applicability of the formula

The formula will be applied by all developed countries to reduce their tariffs. Less-developed contracting parties should, in accordance with their development, finance and trade needs make reductions in tariffs, due account being taken: (a) of their need to raise revenue, and (b) their participation in the Global System of Trade Preferences among developing countries (GSTP).

5. Base rates

(a) The base rates to which the formula will apply should be the rates applied as at 1 January 1988 (or any other agreed date). The latter date should result in a greater degree of liberalization than would result from the use of the bound rates. In any event the lowest prevailing rate should be the basis.

(b) The "rates" to which the formula will be applied should include duties and charges as understood in Article II of the General Agreement. Those "charges" which have a protective effect similar to customs duties should be reduced by the application of the formula. (However, the formula will not apply to charges or fees which are levied for certain services and which conform to the stipulation of paragraph 1 of Article VIII of the General Agreement. These should however be notified).

6. "Credit" to developing countries for autonomous liberalization measures

Less-developed contracting parties which undertake autonomous trade liberalization measures should secure "credit" in the negotiations, inter alia, through advanced implementation of liberalization measures on products of particular interest to the contracting party concerned or through other trade expansion means.

Less-developed contracting parties may be asked to notify autonomous liberalization measures taken by them (during the last two or three years)/since the beginning of 1986). Notifications should be made in an agreed format. In order to secure "credit" for these measures in the Uruguay Round negotiations, each less-developed contracting party may be asked to give assurances that the measures will not be reversed, save in exceptional circumstances of a compelling nature including for development, or for balance of payments constraints, and that in such an eventuality it will enter into consultations with interested contracting parties using the appropriate procedures of the General Agreement. Such notification and assurances will be considered as contributions in return for reductions and bindings and improvements in preferential schemes by developed countries.

7. Bindings

There should be ceiling bindings in the markets of developed countries for all or most products at the level equal to the average rate now prevailing. Such bindings comprising a percentage of tariff lines or

total imports should be agreed upon in the course of 1989. It should be agreed in principle that less-developed contracting parties will be granted "credits" for their reduction in tariffs even where bindings were not made.

Simultaneous removal of non-tariff measures (NTMs) will be necessary in order to ensure that less-developed contracting parties secure the benefits of the lower tariff rates.

IV. Other issues

1. Charges

All charges imposed by developed countries on the exports of developing countries should be subject notifications, examinations and negotiations with a view to their eventual elimination as part of the liberalization process in the Negotiation Group of Tariffs and Tropical Products. This should include Value Added Taxes (VAT) which should be notified to the Negotiating Group through the secretariat which would provide an analysis of the protective nature of VATs on the exports of developing countries.

The secretariat does not have information on the imposition and level of the Value Added Taxes of contracting parties. A reporting requirement which was agreed upon in the late 1960s has remained virtually on paper as no contracting party has, in recent years, made any notifications to the GATT.

2. Consideration of Article XXVIII

Article XXVIII is being discussed in the Negotiating Group on GATT Articles. As this Article is closely related to negotiations on tariffs, it may also be taken up for discussion in the Negotiating Group on Tariffs. Section G of Part I of the Ministerial Declaration does provide that "aspects of one issue may be discussed in more than one negotiating group".

3. Erosion or loss of preferential margins

(a) Less-developed contracting parties will incur reductions of preferential margins in different developed country markets consequent upon m.f.n. tariff reductions by developed countries. In these circumstances, the less-developed contracting party will lose its competitive advantage, and complementary measures should be taken.

(b) Less-developed contracting parties, particularly the least developed among them, benefiting from contractual preferential arrangements will require a range of complementary measures (such as financing, assistance in marketing, etc.) to ensure their competitiveness on the loss of their preferential margins due to most-favoured-nation (m.f.n.) reductions, particularly where the advantages accrue to developed countries.

4. Impact of exchange rates on the value of concessions

(a) What impact, if any, do changes in exchange rates have on the value of tariff concessions?

(b) The GATT secretariat should undertake some further empirical work in light of the prevailing system of flexible exchange rates which may impair the "rights" of contracting parties, especially the developing countries.

6. Rules of origin

(a) The rules of origin applied to products of less-developed contracting parties should be considered in light of their implications for access to developed country markets even where tariffs are lowered. In this connection, there will be need to apply less stringent criteria in defining the value-added percentage on products processed and transformed in developing countries. This will warrant a differentiation in tariff lines so that products from less-developed contracting parties will be given differential and preferential and more favourable treatment as compared to those similar products emanating from developed countries.

(b) The issue of rules of origin has never been thoroughly addressed in the GATT. Information on national rules of origin should be made available to the secretariat for use by participants in the negotiations.

V. Conclusion

In order to assist less-developed contracting parties in assessing both the benefits in the course of the negotiations and more precisely the value of concessions including tariff reductions and bindings, the GATT secretariat should prepare in the first instance a Note on Methodology, with information on the levels of protection faced by developing countries as compared with developed country exporters in the latter's markets. This will entail distinguishing between labour-intensive and other products of developing countries and those of developed countries. The Note should suggest criteria which would be relevant in assessing the relative levels of protection and the value of concessions and benefits derived by developing countries from increased market access.

Such an exercise would seem justified in the light of material made available after the Tokyo Round in COM.TD/W/315 and UNCTAD Discussion Paper No. 22 Products Facing High Tariffs in Major Developed Market Economies: An Area of Priority for Developing Countries in the Uruguay Round? by Refik Erzan and Guy Karsenty and The Tokyo Round of Multilateral Trade Negotiations: Report by the Director-General of GATT, April 1979, Part II Chapters I and II.