

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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Group of Negotiations on Goods (GATT)

Negotiating Group on Tropical Products

MEETING OF 29-30 NOVEMBER AND 1 DECEMBER 1989

Note by the Secretariat

1. The Negotiating Group on Tropical Products held its seventeenth meeting on 29-30 November and 1 December 1989 under the Chairmanship of Mr. P. Leong Khee Seong (Malaysia). The Group adopted the Agenda set out in GATT/AIR/2872. No matters were proposed under "other business".

Definition of appropriate ways and means to give effect to the provisions contained in paragraphs 2 and 3 of the Decision on Tropical Products adopted by Ministers at the Mid-Term Review of the Uruguay Round.

2. The Chairman recalled that at its meeting on 19-20 October 1989 participants had another series of discussions and informal consultations on ways and means to give effect to the provisions of paragraphs 2 and 3 of the Ministerial Decision on Tropical Products, (see the Note on Proceedings, document MTN.GNG/NG6/18). With regard to documentation the Chairman noted that the secretariat had completed the issuance of the new series of guides for multilateral consultations and the addenda which contain additional information on trade policy measures notified by participants under TI-document series. Data on contributions made by participants outside the Montreal Package were also incorporated. Updated country notes for the guides were contained in MTN.GNG/NG6/W/40. The Checklist of Relevant Documents circulated in MTN.GNG/NG6/W/42 contained details on the new series of guides. A revised proposal presented by Bangladesh on behalf of the least-developed countries had been circulated in MTN.GNG/NG6/W/41.

3. The representative of Malaysia speaking also on behalf of other countries members of the ASEAN which were contracting parties to the GATT introduced the proposal subsequently circulated in MTN.GNG/NG6/W/43. Recalling the special importance accorded to negotiations on tropical products in the Punta del Este Ministerial Declaration, the representative noted with concern that there had been hardly any progress in this area since the Montreal Package was adopted. Major trading partners had not yet indicated how they intended to give effect to the provisions of the Ministerial Decision on Tropical Products and had not given adequate attention to negotiations in this area of importance for a large number of developing countries. The ASEAN submission was intended to suggest how participants could achieve the objective of the fullest liberalization of trade in tropical products and in particular, how to give effect to the provisions of the Mid-Term Review Decision. It envisaged that developed countries: (i) eliminate all duties on unprocessed products; (ii) apply a

formula of their choice to eliminate or substantially reduce duties on semi-processed and processed products. Such substantial reduction should result in an overall lowering of duties by at least 75 per cent; (iii) eliminate all nuisance duties; (iv) further reduce/eliminate duties through negotiations based on a request and offer approach; (v) reduce or eliminate non-tariff measures through appropriate negotiating modalities. Implementation of concessions by developed countries should start by January 1991. Participation by developing countries would be in accordance with Part I.B(iv)-(vii) of the Ministerial Declaration. These countries should be given the necessary flexibility to select their own mode of liberalization, exclude sensitive items and effect smaller reductions with longer time-frames for implementation. It should also be recognized that some developing countries might not be in a position to contribute in this sector and should be given the latitude to include contributions from other product sectors. Liberalization measures undertaken by them since September 1986 should be recognized as contributions in negotiations. In regard to the time-table of negotiations, the proposal envisaged the following: by January 1990 participants would indicate their modes of trade liberalization or contributions and by February 1990 they would submit specific details of modes of trade liberalization or contributions on a tariff line basis. Such details should include, inter alia, initial proposals for the reduction or elimination of tariff and non-tariff measures, bindings and implementation dates; by April 1990 participants intending to seek improvements in initial proposals e.g. further reduction or elimination of duties and non-tariff measures, should submit requests and subsequently engage in negotiations; the Group would keep under review progress in negotiations to ensure that the export interests of developing countries were met. An evaluation of the results attained in negotiations in terms of their objectives would be conducted by the Group in September 1990.

4. A number of participants welcomed the submission of the proposal by ASEAN and made preliminary comments on it and sought clarification on certain elements contained therein.

5. One of these participants while supporting the basic thrust of the proposal emphasized that the Group needed to develop an approach ensuring the widest possible participation including by developing countries if it was to achieve the objective of the "fullest liberalization". The ASEAN proposal could be a basis for encouraging such a process. He could lend support to a number of elements of the proposal some of which being similar to the approach earlier suggested by his own delegation. Such elements included elimination of duties on unprocessed products and the use of appropriate formulae to eliminate/reduce duties on semi-processed and processed products. In this regard, the representative recalled his support for the Canadian formula as a useful starting point. He also stressed the need for flexibility in the application of a tariff-cutting formula which was recognized in the ASEAN proposal as well. As to the overall target proposed by ASEAN for tariff reductions, he believed that it

deserved further consideration as it might be too ambitious. The representative agreed with the objective of elimination of all nuisance duties. He attached particular importance to achieving reductions in both tariff and non-tariff measures and to assessing the overall combined impact of such reductions on market access. The representative further acknowledged that developing countries would make contributions in accordance with their capabilities. However, his country would be expecting overall contributions from all trading partners in areas of trade interest to it. This would influence the extent to which his country would contribute further to these negotiations. His delegation did not have any difficulties with the idea that least developed countries were not expected to make contributions. As to the suggestion that developed countries were expected to contribute more in this negotiating area given its special importance for developing countries the representative observed that these negotiations could not be strictly divided on "North-South" lines since not all developing countries had export interests in tropical products while some developed countries as his own did. Turning to the procedural elements of the proposal he noted in particular that they envisaged comprehensive participation and took account of approaches that were being considered in other market-access negotiations.

6. Another participant said that the ASEAN proposal was interesting as it could be a basis for starting effective negotiations in this Group where progress had not been made after Montreal. She noted with interest the measures proposed to be undertaken by developed countries. As to the participation by developing countries, while supporting the idea that contributions by these countries should be consistent with their individual development, financial and trade needs she inquired whether the proposal envisaged binding a proportion of the tariff and other forms of specific contributions that might be considered by developing countries. Furthermore, she said that requirements from developing countries in negotiations should be different than those from developed countries. In regard to the time-table of negotiations proposed she felt that the deadline of January 1990 for submission of indications by participants on their modes of liberalization and contributions might be too early in as far as developing countries were concerned.

7. The participant which earlier submitted the proposal contained in MTN.GNG/NG6/W/36 said that the ASEAN proposal supplemented and supported his proposal. He shared the measures proposed by ASEAN to be undertaken by developed countries including the elimination of duties on unprocessed products and the use of an appropriate formula to eliminate or substantially reduce duties on semi-processed and processed products. He also supported the idea of different levels of commitment by developed and developing countries in order to take account of the special export interests of the latter in tropical products. He felt that his proposal together with the ASEAN proposal could be an excellent basis for future negotiations in this Group.

8. Referring to the proposal submitted by Bangladesh on behalf of least-developed countries, the representative of Canada said that she was not in a position to undertake any commitments in regard to specific elements of the proposal such as immediate and unconditional implementation of results in favour of least-developed countries, particularly in light of the procedural impasse in market-access negotiations and given the contribution made by her country in Montreal in favour of those countries. However, she reiterated support for the underlying theme of the proposal which envisaged provision of special contributions to the benefit of least-developed countries. This was an element included in the Canadian proposal on market-access which provided for greater-than-formula cuts and their accelerated implementation in favour of those countries.

9. The representative of Switzerland recalled that his country's contribution to the Montreal Package included a 12 per cent reduction on coffee, not roasted, not decaffeinated (0901.11), offered on a GSP basis which entered into effect on 1 July 1989 together with the reduction of 50 per cent in favour of the least-developed countries. As stated in Montreal, his country envisaged the extension of GSP reductions on an m.f.n. basis at the end of the Round depending on the overall results achieved in negotiations. In this connection the representative informed the Group of the decision to apply on a m.f.n. basis the above-mentioned reduction on coffee as from 1 December 1990. Binding of this concession would be considered in the light of overall results of negotiations. His country hoped that other participants would make further contributions and that GSP contributions could be transformed in concessions in due course.

10. During this meeting of the Group participants held informal discussions and consultations on the question of the further conduct of negotiations in the light of the proposals on the table. The Group reconvened in formal session on 1 December 1989.

11. In opening the formal session the Chairman said that he had held further informal consultations with a number of delegations on how best to proceed with work in the Group in order to give effect to the provisions of paragraphs 2 and 3 of the Mid-Term Review Decision on Tropical Products. In the light of these informal discussions it was clear that it would be premature to try to reach an agreement on arrangements for the further conduct of negotiations at this meeting of the Group. The Chairman invited delegations wishing to make further comments on the Agenda to do so.

12. The representative of Malaysia, also on behalf of other ASEAN delegations, expressed appreciation to those participants which had expressed support for various elements of their proposal and made comments and suggestions on it. He noted that while a number of participants felt that the ASEAN proposal contained useful elements which could be the basis for further work in the Group some other participants had difficulties with certain aspects of the submission. He urged the latter to indicate how they intended to implement the provisions of the Mid-Term Review Decision

on Tropical Products. The ASEAN delegations were concerned that the Group was still far from reaching agreement on how the Decision would be implemented. This was not in line with the agreement by Ministers that negotiations on tropical products shall receive special attention including the timing of negotiations and implementation of results. The representative urged major participants to be more forthcoming and implement the MTR Decision. He also expressed concern at the attempt of some developed participants to place participation by developing countries on par with developed countries. In this respect he recalled that the Punta del Este Declaration specified that developed countries would not expect developing countries to make contributions in negotiations inconsistent with their individual development, financial and trade needs. Many developing countries had indicated their willingness to make contributions in accordance with that principle and such contributions had already been made by a number of them. The representative urged those participants which questioned the need for different levels of commitment between developed and developing countries to take fully into account that principle recognized in the Punta del Este Declaration.

13. Some developing-country representatives supported the views and concerns expressed by the previous speaker. In particular they stressed the special attention that should be given to tropical products in view of the importance of trade in these products for a large number of developing countries, the need for full implementation of the special and differential treatment and restated that contributions by those countries should not be inconsistent with their individual development, financial and trade needs. One representative also made the point that contributions by developing countries should not necessarily be made in the tropical products area but could be made in overall negotiations. In her view this important aspect had to be taken into account in any procedural arrangements such as those envisaged in paragraph 7 of the ASEAN proposal.

14. The author of the proposal contained in MTN.GNG/NG6/W/36 reiterated his country's position. While his delegation did not wish to be inflexible it should be recognized that the starting point for negotiations agreed at Punta del Este was that developing countries would undertake different levels of commitment than developed countries. His proposal which was still on the table envisaged the achievement of concrete results on tropical products sufficiently in advance of other areas so that developing countries exporters of tropical products could assess their contributions and participation in results in other negotiating groups. Finally he restated the view that the degree of participation by his country in other negotiating groups would be directly linked to the concrete results to be achieved in the Tropical Products Group.

15. The spokesman of a group of participants acknowledged that he shared some elements of the ASEAN proposal while with others he had difficulties. He further noted that without questioning in any way the Punta del Este Declaration it was important to take also into account more recent texts i.e. the MTR Decision on Tropical Products which set out how the

negotiations would be pursued after Montreal. He therefore emphasized that all participants should make appropriate contributions as specified in that Decision. This was also in line with the principle of fuller participation by developing countries spelled out in the Punta del Este Declaration. Recalling that several developing countries having different levels of development which had recently acceded to GATT had been able to undertake significant commitments in the tariff area including in regard to tropical products the spokesman wondered why in this Group certain developing countries seemed to believe that little could be done by them in terms of contributions. He believed that a more thorough examination in capitals of this issue would be most welcome in order to allow the Group to move forward and enable participants to reach at the end of the negotiating process the important package of liberalization of trade in tropical products that all participants were committed to.

16. Another representative reiterated the view expressed in this and other market-access groups concerning the importance of achieving a common interpretation of what participants have to do in negotiations in the light of the MTR texts. She wondered why the previous spokesman emphasized the need of achieving such a common interpretation in other market-access groups while in this group he did not share the same view. Her delegation felt that it was important to have a common understanding on procedures and guidelines for negotiation even if they were not based on a single negotiating modality. The targets for developed and developing countries should be specified before starting concrete negotiations.

17. One representative felt that some developing countries were trying to reinterpret the MTR Decision and impose pre-conditions on a negotiation based on those reinterpretations. According to some developing countries, developed countries were supposed to eliminate or reduce all their tariff and non-tariff measures on all tropical products apparently even those for which developing countries had little or no export interest. Only then those developing countries would decide what they wanted to do in return. Such countries were not asking their partners to live up to commitments made in the Punta del Este Declaration and the Montreal Decision but to go well beyond these commitments. The unwillingness to negotiate on the basis of pre-conditions was taken by those developing countries for a lack of interest in negotiations or attempts to delaying them. The representative underlined that his country was willing to negotiate in all the negotiating groups of the Uruguay Round. However, successful negotiations required participation by all countries as agreed in Montreal. He restated preparedness to negotiate when other participants would be willing to fulfill the agreements reached in Montreal.

18. The Group welcomed the submission of the proposal by ASEAN delegations and took note of the statements and comments made by participants in the course of the exchange of views pursued at this meeting on the question of ways and means to give effect to the provisions of paragraphs 2 and 3 of the Montreal Decision on Tropical Products.

19. In order to have more time available for work the Group agreed to advance the dates for the next two meetings which would now take place on 8-9 February and 26-28 March 1990.

20. In concluding the meeting the Chairman expressed the hope that at the first meeting of the Group in 1990 participants would be in a position to reach an agreement on the further conduct of negotiations. This would enable negotiations to start early next year and use effectively the time available in order to produce optimal results in pursuance to the negotiating objective in the tropical products area.