

ANNEX

RESTRICTED

GENERAL AGREEMENT ON TARIFFS AND TRADE

TAR/W/57
18 December 1985
Limited Distribution

Committee on Tariff Concessions

Original: French

ARTICLE XXVIII - NEGOTIATING RIGHT AND INTEREST OF EXPORTING COUNTRIES

Proposal by the Swiss Delegation

1. The negotiating right which is granted to "principal suppliers" (i.e. to the leading or the two leading suppliers - see Note 4 ad Article XXVIII:1) is based on the criterion of share of the import market. In addition, Note 5 of the explanatory notes to Article XXVIII:1 states that, exceptionally, a principal supplying interest may likewise be established according to the importance of the trade affected in relation to a country's total exports. This Note 5, which is moreover imprecise, is practically never applied. Development of the structure of world trade has had the effect of concentrating "principal supplier" rights on an ever smaller number of contracting parties. No doubt the best way to remedy this unsatisfactory situation, unforeseeable though it was in 1948, would be to supplement the existing provisions in this regard so as to take better account of the importance of the trade affected for exporting countries, and thereby to share out more equitably the interest of contracting parties in tariff negotiations.
2. Since the negotiations linked to introduction of the Harmonized System are of a special character and do not constitute Article XXVIII negotiations in the strict sense, the contracting parties could take the opportunity and apply an evolved definition of negotiating rights. Such an exercise would allow the effects and practicability of such a definition to be tested, and would thus yield indications with a view to any future adjustment of Article XXVIII.
3. To that end Switzerland proposes, at this juncture, that the Committee on Tariff Concessions decide to carry out a test in the context of the negotiations linked to introduction of the Harmonized System by offering a negotiating right to the exporter for which trade in a specific product has the most importance. One could envisage as a criterion the importance of exports of the product concerned to the market in question per head of population of the exporting country (see example in annex hereto).
4. The Committee could, if appropriate, decide to limit this exercise for example to certain chapters of the tariff or to headings for which INRs exist. This latter method would bring out the respective significance of INRs and of the new additional "right". In a first stage the Committee could also ask the secretariat to establish the "principal exporters per head of population" for the heading selected and on the basis of the documentation available.

Example:

Structure of imports of heading x into country Z:

<u>Value</u> (\$ million)	<u>Imported from</u>	<u>Share of imports</u> <u>into country Z (%)</u>
15	country A	44.1
10	" B	29.4
6	" C	17.6
3	" D	8.9
—		—
Total	34	100.0

Importance of trade per head of population:

<u>Country</u>	<u>Population</u>	<u>\$ Value of exports per head of</u> <u>population of exporting country</u>
A	300 million	0.05
B	250 million	0.04
C	10 million	0.6
D	60 million	0.05

Accordingly:

- country A would have a negotiating right with country Z as principal supplier;
- in addition, country C would likewise have this right by reason of the fact that it is the principal exporter of product X to country Z per head of population.