

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG6/4  
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Group of Negotiations on Goods (GATT)  
Negotiating Group on Tropical Products

NEGOTIATING GROUP ON TROPICAL PRODUCTS

Meeting of 14 October 1987

Note by the Secretariat

1. The Negotiating Group on Tropical Products held its fourth meeting on 14 October 1987 under the Chairmanship of Mr. P. Leong Khee Seong (Malaysia), Chairman of the Group for the initial phase.
2. The Group adopted the agenda set out in GATT/AIR/2483 dated 7 October 1987. In the discussion the Group took up agenda items (B) and (C) together.

Agenda item (A): Compilation of background material for negotiations

3. The Group had before it draft background material prepared for its previous meetings on tropical beverages (MTN.GNG/NG6/W/2 and Add.1), jute and hard fibres (MTN.GNG/NG6/W/4), spices, flowers, plaiting products, etc. (MTN.GNG/NG6/W/7), a note presenting the tariff classification of tropical products according to the Harmonized System (MTN.GNG/NG6/W/5) and a draft synopsis of the commercial policy situation affecting seven product groups (MTN.GNG/NG6/W/6). For this meeting of the Group the secretariat had prepared draft background material on certain oilseeds, vegetable oils and oilcakes (MTN.GNG/NG6/W/11) and on tropical roots, rice and tobacco (MTN.GNG/NG6/W/12). Delegations were reminded to contact the secretariat for any corrections they might wish to make with respect to the draft background material prepared so far.

4. The Chairman recalled that at its third meeting on 3 July 1987 the Group continued the exchange of views on the question of the broadening of the data base and agreed to revert to this matter at this meeting in the light of further informal consultations to be held by the Chairman in the meantime. Summarizing the views expressed so far on the matter the Chairman observed that some developed countries had stated that the scope of the background material should be broadened to include all significant markets for trade in tropical products. These views had been supported by the following considerations: there were a number of emerging markets both in the developed and developing countries; as such, there was a need to obtain information from all participants in these multilateral negotiations; this provided greater transparency to the proper conduct of

trade negotiations. He further noted that several developing countries considered that the present coverage in the documentation was sufficient to give effect to the objectives of the Ministerial Declaration. In the view of these countries: the area of tropical products had been recognized to be of primary interest to developing countries; according to the Negotiating Plan, the Group should focus on improving market access for products exported by developing countries to developed countries; negotiations in this area should be based on the principle of non-reciprocity, as specified in Section B of the Ministerial Declaration, and not on "sectoral" reciprocity. Noting that there was still a divergence of views concerning the scope and coverage of the documentation the Chairman suggested that discussions proceed on this matter without prejudice to the continuation of work under the other items of the Negotiating Plan for Tropical Products. The secretariat would continue to update the background material for negotiations which would be completed as soon as possible. The Group agreed with these suggestions.

Agenda items (B) and (C): Submission of initial proposals and other inputs by participants aimed at achieving the agreed objectives of negotiations in this area; agreement on techniques and modalities as a common basis for negotiations, including the tabling of initial requests/offers

5. The Group had before it written submissions made at previous meetings: an initial list of tropical products of export interest submitted by Sri Lanka on behalf of several countries (MTN.GNG/NG6/W/8), a proposal by the ASEAN countries (MTN.GNG/NG6/W/9) and a statement made by Brazil in the Negotiating Group on Tariffs containing suggestions relevant to tropical products as well (MTN.GNG/NG6/W/10). Furthermore, the note prepared by the secretariat on the third meeting of the Group (MTN.GNG/NG6/3) reflected other suggestions made by delegations.

6. The representative of the European Communities introduced the offer by the Community on Tropical Products. He explained that the proposal sought to progressively reduce or eliminate tariffs and quantitative restrictions on a number of tropical products, and consumption taxes on tropical beverages. The proposal was conditional upon a fair degree of multilateral burden sharing, a satisfactory level of reciprocity by the main beneficiaries and the reduction of export-restricting measures by dominant suppliers of tropical raw materials. The Community also intended to take into account expressed interests of least-developed countries concerning specific trade advantages which those countries derived from existing preference margins in the Community's market. The statement and the offer by the EEC are being circulated in document MTN.GNG/NG6/W/13.

7. Many participants welcomed the initiative by the EEC to present a concrete proposal for negotiation. This was considered a step forward in the work of the Group and had political significance since it was the first

proposal submitted by a major importer. The hope was expressed that other major trading countries and other significant importers would soon present proposals.

8. While reserving the right to come back later to the proposal by the EEC after careful examination in capitals a number of participants made preliminary comments and observations and raised some questions on some of the elements of the proposal. These are summarized in the following paragraphs.

9. It was noted that although the offer covered a number of tropical products of export interest to developing countries other products equally important had been left out. Some participants felt that the exclusion of certain tropical products which were of particular significance to their economies would diminish substantially the benefits that they might derive from negotiations in this area. They urged the EEC to reconsider the product coverage so that all products of the seven product groups on which the Group agreed to start its work in the initial phase be included in the offer. It was also recalled that since there was no definition of tropical products even new products could be added to the seven product groups.

10. A number of participants expressed concern over the differentiation made between "agricultural" and "industrial" tropical products which was not envisaged in the Punta del Este Declaration and the Negotiation Plan for Tropical Products.

11. In regard to tariff measures several participants believed that the EEC approach did not fully address the problem of tariff escalation which was a major obstacle to developing country exports of tropical products. The question was also raised whether the offer involved binding of duties. Some participants felt that the 50 per cent reduction of existing duties for "finished industrial tropical products" envisaged in the Community's offer would not fully meet the agreed objective of fullest liberalization of trade in tropical products. Some delegations enquired what mechanism would be used in order to achieve the significant reduction of duties.

12. Several participants welcomed the proposal for progressive elimination of remaining national quantitative restrictions and in particular the progressive elimination or reduction of consumption taxes on coffee, tea or cocoa affecting trade in these products. In this connection one delegation asked whether the term national quantitative restrictions covered "grey area" measures and variable levies.

13. A number of participants expressed concern and reservations in regard to certain concepts and categories of countries used in the EEC offer such as "fair degree of multilateral burden sharing", "centrally-planned economies", "more advanced developing countries", "satisfactory level of reciprocity", "main beneficiary countries", "dominant supply position". In particular it was pointed out that the concept of reciprocity as

specified in the EEC offer and the category of "more advanced countries" would create difficulties in negotiations and did not correspond to the provisions of the Enabling Clause and the principles embodied in Part B(v) of the Ministerial Declaration nor to the usual GATT terminology. Several delegations stated that they could not accept the concept of "sectoral" reciprocity and that contributions by their countries would be of a global nature taking into account the benefits that they would derive from the negotiations as a whole. Some participants also said that the question of export restrictions should not become a stumbling block in negotiations. Several other delegations sought clarification in regard to the group of countries envisaged under the category of least-developed countries and the way in which the EEC intended to take into account the interests of those countries which derived specific trade advantages from existing preference margins in the Community's market.

14. One participant enquired whether the contribution by the EEC should be considered only as an offer or also as a modality for negotiation. Recalling that the techniques and modalities as a common basis for negotiations had not yet been agreed upon he expressed the view that the most appropriate technique for negotiations was the requests and offers procedure. Other delegations re-stated the view that several approaches could be used in parallel. The representative of a group of countries recalled that the ASEAN proposal was still on the table. The view was also expressed that countries which had an export interest in trade in tropical products should continue to indicate in writing their interest to the Group. One delegation announced that a group of African countries would soon make a submission in order to present their export interests in the area of tropical products.

15. One representative announced that his authorities were carefully examining the impact in the area of tropical products of the proposal made by them for agricultural negotiations and that specific proposals for this area might be presented in the near future.

16. Responding to preliminary comments made by delegations the representative of the EEC said that the Community's contribution should be seen both as an offer and as a modality for negotiations. It will be open for participants wishing to do so to use it as a modality for negotiations. He also emphasized that the product coverage in the offer had been very carefully examined and that the link between certain products and the Common Agricultural Policy was so close that it had not been possible to include those products in the tropical products negotiations. In regard to the distinction made between agricultural and industrial tropical products the representative noted that despite that distinction the modalities used were not substantially different. The representative also pointed out that variable levies could not be considered as quantitative restrictions. Referring to the categories of countries used in the offer the representative said that the Community was not attempting to introduce new categories in GATT but to take into account existing economic realities of

the world in order to ensure that the greatest possible number of countries in a position to do so would contribute to negotiations. Commenting upon the notion of a satisfactory level of reciprocity the representative said that this level would emerge more clearly as the negotiations proceed. He also observed that there was no mention of "sectoral" reciprocity in the offer. In regard to the term least-developed countries, the representative noted that it covered not only countries of the Lomé Convention but also other least-developed countries. As far as other aspects of the Community's offer were concerned these would be further clarified in the course of the work of the Group. Finally, the representative expressed the hope that other participants would make contributions so that negotiations could start next year in accordance with the importance given to this area of negotiations in the Ministerial Declaration.

17. The representative of New Zealand further elaborated the suggestions made by his delegation at the third meeting of the Group in July 1987 which concerned two broad areas of a formula-based tariff reduction and removal of non-tariff measures affecting tropical products. He announced that the proposal will be circulated in writing shortly.

18. In summing-up the discussion under items (B) and (C) of the Agenda, the Chairman noted that the Group welcomed the submission of written proposals by participants and the presentation at the fourth meeting of the proposal by the European Communities. At its next meeting in November this year the Group was expected to focus on these proposals as well as on any other proposals that might be submitted by delegations in the meantime, and to carry out further work for moving into the subsequent phase of its Negotiating Plan. The Chairman expressed the hope that early next year the Group would be in a position to begin substantive negotiations in accordance with the Negotiating Plan for Tropical Products.

Agenda item (D): Other business including arrangements for next meeting of the Negotiating Group

24. The Group agreed that subject, if necessary, to modification or agreement by the GNG the fifth meeting of the Negotiating Group would be held on 12 and 13 November 1987. Delegations were invited to submit before the fifth meeting of the Group written proposals and hold informal consultations amongst themselves on the question of techniques and modalities as a common basis of negotiations, including the tabling of initial requests/offers, with a view to reaching an agreement on these matters as soon as possible.