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MODALITIES FOR TARIFF NEGOTIATIONS

Statement made by the Delegation of New Zealand at the meeting
of the Negotiating Group on Tariffs, June 1987

We propose for consideration an approach that would be fully comprehensive and significantly trade liberalizing in its effects. This approach will clearly involve significant reductions in levels of tariff protection, over an appropriate time frame, right across the board for Contracting Parties. We don't think we should shrink from that. We think that is indeed what we should aim at in these negotiations, precisely in order to meet the objectives of the Punta Declaration.

SUMMARY

Like many others we are at an early stage in our own thinking on this subject and, above all, we look forward, in due course, to any comments from contracting parties. At this stage we are proposing what is basically an outline of related elements that we think would be an appropriate basis for negotiations. There are essentially five elements:

- First, that contracting parties bind all tariff items at an agreed maximum level or below. That would be a minimum on the bindings front. But, as outlined below, there would clearly be intent for, and scope to, take on bindings at lower levels.

- Second, that contracting parties reduce rates for all tariff items - i.e. each and every position - to a maximum ceiling level of 'x percent', to be achieved over a negotiated period of time.
- Third, that these undertakings would be made by all contracting parties on all tariff lines covering comprehensively all sectors.
- Fourth, that there would be a 'safety net' mechanism to provide for comparable systematic reductions in any case where a contracting party was not otherwise affected by application of the above approach.
- Fifth, that there would be scope for request and offer in some form.

ELABORATION

I would like to add some comments on these main elements as follow:

First. We would see it as of great value to extend the scope of tariff bindings among contracting parties. We think there is great merit in the concept advanced by some CPs at the previous meeting of this Negotiating Group that CP's should be prepared to bind all tariff items. The level would be open to negotiation. But there should be, as a minimum, a bound ceiling level.

For particular tariff items there would be lower bindings. That will partly reflect the situation of a ceiling that would be higher than a number of existing bindings. It will also partly reflect the prospect that other specific lower bindings would eventuate in negotiations.

The second element is in many ways central. Namely, that all Contracting Parties should, for all tariff items - and we stress for all tariff items - be prepared to negotiate down to a specific agreed level. Let us call that level "x percent". The intention would be that for all Contracting Parties, over an agreed time-frame which necessarily allowed for adjustment requirements, there would be a negotiated agreement to modify all tariff item duty rates down to a ceiling level of x percent.

What that level might be is a matter that we would look forward to discussing in this group. But let us say, as a general orientation, it would be our intention that it should be a genuine reduction for Contracting Parties. We certainly do not have in mind arriving at a highest common factor in tariffs that would mean that present tariff regimes would be virtually unmodified. Let us say that we have in mind a substantive, phased, downward reduction. But clearly it has to be a matter for negotiation as to where that downward reduction level might be struck.

Could I emphasize a third point. I have said that we envisage this applying to all contracting parties. But we see it as a corollary of that, that it has to apply right across all sectors of the tariff.

No exceptions. Were we to get onto the slippery slope of trying to find exceptions, we will find 94 exceptions. And once we have found 94 exceptions we will find ourselves virtually locked into the status quo.

If we intend to achieve liberalization that is comprehensive, there is really only one way to do it - and that's to do it comprehensively.

That gives us the best chance of unlocking the particular political difficulties each and every Contracting Party has in particular areas. That last thing we need is a negotiating approach that invites special pleading.

It is also the only really equitable way to proceed. Under an approach that is comprehensive it is virtually certain that every Contracting Party will be making significant reductions in levels of border protection. By contrast, it would be untenable that any Contracting Parties should be in the position of finding areas of very significant export interest to them taken out of play.

The fourth point is that we would need to provide for a 'safety net' mechanism to ensure that a balanced contribution was made by all. We have no fixed ideas at this point as to what systematic approach would ensure this. Any need for this would largely depend on what the ultimate level of the 'x percent' tariff rate was. We are making no prejudgements on that at this stage. But it is, I suppose, just conceivable that such a level could involve very substantial tariff reductions for a large number of Contracting Parties, but some other Contracting Parties could be relatively less affected i.e. they may well have a large number of tariff items that would already be below whatever ceiling level was struck.

We don't think this possibility should be over-stated. Again, I emphasise: this proposal is completely comprehensive. Being completely comprehensive, we think it very unlikely that there would be any Contracting Party that would be able to avoid making very significant tariff reductions. Some may be concentrated in some areas - some in others.

Fifth - request and offer. We do not consider that request and offer has the capacity of itself to deliver substantive liberalization. What is needed is an approach that would provide incentive to liberalize that goes beyond the limitations of one-on-one negotiations.

But we also see scope for request/offer arrangements.

For instance, if some kind of mechanism as outlined broadly above were to prove acceptable, it would clearly still leave areas (e.g. below the ceiling) where bilateral request and offer could take place.

But this brings me to a further comment on the bindings issue. The above approach of comprehensive reduction of tariffs to a ceiling level, is without prejudice to the bindings question. As I have indicated, we conceive, as a minimum, comprehensive bindings by all Contracting Parties. At this stage we can see that it is possible that those bound levels could be higher than the common tariff ceiling level struck. We would want to consider the most appropriate mechanism for building substantially enhanced binding commitments into the above proposal. Some kind of formula could be developed. For instance, it could be agreed, on a multilateral basis, to bind a certain percentage of those tariffs reduced to the ceiling figure. It is also possible that what could be called the "second level" binding issue could involve a request and offer element.

One further but very important point. Clearly tariffs do not always operate as the sole means of protection. The overall effectiveness, even of a programme as comprehensive as is envisaged here, would depend on reliance on the tariff as the means of border protection. It needs only to be said at this stage that an approach like this would adopt the working assumption that where the relevant tariffs are covered, the provision of access will not otherwise be impaired. That is a sine qua non of this proposal. That assumption would in due course clearly need to be fulfilled in practice.

CONCLUSION

In conclusion, we would add only that we have developed our approach principally seeking to take account of the negotiating objective for this group. We think that it would advance it, for instance in the following ways:

First, it would as we see it, operate to reduce high tariffs.

Second, the substantive levelling down envisaged, together with provision for a safety net and request and offer would "reduce tariff escalation". How far, would depend on how far down the 'x percent' went.

Third, it would 'enhance the scope of tariff concessions' in a number of ways:

- as a minimum, all tariffs would be bound at a ceiling level;
- there would be scope through e.g. request and offer and/or multilateral formula for even lower bindings;
- comprehensive coverage of all sectors would broaden the present coverage of bound rates;
- comprehensive coverage will also operate to encourage greater bindings by contracting parties. No contracting party will perceive that its interests as an exporter are being overlooked.

Finally, I would like to underline a particular aspect of this proposal, from New Zealand's own point of view.

For our own part we do not make it simply as a 'proposal for consideration' - although it is indeed intended to be that. I would emphasize that we stand ourselves prepared to undertake the liberalization that would be involved if CPs were to be prepared to seriously pursue it. It is our hope that, following due consideration of this proposal, contracting parties could be prepared to do so. We certainly are.