

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG1/18  
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Group of Negotiations on Goods (GATT)  
Negotiating Group on Tariffs

MEETING OF 15 DECEMBER 1989 AND 30 JANUARY 1990

Note by the Secretariat

1. The seventeenth meeting of the Group was chaired by Mr. Charles R. Carlisle, Deputy Director-General of the GATT, on behalf of H.E. Mr. L. Duthie, Chairman of the Group. The Group pursued the discussion on the following points contained in paragraph 2 of GATT/AIR/2896.

Item A: Establishment of detailed procedures, approaches and methods necessary for the tariff negotiations (MTN.TNC/11 Page 4, paragraph 1)

2. The Group had before it a new submission contained in MTN.GNG/NG1/W/30, which supported the application of a tariff-cutting formula with a harmonization effect. This submission suggested, inter alia, that developed participants should apply to the less-developed countries, either under the Generalized System of Preferences (GSP) or under contractual preferential arrangements, zero customs duties on the products of export interest to them. No comments were made on this submission.

3. At the meeting on 15 December 1989, the Chairman advised the Group that informal consultations on procedures, approaches and methods had been held since the last meeting of the Group. However, he was not in a position to present the Group with a draft which could serve as a useful basis for further discussion and possible agreement at the present meeting. He pointed out the following elements as principal problems on which the divergence of views was significant: (1) precise modalities, i.e. either a formula or an offer-and-request approach, and how such an approach would be framed in either case; (2) the extent to which participants could make exceptions to tariff reductions; (3) the question as to whether there should be a maximum bound rate or ceiling; (4) methods to review and assess offers or submissions; (5) timing for submissions and various stages of negotiations. One participant noted that despite the repeated requests of his delegation, he had not been able to participate in the consultations; he said that time would be needed for his authorities to consider whatever agreement might be reached at the present meeting.

4. The Chairman said that, bearing in mind the present situation, the Group should remain on call to continue the meeting. He would conduct further informal consultations in the meantime.

5. When the meeting resumed on 30 January 1990, the Group continued its discussion on procedures for the tariff negotiations. The Chairman stated that the document before the Group, subsequently circulated as MTN.GNG/NG1/17 (see Annex), was a product of intensive consultations that he had carried out. While recognizing that to many, and perhaps to all, delegations the text was deficient, and that any delegation had a sovereign right to propose amendments to it, he strongly hoped that the text would be adopted by the Group without any amendment.

6. One participant said that his delegation considered the text excellent because it provided a very good compromise and reflected the terms of the agreement reached at the Mid-Term Review. He noted that in paragraph 1 of the text it was provided that everything should be done in accordance with the Mid-Term Review Agreement. His delegation understood this to mean substantial reductions by all participants, credit for bindings together with recognition of the liberalization measures taken since 1 June 1986, and preferential treatment for developing countries. With this understanding, his delegation could give its entire support to the text.

7. One participant asked whether the word "participants" in the second sentence of paragraph 2 of the text referred to participants of the Group or only those delegations which had submitted proposals. The Chairman recalled the understanding reached during the consultations that this expression meant participants who had submitted proposals. Another participant sought a further clarification on this word, on the basis of his understanding that there were two categories of participants in the Uruguay Round, i.e. those who were already bound by their obligations and those who were not yet or could not be bound. Therefore, by definition the results of the tariff negotiations would necessarily and automatically be differentiated. He could not see how concessions could be extended to GATT contracting parties who had not assumed contractual obligations, a point he wished to make in order to avoid any misunderstanding at a later stage. He sought clarification as to when the word "participants" referred to those participating in the Uruguay Round and when it referred to those who had submitted proposals. In response, the Chairman stated that "each participant" in paragraph 1 of the text referred to all participants in the Uruguay Round, and "participants" in paragraphs 2 and 3 referred to all those who had submitted proposals to the secretariat. The Chairman stressed that anyone who wished to participate in the review and assessment process exercise had to submit a proposal.

8. One participant recalled his negotiating position as contained in MTN.GNG/NG1/W/22. He emphasized that his delegation attached great importance to a coordinated negotiation by each and every participant on tariff and non-tariff measures, with the aim of achieving durable and

effective improvements in market access. He also added that his authorities could give the green light to their final offer only when all participants, without any exception, had participated in the tariff reduction exercise. Having stated this, his delegation could approve the text.

9. The Chairman proposed that the text be adopted by the Group. It was so decided.

10. Following the adoption of the text, one participant reiterated his delegation's view that the definition of a common and multilateral method was an indispensable prerequisite for entering into effective, multilateral tariff negotiations. This was the only way to guarantee the equitable participation of all contracting parties in the negotiations and to maximize the results. He expressed disappointment and concern over the fact that the Group had failed to meet the target set by Ministers in Montreal; this was a step back from multilateralism and towards the kind of bilateralism that the present Round was supposed to combat. The present decision did not guarantee that the final outcome of the negotiations would achieve the goals set in Montreal. Nevertheless, his Government would submit an offer according to the agreed schedule, on the basis of a harmonization formula by which it would also measure offers presented by others. He added that the final contribution of his country would depend very much on the outcome of the negotiations it would be engaged in. He stressed that unless the negotiations contributed to better market access for his country's goods, his Government would not be able to improve further the access to its own already open market.

11. Recalling the views of his delegation expressed at previous meetings of the Group, another participant stated that his delegation was to some extent disappointed that the text did not accomplish more. He recognized, however, that the decision taken at the present meeting to adopt the text was an important one which enabled the negotiations on tariffs to move into a new phase. He expressed his delegation's readiness to participate in the negotiations in the manner envisaged in the text, and expressed the hope that the negotiations pursuant to these procedures would yield an important result.

12. One developing country participant, while appreciating the efforts made by the Chairman in producing the agreement, said that his country would participate in the negotiations to the extent of its possibilities. He stressed that it was important for his delegation to take into account concessions made or those received in other negotiating groups. What his country would be able to offer in the Group and in other negotiating groups depended on what it would receive in the Negotiating Group on Tropical Products, where the largest part of its trade interests was located.

13. One participant stated that he was pleased to see that the Group had agreed upon a procedure which would allow the start of intensive negotiations on both tariffs and non-tariff barriers. He expressed the

belief that the procedures would put an obligation on all participants to be forthcoming and ambitious in negotiating a significant package of trade liberalization measures. No procedural agreement could guarantee concrete results; this would be left to the goodwill and reasonableness of all participants. The procedures were a good beginning and should be viewed as a reaffirmation of the intention to fulfil, within the scheduled time-frame, the mandate of the Montreal Agreement. The participant stated that he was prepared for a major negotiation on tariffs and non-tariff barriers and expected to link these two subjects in his bilateral request/offer negotiations. His delegation had already prepared and circulated requests to twenty-three participants and would by mid-February submit requests to a further twenty-seven participants. After the exchange of proposals for tariff reductions on 15 March, everything would be on the table for a full give-and-take. The participant underlined that he had the authority to cut tariffs and to cut them deeply, but at the same time he wanted to make his intention or expectations very clear. First, he would not make any final, irrevocable offers for reductions in his tariff except as part of his bilateral request/offer procedure. Nothing in his country's 15 March proposal would be irrevocable. It would only sign a tariff agreement that was balanced, one that ensured real and significant reductions in the tariff and non-tariff barriers of other participants. The participant further stated that he wanted to send an unambiguous signal to those trading partners who believed that it was possible to have a major market access package in which his own and a few other developed countries, i.e. those who had already low tariffs and high bindings, would make disproportionately deeper cuts than those participants with high tariff or non-tariff barriers. He would not be prepared to sign such a deal. The Uruguay Round would have to include significant reductions by all participants if it were to succeed. The participant recognized that certain countries were looking for flexibility, i.e. how they might structure their concessions. The targeted procedures provided such flexibility, but all countries had to live up to the challenge presented by these negotiations. Not the least among these challenges was to create a system of more equivalent levels of obligations among all participants.

14. One participant considered the text incomplete in relation to other possibilities which had been suggested during the discussions in the Group and throughout the consultations. He nevertheless recognized that there were positive elements in the text, and for that reason, his delegation could accept it. He stressed that the final contribution of his country would depend on the advantages it could achieve through the negotiations.

15. While reserving judgement on the details of the text which might lead participants to substantial results in the area of tariffs, one developing country participant stated that he would be negotiating and taking part in tariff negotiations, as in all other groups under the Uruguay Round, in good faith, and in accordance with the general principles contained in Part I B of the Punta Del Este Declaration, in particular paragraphs (iv) to (vii). This meant that his country would make its contribution consistent with its development, financial and trade needs.

16. Another developing country participant said that her delegation was willing to accept the text on procedures on the understanding that the rules and principles set out in the Punta Del Este Declaration and further elaborated in Montreal remained fully applicable. Her country was in a position to contribute to the success of the tariff negotiations in a way that would take into account its development, financial and trade needs, as acknowledged by the two Ministerial Decisions. Her country was also committed to the obligation to submit its negotiating plan by the agreed date. This plan should seek liberalization goals that, while consistent with its development, financial and trade needs, might be acceptable to its partners. The implementation of such a plan would depend on the reduction of the protection levels applied by its trading partners in all sectors. She also mentioned that the demonstration of her country's willingness to open its market by means of reducing its import duty average by 25 per cent, effective July 1988, which her country considered as a liberalization effort in the Round, should receive appropriate recognition, especially due to the fact that imports had grown by 40 per cent over the twelve months following the adoption of the new tariff. In conclusion, she said that her country would approach the negotiations with the expectation that results would be balanced, and that they would represent significant improvements in access to markets, especially for products of export interest to developing countries who would not be required to make concessions on the basis of strict reciprocity.

17. Some other developing country participants stated that the text on the procedures for the tariff negotiations should be read in conjunction with the two documents agreed by Ministers in Punta del Este and in Montreal, especially the provisions regarding special and differential treatment for developing countries and those assuring the greatest possible transparency in the process of negotiations. One of these participants maintained that the acceptance of the text by his delegation was subject to the understanding that Part I B of the Punta del Este Declaration - in particular paragraph (vii) which guided the participation of least-developed countries, such as his, in the Uruguay Round - as well as its reaffirmation in Montreal remained effective. His delegation understood that the particular aspect of participation clarified by the Chairman at the present meeting would be in accordance with the Ministerial Decisions.

18. The Chairman then proposed that the Group take note of all the remarks made in the course of the meeting, and assured the Group that those remarks would be faithfully reflected in the record of the meeting. He subsequently made the following statement on his own responsibility, which he said was not binding on participants:

First, during the course of the many meetings on tariffs which he had chaired over the past two months and the many private consultations which he had held in the same period with a great number of delegations, it had become clear to him that many participants had a

strong preference for, and intended to use, the formula approach for the reduction or elimination of tariffs, although it was recognized that not all participants might be in a position to employ a formula. It further appeared to him that the formula which those delegations favouring the formula approach would use would, in many instances, be

$$R \text{ (the reduction)} = 32 + \frac{D}{5} \text{ (the base rate), with a maximum}$$

reduction of 38 per cent, although some participants favoured using a maximum reduction figure that was more ambitious than 38 per cent.

Second, developing country participants had emphasized, both in meetings and in private consultations, their need for special and differential treatment in the tariff negotiations. These delegations had referred to provisions previously agreed by Ministers, in particular that developing countries were not expected to make contributions which were inconsistent with their individual development, financial and trade needs, and to other relevant parts of the Punta de Este Declaration, especially Part I B, paragraphs (iv)-(vii). Developing country delegations had also underlined that in the Mid-Term Review Agreement there had been an understanding that the participation of developing countries would be in accordance with the general principles governing the negotiations, including the parts of the Punta del Este Declaration.

19. The representative of the Community expressed relief at this outcome, which would finally allow genuine tariff negotiations to begin without further delay, and outlined once again his delegation's negotiating position. On tariffs its overriding priority was not only to exchange concessions for its exports but also to strengthen the multilateral system through tariffs and through the reduction, or even elimination, of imbalances in obligations. That priority entailed the need for all participants, except the least-developed countries and countries not yet GATT contracting parties, to take part not only in the tariff negotiations but also in the binding of tariffs as a general rule. His delegation would do all that it could to achieve that objective, to which end there existed a number of trade policy instruments, such as for example the Generalized System of Preferences and the possibility of a waiver. While stressing this point, he added that he had already expressed this position, intended to help the system, in the Senior Officials Group four years earlier, as well as subsequently in the Preparatory Committee. With regard to the agricultural part of tariffs, he confirmed that his delegation would negotiate on the sector, in keeping with the interpretation agreed at the Mid-Term Meeting, in the Negotiating Group on Agriculture, but reassured his partners that a comprehensive evaluation would be carried out at the end of the negotiations. As for tropical products, his delegation did not exclude them from the negotiations but would negotiate and introduce additional concessions, in line with its partners' participation in the Group on Tropical Products. With regard to the issue of special and differential treatment for developing countries, his delegation felt that there was some misunderstanding concerning its

application in the context of the Uruguay Round. Clearly, his delegation was morally as well as politically bound to honour the Punta del Este provisions, and that was included in the submission his delegation had presented last July; nevertheless, those provisions should apply globally to the entire negotiating process and be used for the final evaluation of the results of the Uruguay Round. He did not understand why those provisions were raised mechanistically, repeatedly and pressingly in each negotiating group, on each negotiating subject; that stemmed from a mistaken interpretation of the provisions of the Punta del Este Declaration. While recognizing that genuine developing countries should not take on obligations aimed above all at reductions which were not compatible with their level of development, he pointed out that his delegation would apply the provisions on a case-by-case basis. However, he considered that those provisions did not apply to the concept of binding. He also stressed that trade among developing countries should be encouraged. With regard to the credit for bindings mentioned in the Mid-Term Agreement, his delegation considered that that was a qualitative rather than a quantitative credit. With regard to the negotiating method, his delegation would evaluate and weigh its partners' contributions in the light of its own formula submitted on 13 July 1989, and would adjust its offers accordingly. With regard to the earlier negotiating rounds, he warned participants that in this round there could be no "free riders", in terms either of bindings or of contributions in the form of bound reductions, while taking account, however, of the provisions concerning special and differential treatment as far as reductions were concerned. Finally, the representative of the Community stated that his delegation would shortly and, in any case, well before the 15 March deadline, submit an illustration of the mechanistic application of the formula proposed last July to Chapters 25 to 97 of the Harmonized System, without any exceptions, which roughly correspond to the target achieved at the Tokyo Round. He added that this mechanistic illustration could be developed, bound or reduced; that would depend on equivalent efforts by all participants.

20. One developing country participant said that his delegation disagreed with the interpretation given by the previous speaker concerning special and differential treatment provided in the Punta del Este Declaration. His delegation could not accept the interpretation that provisions relating to special and differential treatment had to be looked at alone. He maintained that in the context of this particular negotiating group, the Montreal text had a direct reference to Part I B, paragraphs (iv) to (vii), i.e. that there should be no expectation that developing countries would make contributions in the Group which were contrary to their development, financial and trade needs.

21. Another developing country participant stated that his country intended to act in conformity with paragraph 3 of the adopted text and that it would not make any sectoral discrimination in its request for improvements in the offers submitted by any participant.

Item B: Broadening and updating of the factual data base for the tariff negotiations

22. At the meeting held on 15 December 1989, the Chairman recalled that the secretariat had provided the Group with an up-to-date report on the situation regarding tariff and trade data. He mentioned that the points made by the secretariat at the previous meeting were fully recorded in the note by the secretariat circulated in document MTN.GNG/NG1/16. He told the Group that there had not been any significant developments since then.

23. One developing country participant informed the Group that his delegation had sent to the secretariat all of the relevant statistical data on the foreign trade of his country in 1988; these were available to participants who would like to consult them.

Item C: Consideration of the Group's future work and arrangements for further meetings

24. The Chairman suggested that it could be useful for delegations if the secretariat were to produce a short technical note providing some guidance as to the mere mechanics of the submission of proposals, such as the number of copies to be supplied, the method of distribution of the proposals to other participants, etc. He proposed that, if it was agreeable to the Group, he would ask the secretariat to prepare such a technical note which could subsequently be discussed by the Group at the next meeting which could be held around the end of February 1990, the precise date to be established through consultation with delegations. It was so agreed.