

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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Group of Negotiations on Goods (GATT)

Negotiating Group on GATT Articles

PROPOSALS FOR THE REDEFINITION OF SUPPLIERS' RIGHTS
UNDER ARTICLE XXVIII

Background Note by the Secretariat

1. At the third meeting of the Negotiating Group on GATT Articles, held on 14 and 15 September, a number of participants circulated a paper to the Group (MTN.GNG/NG7/W/21) which included a suggestion that the secretariat illustrate, on the basis of a representative sample from recent Article XXVIII negotiations, the implications for the acquisition of negotiating rights of the proposals made by participants in regard to the redefinition of these rights.

2. It was agreed by the Group that the secretariat would consult with interested delegations on the feasibility of such an exercise and report back at the Group's next meeting. This note provides some preliminary information. Attachment I is a tabulation summarising written proposals made by delegations for redefining suppliers' rights. Attachment II provides an illustrative calculation, using hypothetical figures, of what certain of the proposals put forward would imply for the designation of suppliers' rights. A brief commentary is also provided to explain certain statistical difficulties encountered in the exercise.

Attachment I

Summary of Proposals for the Redefinition of Suppliers' Negotiating Rights
under Article XXVIII

Proposal	Definition of Negotiating Rights	
	Based on existing trade flows	Based on potential trade flows
New Zealand (MTN.GNG/NG7/W/3)	Ratio of exports of affected product to GNP of exporting country*	Potential interest to be included in concept of substantial interest
Korea (MTN.GNG/NG7/W/6)	Ratio of exports of affected product to total exports of exporting country*	
Switzerland (MTN.GNG/NG7/W/11)	Exports of affected product per head of population of exporting country*	
Japan (MTN.GNG/NG7/W/20)		Develop criteria for compensation of potential trade flows
Argentina (MTN.GNG/NG7/W/22)	1) Ratio of exports of affected product to exports of that product by exporting country to all destinations* 2) Consultation rights of suppliers with substantial interest to be extended to exporters of affected product where such exports exceed 10 per cent of exports of that product to all destinations	
Peru (MTN.GNG/NG7/W/23)	1) Upgrade paragraph 5 of explanatory note to Article XXVIII:1 in order to accord principal supplier status to countries with major export interests 2) Ratio of exports of affected product from a developing country to total exports of the sector in question of that developing country*	

Proposal	Definition of Negotiating Rights	
	Based on existing trade flows	Based on potential trade flows
Canada (MTN.GNG/NG7/W/24)		Consideration of methods of compensation for potential trade flows from an exporter of new or existing products
Australia (MTN.GNG/NG7/W/26)	<p>1) At an agreed date, inscription of all initial negotiating rights, principal supplier rights and substantial supplier rights in tariff schedules as undifferentiated negotiating rights</p> <p>2) All subsequent negotiating rights to be acquired on the basis of a reciprocal exchange of concessions</p> <p>3) No negotiating rights to be exercised below a determined threshold of trade</p>	

*These proposals explicitly or implicitly envisage the granting of negotiating rights only to one additional contracting party.

Attachment II

Proposals for the Redefinition of Suppliers' Negotiating Rights

under Article XXVIII

- 1) Ratio of exports of affected product to GNP of exporting country (proposal by New Zealand)

This proposal causes no major problem as long as reliable GNP statistics are available for all GATT members.

- 2) Ratio of exports of affected product to total exports of exporting country (proposal by Korea)

This proposal causes no difficulty since all the necessary statistics are readily available.

- 3) Exports of affected product per head of population of exporting country (proposal by Switzerland)

This proposal causes no difficulty since all the necessary statistics are readily available.

- 4) Ratio of exports of affected product to exports of that product by exporting country to all destinations (proposal by Argentina)

The difficulty of this proposal arises from the fact that the "affected product" is identified on a given import market in the customs tariff nomenclature of the import market concerned. In order to identify total exports of that product by the exporting country, it would be necessary that the nomenclature used in the export statistics of the exporting country concerned match exactly the customs tariff nomenclature of the import market. This is practically never the case since most customs tariffs are more detailed than the CCCN four-digit nomenclature and some customs tariffs are not based on the CCCN.

- 5) Ratio of exports of affected product to total exports of the sector in question by the exporting country (proposal by Peru)

This proposal raises the problem of the definition of the "sector in question". If the sector is defined in terms of the four-digit CCCN heading or in terms of the two-digit CCCN chapter, the proposal implies that the exporting country concerned uses the CCCN nomenclature for recording its export statistics. If the calculations were to be made using a computer programme, the Tariff Study data base should be linked to a data base containing up to date export statistics, for all GATT members, in the required detailed nomenclature. At present, no data base of export statistics could be linked directly to the Tariff Study data base.

Results according to the first three proposals above are shown in the attached table

ILLUSTRATION OF VARIOUS METHODS FOR RANKING IMPORT SUPPLIERS

IMPORTS IN 198_ INTO _____

PAGE --

TARNO _____

Product description _____

	'000 \$	%	QUANTITY UNIT	RANK BASED ON:			SHARE OF SUPPLIES IN GNP	EXPORTS	VALUE OF SUPPLIES PER INHABITANT
				IMPTS	GNP	EXPTS POP	(per 100000)	(per 100000)	(US cents)
TOTAL GATT	79462	100	48826073						
EEC	39908	50	24897728	1	5	4	1.66	13.63	14.62
NEW ZEALAND	19215	24	13726333	2	1	1	81.66	344.97	591.41
AUSTRALIA	12590	16	7114714	3	3	3	6.81	57.93	80.90
UNITED STATES	4338	5	667812	4	10	8	0.12	2.11	1.83
NORWAY	1578	2	1392441	5	4	5	2.76	8.46	38.01
SWEDEN	750	1	586842	6	7	7	0.76	2.47	9.00
SWITZERLAND	697	1	196101	7	8	6	0.66	2.55	10.61
AUSTRIA	296	0	189065	8	9	9	0.43	1.73	3.93
BELIZE	45	0	32045	9	2	2	25.00	70.31	28.85
GABON	25	0	16000	10	6	10	0.88	1.24	3.08
INDIA	19	0	6495	11	11	11	0.01	0.23	0.00

Note: Tariff items to be reported in the listing could be selected according to the following criteria:

- 1) Where the rate is not duty-free bound
- 2) Whatever the rate

- select tariff item(s) by entering 1, 2 ... up to 23 digits of the tariff item number(s).
- select the tariff items where country X is first supplier or among the first 2, 3, 4, etc... suppliers, according to each of the four bases for ranking.
- select the tariff items where country X supplies less than a certain percentage of imports (e.g. less than 10%).
- select tariff items where country X supplies over a given value of imports.
- select tariff items where the rate is over a given percentage.
- select tariff items where, for country X, the share of supplies in GNP or in total exports or the value of supplies per inhabitant is above a given threshold.