

Chair's Reference Paper¹

TROPICAL AND DIVERSIFICATION PRODUCTS

Background

Paragraph 9 of the Hong Kong Ministerial Declaration (WT/MIN(05)/DEC) states, *inter alia*, that:

"...We reaffirm that nothing we have agreed here compromises the agreement already reflected in the Framework on other issues including tropical products and products of particular importance to the diversification of production from the growing of illicit narcotic crops."

Paragraph 43 of the Agreed Framework (Annex A of WT/L/579) states that:

"Full implementation of the long-standing commitment to achieve the fullest liberalisation of trade in tropical agricultural products and for products of particular importance to the diversification of production from the growing of illicit narcotic crops is overdue and will be addressed effectively in the market access negotiations."

¹ The headings used in this reference paper are indicative only.

Structure for Discussion

Introduction

1. Paragraph 43 of the Agreed Framework and paragraph 9 of the Hong Kong Ministerial Declaration state that these negotiations should effectively address the full implementation of the long-standing commitment to achieve the fullest liberalization of trade in tropical agricultural products and products of particular importance to the diversification of production from the growing of illicit narcotic crops (tropical and diversification products). Clearly, if Members are to prepare Schedules of Commitments that respect the political agreement made by Ministers, the modalities should address effectively two key elements: what are the actual products that we are talking about when we say tropical and diversification products; and how should they be treated so as to achieve the commitment made in paragraph 43 of the Agreed Framework and paragraph 9 of the Hong Kong Ministerial Declaration.

Product Coverage

2. There has been a variety of definitions for tropical products put forth over the past fifty years which underlines the fact that indicative lists of tropical products represent negotiated outcomes. Various documents, such as the Mid-Term Review of the Uruguay Round (MTN.TNC/11)², refer to different indicative lists. Furthermore, the possibility of adding products to the list has been incorporated into previous lists of products, as in the Uruguay Round text which states that "it was understood that this would not constitute a definition of tropical and alternative products nor an exhaustive listing and that other products might be included as negotiations proceed".

3. One recent proposal (Job(06)/129) defines tropical and alternative products as "those products growing between the Tropic of Cancer and the Tropic of Capricorn. Alternative products are those products growing in tropical zones under the potential of growing illicit crops that threaten human and social development". The proposal also includes a list of such products (see Annexes 2 and 3). This list is not really comparable to the Uruguay Round list because it explicitly includes alternative products and does not include non-agricultural products. Clearly we could – one might even say we should – develop a common definition of what constitutes a tropical and diversification product, but I find it hard to avoid the conclusion that we should recognize up front that any list of products will represent a negotiated list, and that we are not necessarily seeking to achieve a list that would satisfy a precise definition of the meaning of "tropical" as understood by an adept at defining geographical terms – or should I say indications.

4. As far as lists themselves are concerned (whether based on definitions or not), I perceive at least three approaches: (i) we could seek to achieve an agreed exhaustive list; (ii) we could allow individual Members in preparing their draft Schedules of commitments to decide what products should be treated as tropical and alternative products; or (iii) we could use an approach which would permit directed flexibility, whereby we could consider establishing a core set of tropical and alternative products and allow individual Members to add to this list in preparing their Schedules, with possible amendments arising from verification. Of course, there are probably different alternatives that could be developed and further explored. I do have to say that, personally, I find it difficult to believe that Members will ever agree to allow "importer" self-selection, especially so without an agreed definition, so I don't see that as promising avenue. On the other hand we have never reached agreement on an exhaustive list in the history of GATT/WTO negotiations, so I am not optimistic about scoring a first this time around.

² Tropical beverages; spices, flowers and plaiting products; certain oilseeds, vegetable oils and oilcakes; tobacco, rice and tropical roots; tropical fruits and nuts; natural rubber and tropical wood; jute and hard fibres.

5. If Members wish to develop a standard or core list of tropical products, one possible approach would be to use the proposals lists of tropical products as set out in Annexes 1 and 2. Although some products on these lists may be controversial, it might be worth first noting that, for many of the products on the lists, there is little or no doubt that they are tropical or diversification products. Therefore we could begin by developing a list of products for which agreement exists and then proceed to determine what other products, if any, should be added.

6. All of that said, we have very little time. I have to confess to a certain degree of scepticism that we would have the time to do this, based on where we have got to at this point. If there is a will to move in this direction, I would welcome it, but we would need to have pretty clear and unambiguous signs of readiness to do this and to be prepared to abandon excessive ambit claims. Otherwise this would be a futile exercise to embark upon.

Treatment

7. In the consultations held to date, the definition of "fullest liberalisation" has attracted a lot of attention with various interpretations and opinions put forward. What can I say, or more to the point what can I say that would not be unhelpful? I suggest that the Secretariat paper prepared in February of last year (TN/AG/S/17) makes sobering reading on the matter as regards what the context is for this form of words – or a version pretty close to that form – in the past. What does seem to me to be hard to get away from is that the word "fullest" is pretty difficult to reconcile with something that is less than the "default" liberalisation treatment (whatever the latter might turn out to be). When you look at the terms: "full, fuller, fullest" it's pretty clear that it is at the superlative end of that scale. But how far is that to be interpreted? On one view, proposals received so far suggest that "fullest liberalisation" should be interpreted as the complete elimination by developed countries of all customs duties and "quantitative restrictions" on an MFN basis for unprocessed, semi-processed and processed tropical and alternative products. This phase-out of customs duties and "quantitative restrictions" should occur over a shorter implementation period than would be accorded to other products and include non-tariff barriers as well. It is also proposed that such products should not be included on the list of sensitive products by developed countries.

8. Members are entitled to take that position and stick to it. We will see where we get to. All I would add as Chair is that at some point we will have to see at least some movement from that position just as we will need to see some movement from any position which amounts to – *de jure* or *de facto* – saying that tropical products will be treated essentially the same as what the formulas produce. Just to illustrate, it seems to me hardly implausible to take the view that we will not, in this round, see the elimination of all duties on sugar in developed country markets. I also think it is hardly implausible to say that sugar is a tropical product (albeit that it is not only the product of tropical agriculture). Ergo I, for one (and I say this only in an attempt to be an objective observer) cannot see the elimination of all duties on all tropical products as a realistic literal objective.

9. Now, I don't say that to discourage a view that there is a mandate to discharge and to make things really happen. All I am doing is to say that sitting on positions will get us nowhere. Of course, all have to move, but I feel we are really quite some way from a realistic approach zone. I see some, perhaps significant, signs of that. For instance, proposals call for the elimination of customs duties, "quantitative restrictions" and non-tariff barriers in developed country markets, rather than in all markets. Therefore, it seems clear to me that that no Member argues that the extreme interpretation of "fullest liberalisation" should mean the elimination of all trade-distortions of all kinds and by all Members. Furthermore, it has been agreed that least-developed countries will not reduce their bound tariffs, including on imports of tropical products. At the other of the spectrum, and leaving to one side for the moment the definition of tropical and alternative products, no developed Member has suggested that it will avoid improving market access for tropical products, but I have to say I have seen very little that looks like a concrete indication that there is something "more" (fullest) tangible for tropicals than for the other products. More concretely, there is perhaps a harbinger of things to

come in the way that rice is not included in a list of tropical products. As Chair I would simply urge that we move in that direction of greater sense of realism but, of course, that needs reciprocal recognition that there is a serious mandate that will be seriously discharged.

10. Unfortunately, this rejection of the extremes does not, in and of itself, represent real convergence. It would seem to be logical, however, to expect that fullest liberalization does imply, at least, greater liberalization for tropical and alternative products than required by any “general” tariff reduction formula. I would suggest that delegations should start working on “how much more” than the formula they could be prepared to go.

ANNEX 1

ANNEX 4 OF TN/AG/S/17

INDICATIVE LIST OF TROPICAL PRODUCTS³ USED IN THE URUGUAY ROUND⁴

PRODUCT GROUPS AND SUB-GROUPS		4-DIGIT HS HEADINGS⁵
Group I:	Tropical beverages	
(a)	Unprocessed products	0901, 0902, 1801, 1802
(b)	Semi-processed and processed products	1803, 1804, 1805, 2101
Group II:	Spices, flowers and plants, plaiting products, etc.	
(a)	Unprocessed products	0904-0910, 0602, 0603, 1211, 1301, 1401, 1402, 1403, 1404
(b)	Semi-processed and processed products	1302, 1521, 3203, 3301, 4601, 4602, 9601
Group III:	Certain oilseeds, vegetable oils and products thereof	
(a)	Unprocessed products and residues from oil extraction	1202, 1203, 1207, 2305, 2306
(b)	Semi-processed and processed products	1208, 1508, 1511, 1513, 1515, 1516, 1518, 1519, 1520
Group IV:	Tropical roots, rice and tobacco	
(a)	Unprocessed products	0714, 1006, 2401
(b)	Semi-processed and processed products	1106, 1108, 1903, 2402
Group V:	Tropical nuts and fruits	
(a)	Unprocessed products	0801, 0803, 0804, 0807
(b)	Semi-processed and processed products	2006, 2007, 2008
Group VI:	Rubber and tropical wood	
(a)	Raw material	4001, 4403
(b)	Semi-manufactures	4005-4009, 4407-4410, 4412
(c)	Finished products	4011, 4013-4017, 4414, 4418-4421, 9401, 9403
Group VII:	Jute and hard fibres	
(a)	Raw material	5303, 5304, 5305
(b)	Semi-manufactures	5307, 5308, 5310, 5311
(c)	Finished products	5607, 5608, 5609, 5905, 6305

³ There is no agreed definition of what constitutes tropical products.

⁴ See for instance document MTN.GNG/NG6/W/5.

⁵ The Harmonized System (HS) was introduced from 1 January 1988.

ANNEX 2

From Job(06)/129

LIST OF TROPICAL AND ALTERNATIVE PRODUCTS

PRODUCT GROUPS AND SUB-GROUPS		4 DIGIT HS
Group I: Tropical beverages		
(a) Unprocessed products		0901, 0902, 1701, 1801, 1802
(b) Semi-processed and processed products		1703, 1803-1806, 2101, 2103, 2208
Group II: Spices, flowers and plants, plaiting products, etc.		
(a) Unprocessed products		0904-0910, 0602-0604, 1211, 1212, 1301, 1401-1404
(b) Semi-processed and processed products		1302, 1521, 3203, 3301
Group III: Certain oilseeds, vegetable oils and products thereof		
(a) Unprocessed products and residues from oil extraction		1202, 1203, 1207, 2305, 2306
(b) Semi-processed and processed products		1208, 1502, 1504, 1505, 1507, 1508, 1511-1513, 1515-1518, 1520-1522
Group IV: Tropical roots, rice and tobacco		
(a) Unprocessed products		0701, 0702, 0709, 0711, 0713, 0714, 2401
(b) Semi-processed and processed products		1106, 1108, 1903, 2402, 2403
Group V: Tropical nuts and fruits		
(a) Unprocessed products		0801-0805, 0807, 0810-0814
(b) Semi-processed and processed products		2001, 2004-2009
Group VI: Jute and hard fibres		
(a) Raw material		5001, 5201

ANNEX 3

SEQUENTIAL LIST OF 4 DIGIT HS CODES INCLUDED IN JOB(06)/129

HS4	HS4 DESCRIPTION
0602	Other live plants (including their roots), cuttings and slips; mushroom spawn.
0603	Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared.
0604	Foliage, branches and other parts of plants, without flowers or flower buds, and grasses, mosses and lichens, being goods of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared.
0701	Potatoes, fresh or chilled.
0702	Tomatoes, fresh or chilled.
0709	Other vegetables, fresh or chilled.
0711	Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.
0713	Dried leguminous vegetables, shelled, whether or not skinned or split.
0714	Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar roots and tubers with high starch or inulin content, fresh, chilled, frozen or dried, whether or not sliced or in the form of pellets; sago pith.
0801	Coconuts, Brazil nuts and cashew nuts, fresh or dried, whether or not shelled or peeled.
0802	Other nuts, fresh or dried, whether or not shelled or peeled.
0803	Bananas, including plantains, fresh or dried.
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried.
0805	Citrus fruit, fresh or dried.
0807	Melons (including watermelons) and papaws (papayas), fresh.
0810	Other fruit, fresh.
0811	Fruit and nuts, uncooked or cooked by steaming or boiling in water, frozen, whether or not containing added sugar or other sweetening matter.
0812	Fruit and nuts, provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.
0813	Fruit, dried, other than that of headings Nos. 08.01 to 08.06; mixtures of nuts or dried fruits of this Chapter.
0814	Peel of citrus fruit or melons (including watermelons), fresh, frozen, dried or provisionally preserved in brine, in sulphur water or in other preservative solutions.
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion.
0902	Tea, whether or not flavoured.
0904	Pepper of the genus Piper; dried or crushed or ground fruits of the genus Capsicum or of the genus Pimenta.
0905	Vanilla.
0906	Cinnamon and cinnamon-tree flowers.
0907	Cloves (whole fruit, cloves and stems).
0908	Nutmeg, mace and cardamoms.
0909	Seeds of anise, badian, fennel, coriander, cumin or caraway; juniper berries.
0910	Ginger, saffron, turmeric (curcuma), thyme, bay leaves, curry and other spices.
1106	Flour, meal and powder of the dried leguminous vegetables of heading No. 07.13, of sago or of roots or tubers of heading No. 07.14 or of the products of Chapter 8.
1108	Starches; inulin.
1202	Ground-nuts, not roasted or otherwise cooked, whether or not shelled or broken.
1203	Copra.
1207	Other oil seeds and oleaginous fruits, whether or not broken.
1208	Flours and meals of oil seeds or oleaginous fruits, other than those of mustard.
1211	Plants and parts of plants (including seeds and fruits), of a kind used primarily in

HS4	HS4 DESCRIPTION
	perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh or dried, whether or not cut, crushed or powdered.
1212	Locust beans, seaweeds and other algae, sugar beet and sugar cane, fresh, chilled, frozen or dried, whether or not ground; fruit stones and kernels and other vegetable products (including unroasted chicory roots of the variety <i>Cichorium intybus sativum</i>) of a kind used primarily for human consumption, not elsewhere specified or included.
1301	Lac; natural gums, resins, gum-resins and oleoresins (for example, balsams).
1302	Vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar and other mucilages and thickeners, whether or not modified, derived from vegetable products.
1401	Vegetable materials of a kind used primarily for plaiting (for example, bamboos, rattans, reeds, rushes, osier, raffia, cleaned, bleached or dyed cereal straw, and lime bark).
1402	Vegetable materials of a kind used primarily as stuffing or as padding (for example, kapok, vegetable hair and eel-grass), whether or not put up as a layer with or without supporting material.
1403	Vegetable materials of a kind used primarily in brooms or in brushes (for example, broomcorn, piassava, couch-grass and istle), whether or not in hanks or bundles.
1404	Vegetable products not elsewhere specified or included.
1502	Fats of bovine animals, sheep or goats, other than those of heading No. 15.03.
1504	Fats and oils and their fractions, of fish or marine mammals, whether or not refined, but not chemically modified.
1505	Wool grease and fatty substances derived therefrom (including lanolin).
1507	Soya-bean oil and its fractions, whether or not refined, but not chemically modified.
1508	Ground-nut oil and its fractions, whether or not refined, but not chemically modified.
1511	Palm oil and its fractions, whether or not refined, but not chemically modified.
1512	Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified.
1513	Coconut (copra), palm kernel or babassu oil and fractions thereof, whether or not refined, but not chemically modified.
1515	Other fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified.
1516	Animal or vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinised, whether or not refined, but not further prepared.
1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, other than edible fats or oils or their fractions of heading No. 15.16.
1518	Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, blown, polymerised by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of heading No. 15.16; inedible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, not elsewhere specified or included.
1520	Glycerol, crude; glycerol waters and glycerol lyes.
1521	Vegetable waxes (other than triglycerides), beeswax, other insect waxes and spermaceti, whether or not refined or coloured.
1522	Degras; residues resulting from the treatment of fatty substances or animal or vegetable waxes.
1701	Cane or beet sugar and chemically pure sucrose, in solid form.
1703	Molasses resulting from the extraction or refining of sugar.
1801	Cocoa beans, whole or broken, raw or roasted.
1802	Cocoa shells, husks, skins and other cocoa waste.
1803	Cocoa paste, whether or not defatted.
1804	Cocoa butter, fat and oil.
1805	Cocoa powder, not containing added sugar or other sweetening matter.
1806	Chocolate and other food preparations containing cocoa.
1903	Tapioca and substitutes therefor prepared from starch, in the form of flakes, grains, pearls, siftings or in similar forms.
2001	Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or

HS4	HS4 DESCRIPTION
	acetic acid.
2004	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading No. 20.06.
2005	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading No. 20.06.
2006	Vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar (drained, glacés or crystallised).
2007	Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, being cooked preparations, whether or not containing added sugar or other sweetening matter.
2008	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included.
2009	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter.
2101	Extracts, essences and concentrates, of coffee, tea or maté and preparations with a basis of these products or with a basis of coffee, tea or maté; roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates thereof.
2103	Sauces and preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard.
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol.; spirits, liqueurs and other spirituous beverages.
2305	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of ground-nut oil.
2306	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetable fats or oils, other than those of heading No. 23.04 or 23.05.
2401	Unmanufactured tobacco; tobacco refuse.
2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.
2403	Other manufactured tobacco and manufactured tobacco substitutes; "homogenised" or "reconstituted" tobacco; tobacco extracts and essences.
3203	Colouring matter of vegetable or animal origin (including dyeing extracts but excluding animal black), whether or not chemically defined; preparations as specified in Note 3 to this Chapter based on colouring matter of vegetable or animal origin.
3301	Essential oils (terpeneless or not), including concretes and absolutes; resinoids; extracted oleoresins; concentrates of essential oils in fats, in fixed oils, in waxes or the like, obtained by enfleurage or maceration; terpenic by-products of the deterpenation of essential oils; aqueous distillates and aqueous solutions of essential oils.
5001	Silk-worm cocoons suitable for reeling
5202	Cotton, not carded or combed