

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG6/5  
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Group of Negotiations on Goods (GATT)  
Negotiating Group on Tropical Products

NEGOTIATING GROUP ON TROPICAL PRODUCTS

Meeting of 12 and 13 November

Note by the Secretariat

1. The Negotiating Group on Tropical Products held its fifth meeting on 12 and 13 November 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/2502 dated 27 October 1987. 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 on five product groups prepared for its previous meetings: 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), certain oilseeds, vegetable oils and oilcakes (MTN.GNG/NG6/W/11) and tropical roots, rice and tobacco (MTN.GNG/NG6/W/12). The Group also had before it a note presenting the tariff classification of tropical products according to the Harmonized System (MTN.GNG/NG6/W/5) and a 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 natural rubber and tropical wood (MTN.GNG/NG6/W/15). Delegations wishing to submit corrections to the background material were invited to contact the secretariat as soon as possible. Draft background material on the remaining product group (tropical fruits and nuts) would be prepared by the end of this year.

4. Referring to the question of country coverage a number of delegations reiterated their views concerning the need for broadening the documentation to cover information in regard to all significant markets for trade in tropical products. Several of these delegations pointed out that while this was not a precondition for negotiations it would be in keeping with the objective of "fullest liberalization of trade in tropical products" agreed in Punta del Este. It was also pointed out that coverage of all markets which would contribute to growth in trade of tropical products was necessary for the conduct of negotiations and would meet with the requirements of greater transparency in negotiations. Some other participants further observed that broadened market coverage would be useful for identifying opportunities for increasing their exports to markets other than those presently covered by the documentation, for example, East European countries.

5. Other participants restated the view that the present country coverage in the documentation was sufficient to give effect to the objectives of the Ministerial Declaration. They pointed out that "fullest liberalization of trade in tropical products" meant the inclusion in negotiations of both tariff and all non-tariff measures, including internal taxes, and not the achievement of the widest liberalization in terms of markets. It was recalled that according to the Negotiating Plan the Group should focus on improving market access for tropical products exported by developing countries to developed countries in recognition of the special importance of tropical products to developing countries. Furthermore, negotiations in this area should proceed with a sense of urgency as provided for in the Punta del Este Declaration. Some delegations expressed readiness to cooperate in expanding the country coverage in order to improve transparency in negotiations. Some participants also inquired whether the request for broadening the scope of background material was related to the question of reciprocity and restated the view that contributions by developing countries would be made in negotiations as a whole and not on a sectoral basis. In this connection one participant said that the question of expanded country coverage could be more usefully discussed after reaching agreement on techniques and modalities for negotiations.

6. Some participants who supported the view that the scope of documentation should be broadened observed that this request was aimed at ensuring multilateral transparency in negotiations. Even if the country coverage would not be expanded this would not prevent participants from addressing requests to countries not presently covered by the documentation.

7. In summing-up the discussion on the country coverage the Chairman recalled that although differing views had been expressed by participants the group agreed that discussions proceed on this matter without prejudice to the continuation of the work under the other items of the Negotiating Plan for Tropical Products. While a number of delegations reiterated their views concerning the need for broadening the documentation to cover information in regard to all significant markets for trade in tropical products, it was pointed out that this was not a precondition for negotiations. However, for them the broadening of the data base as negotiations proceed would be needed for a satisfactory conclusion of these negotiations. Several other delegations restated the view that the present coverage in the documentation was sufficient to give effect to the objectives of the Ministerial Declaration. Some delegations said that they would be ready to cooperate in expanding the country coverage in the documentation, as a useful contribution towards greater transparency in the negotiations. A further view expressed was that the question of wider coverage would be more usefully discussed after reaching agreement on techniques and modalities for negotiations.

8. The Group took note of the views expressed and of the summing-up by the Chairman.

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

9. The Group had before it a number of written submissions made by participants at its previous meetings: an initial list of tropical products of export interest to Sri Lanka, Bangladesh, Colombia, Cuba, Egypt, India, Nigeria, Pakistan (MTN.GNG/NG6/W/8); the proposal by ASEAN countries (MTN.GNG/NG6/W/9); a statement by Brazil made in the Negotiating Group on Tariffs containing elements relevant to tropical products as well (MTN.GNG/NG6/W/10); the offer on tropical products of the European Economic Communities (MTN.GNG/NG6/W/13). The Group also had before it a submission by Cameroon, Côte d'Ivoire, Gabon, Senegal and Zaire and a proposal by New Zealand circulated since the last meeting of the Group as documents MTN.GNG/NG6/W/14 and Add.1 and MTN.GNG/NG6/W/16 respectively. Suggestions made by other participants in the course of discussions were reflected in the notes on meetings prepared by the secretariat.

10. The delegation of Nicaragua associated itself as a co-sponsor to the submission contained in document MTN.GNG/NG6/W/8.

11. The representative of the United States introduced the proposal by his country on tropical products (subsequently circulated as MTN.GNG/NG6/W/17). He stated that the proposal was aimed at achieving the fullest liberalization of trade in these products and reflected recognition of the importance of tropical products to a large number of developing countries as well as the desire that negotiations in this area receive special attention. It was based largely on the US proposal in Agriculture for elimination of all barriers to trade and all trade-distorting subsidies on agricultural products (tropical and non-tropical) in a period of ten years but contained some additional features which participants should find especially attractive. The representative explained that for an agreed list of tropical agricultural products a more rapid schedule was envisaged for the elimination of trade distorting policies than the ten-year period proposed for non-tropical agricultural products. In principle, the phase-out period for the elimination of policies affecting an agreed list of agricultural tropical products could be as rapid as other participants could accept. With regard to non-agricultural tropical products, i.e., those products not covered by the US agricultural proposal, a request-offer procedure was proposed. A three-step process was envisaged under the proposal: (i) identification by the Group of all policies and programs affecting trade in tropical products; (ii) submission by participants by 31 March 1988 of a proposed list of tropical agricultural products for which policies and programs affecting them would be eliminated on an expedited basis and negotiations and agreement on which products would receive expedited treatment; (iii) negotiations on the specific time period for the expedited elimination of all policies and programs affecting

the agreed products; this period would not necessarily have to be the same for all products. The representative said that the three steps outlined were inter-related. It was likely that the policies affecting the particular products would be taken into account when determining the products to receive expedited treatment and the time-frame over which the phase-out of the policies would occur. At the same time as the Negotiating Group on Tropical Products was involved in negotiations on agricultural tropical products, participants would be formulating requests for concessions on non-agricultural tropical products as early as possible in 1988. Once the list of requests were available negotiations on the non-agricultural tropical products could proceed. The representative emphasized that the United States did not plan to give unilateral concessions on non-agricultural products but expected its trading partners to reciprocate in areas of interest to the United States. Results reached in the Negotiating Group on Tropical Products could be implemented once the basic objectives in the Negotiating Group on Agriculture were achieved. He stressed that it would be unrealistic to believe that the United States could implement concessions on tropical products without parallel action in areas of interest to them, most notably agriculture. Finally, the representative believed that the US proposal which encompassed trade-distorting policies affecting all tropical products offered participants, particularly developing countries, substantial benefits over other proposals with more limited coverage.

12. The representative of New Zealand introduced the proposal contained in MTN.GNG/NG6/W/16 which covered both tariff and non-tariff measures causing distortions to trade. In the tariff area New Zealand proposed a formula-based reduction of all tariffs to a particular level and the binding of rates at that level. Any tariffs below that level would be bound at existing levels. The proposal envisaged the use of request/offer procedures to achieve reductions below the agreed upon level. Similarly for non-tariff measures a formula approach and a time table for reduction on elimination of these measures was proposed. Agreement on the programme proposed should be reached within the next twelve months and liberalization measures could begin during 1989. The representative believed that it was important to maintain a clear and easily understandable goal in negotiations to which all participants could work on a fully multilateral basis. Otherwise there was a risk of fragmenting negotiations, severely prejudicing the coverage of products, the range of country participation and the achievement of early results.

13. Introducing the submission made by a number of African countries (MTN.GNG/NG6/W/14/and Add.1) the representative of Côte d'Ivoire said that this proposal was based on three essential ideas. First, to promote greater liberalization of trade in tropical products in the markets of developed countries according to an agreed time-table. This liberalization should however take into account both acquired advantages under existing contractual arrangements and the particular situation of the African countries as recognized by the international community in the framework of the United Nations Programme of Action for African Recovery and

Development. Second, liberalization should cover both tariff and non-tariff measures. In the tariff area developed countries should lower their duties on an m.f.n. basis and bind a number of duties in particular on tropical products in primary form. Aside from m.f.n. concessions developed countries could improve their GSP schemes in favour of all developing countries; in the case of least-developed countries additional liberalization measures could be taken in particular on semi-processed and processed products. In the non-tariff area developed countries would eliminate a number of non-tariff measures notably internal and selective taxes. Third, the submission contained an initial list of products of export interest to the submitting countries for which they sought the fullest trade liberalization of tariff and non-tariff measures in the framework of negotiations on tropical products.

14. Many participants welcomed the three submissions introduced to the Group. While reserving the right to revert back to these submissions after more in-depth examination a number of participants made preliminary comments and raised questions on some of the elements of these submissions. Some participants also made further comments on previous submissions made to the Group. These comments and questions as well as the answers provided are summarized in the following paragraphs.

15. Commenting upon the US proposal some delegations noted that one of its positive elements was the recognition that negotiations in tropical products should proceed expeditiously. However, several participants either questioned or expressed strong reservations regarding the linkage established in the proposal between progress and results in negotiations on tropical products and those in agricultural negotiations. It was noted that problems in these two areas were different and could not be solved in the same manner. In this regard some participants considered that the proposal placed undue emphasis on support measures whereas in the tropical products area developing countries were primarily interested in improving market access. Some delegations also observed that the linkage between tropical products and agricultural negotiations was not envisaged in the Punta del Este Declaration and inquired how the US proposal would respond to requirements in the Declaration for special attention to tropical products including the timing of the negotiations and the implementation of results. Another question raised referred to the compatibility of the proposal with the provisions in the Ministerial Declaration for special and differential treatment in favour of developing countries, an issue which seemed to have been overlooked by the US proposal. Referring to the distinction made between agricultural and non-agricultural tropical products some participants expressed disappointment that more favourable treatment was envisaged only in the case of the former. Another participant, while supporting the use of request/offer procedures for non-agricultural tropical products, inquired why the timing envisaged for negotiations was different for these two groups of products.

16. Responding to comments made and questions addressed by other participants the representative of the United States said that the linkage

made between the tropical products proposal and the proposal by his country on agriculture made sense since most tropical products were agricultural. He also believed that problems in the tropical products area went beyond market access. The existing problems would become clearer during the process of identification of policies and programmes affecting trade in tropical products. Yet regardless of whether the problems might be different in tropical products the causes in his view were the same, basically government intervention distorting trade. The representative also observed that the Ministerial Declaration in its section B(ii) allowed more than one negotiating group to reach early agreement. In his view the Negotiating Group on Tropical Products and the Negotiating Group on Agriculture were intimately related and it would be very difficult to disassociate progress in the two groups. He believed that results in agriculture could be achieved by late 1988 and that negotiations on tropical products could not achieve results in a more rapid time-frame. In connection with special and differential treatment the representative said that this was inherent in the proposal in that it addressed the fundamental problem of eliminating trade-distorting practices which existed mainly in developed countries and provided for expedited treatment for tropical products. Nevertheless, the representative expressed readiness to examine any specific ideas by developing countries in regard to special and differential treatment provided that the basic concepts of the proposal were not compromised. He also observed that in other instances there was wide recognition that developed country markets were relatively slower growth markets than the developing country markets. It was therefore necessary that all countries open their markets in order to achieve the objective of fullest liberalization in trade on tropical products. With respect to the two different approaches envisaged for the two groups of tropical products the representative recalled that his country's proposal in agriculture included tropical and non-tropical agricultural products. This comprehensive proposal enabled the far-reaching proposal made in the Negotiating Group on Tropical Products. His country had also made a proposal in the Negotiating Groups on Tariffs and Non-Tariff Measures in regard to non-agricultural products; this proposal was basically a request/offer procedure. The approach in the tropical products proposal was therefore consistent with proposals made by his country in other negotiating groups. As to the timing of negotiations on agricultural and non-agricultural tropical products the representative explained that since most tropical products were agricultural the proposal sought to expedite their treatment by inserting a specific date for submissions of request lists while for the second group of products a less specific indication has been made. Nevertheless both dates in the proposal were flexible and indicative.

17. Turning to the proposal by New Zealand some delegations considered that it was interesting and contained a clear and straight-forward approach. Other participants raised some questions in regard to specific elements of the proposal or its compatibility with certain provisions of the Ministerial Declaration.

18. In response to questions addressed by participants the representative of New Zealand said that the submission by his country was at the same time a proposal and an offer. His authorities saw the proposal as the best solution for the Group but remained open to discuss it with other participants. The representative also emphasized that the proposal was fully compatible with the Ministerial Declaration and he explained that the absence of any specific reference to special and differential treatment in the proposal implied that this principle would be taken into account in the negotiating process itself for example by agreeing upon a different time-frame for phasing-out or phasing-down of tariffs by developing countries. In regard to a formula approach for reducing non-tariff measures he believed that the NTMs Negotiating Group might reach some conclusion applicable to the Tropical Products Group. The first stage of this process would be an identification and categorization of measures following which the trade effects of measures could be assessed and the Group could agree on a time-table for their phased reduction.

19. Referring to the submission introduced by Côte d'Ivoire one representative expressed agreement with the proposal. Some participants stated that they agreed with certain of its elements as for instance the harmonization of tariffs on processed and semi-processed products at the lowest rates existing in developed countries and action envisaged with respect to non-tariff measures. Other participants noted that the proposal touched upon some issues relevant to negotiations, such as the relationship between m.f.n. tariff concessions, GSP and other preferential arrangements. These and other elements of the proposal might need further clarification.

20. Several participants reverted to the proposal submitted by the EEC at the previous meeting of the Group. Some of these participants stated that they viewed the proposal as a useful contribution to the work of the Group and that they subscribed to a number of concepts and elements contained in the Community's approach. In this regard reference was made to the coverage of tropical products involved in the proposal and the concept of a "fair degree of multilateral burden-sharing". One participant felt that the proposal could constitute an appropriate basis of negotiation. It was also noted that certain elements deserved further discussion, inter alia, the involvement of "more advanced developing countries" in a "fair degree of burden-sharing". Other participants expressed concern at limitations on product coverage, differentiation between "agricultural" and "industrial" tropical products as well as categorization of countries used in the proposal. Some representatives also expressed reservations in regard to the conditions included in the offer. They indicated that contributions by developing countries to negotiations should be of a global and not sectoral nature and that these contributions could not be inconsistent with the development, financial and trade needs of developing countries.

21. The representative of the EEC provided some further clarifications in regard to the Community's offer. He said that according to calculations made the proposal would not make the problem of tariff escalation all the

more difficult as had been stated by some participants. On the contrary the elimination of tariffs for industrial tropical raw materials where the protection was low, coupled with the envisaged reduction of up to 50 per cent of duties for finished industrial tropical products, would diminish tariff escalation. The representative also pointed out that the Community intended to negotiate on m.f.n. rates. As to the question of reciprocity he said that the proposal did not contain any reference to sectoral reciprocity although in certain cases reciprocal contributions or concessions in the same sector might be considered. Furthermore, the representative stressed that the EEC would not seek contributions from developing countries inconsistent with their individual development, financial and trade needs but this should not mean that developing countries could not make any contributions to negotiations.

22. A representative, speaking on behalf of several countries, announced that these countries had initiated a substantial review of remaining import measures on tropical products in order to assess the feasibility of tabling an offer in negotiations. Another representative said that the lists submitted by some developing countries containing tropical products of export interest to them were under consideration by his authorities but that it was too early to give any indication in regard to possibilities for further liberalization. This representative also provided information in regard to the significant benefits already accorded to developing countries under his country's GSP scheme and to the overall liberal import regime for tropical products. Similar information was provided also by another participant who said that further liberalization by his country could relate mainly to tariffs since non-tariff measures were not applied to tropical products.

23. In regard to the question of techniques and modalities for negotiations a large number of participants felt that in order to maintain the necessary flexibility in negotiations a combination of techniques and modalities would constitute an effective approach. Some of these representatives said that in such a combination the request and offer procedure should have a residual rôle. Other participants maintained their support for a formula approach. Another view expressed was that a request and offer procedure would be the most practical since it enabled one to take into account the specific situation of individual markets. According to this view a formula approach would inevitably lead to exclusion of products and would make it difficult to reach agreement on its application by all participants.

24. One participant, supported by other delegations, said that an agreement on techniques and modalities should reflect the special and priority character of the tropical products sector by permitting early results and provide for application of the principle of special and differential treatment as embodied in Part IV, the Enabling Clause and the Punta del Este Declaration. Commitments on standstill and rollback should



apply. Negotiations should be conducted multilaterally in order to ensure comprehensive results in a short time. Modalities should be flexible and envisage particular solutions for specific problems. The first step in regard to non-tariff measures should be definition by the competent negotiating groups of the legal and illegal measures according to GATT rules in order to submit the latter to rollback procedures. There should be a special time-table for negotiations with provisions for advance implementation of results. Negotiations on tropical products should be completely independent from work of other negotiating groups. Concessions could be implemented by developed countries within a certain period of time. Finally, the agreement on techniques and modalities should provide that any trade liberalization measures adopted by developing countries during the four-year period of the Uruguay Round should be considered as concessions for the purposes of negotiations and included in the global balance of the Round. These measures would have to be accompanied by special and urgent liberalization measures in the developed country markets in favour of developing countries.

25. In the course of discussion several participants referred to the question of concessions made in negotiations on an m.f.n. basis as compared with improvements under GSP schemes. While recognizing that m.f.n. concessions had a greater legal value some of these participants viewed GSP improvements as a preferable instrument for increasing market access for developing country products. Other participants considered that fullest liberalization of trade in tropical products could not be achieved through GSP improvements and as such the GSP could not be considered in the context of negotiations in this Group.

26. Referring to possible concessions among developing countries in tropical products as well as in other areas of the negotiations some representatives said that such concessions could be made in the framework of the Protocol Relating to Trade Negotiations Among Developing Countries.

27. Some participants considered that an agreement on possible techniques and modalities could be reached through a more in-depth examination of different proposals made and how they would enable the achievement of the negotiating objective in the area of tropical products. This examination should be product- and market-related and aimed at identifying those techniques and modalities which would maximize the results of negotiations. With a view to facilitating such an examination it was suggested that the secretariat might prepare a synoptic table containing the main elements of the proposals.

28. In summing-up the discussions on techniques and modalities for negotiations, the Chairman said that a large number of participants proposed that the Group adopt a flexible approach to negotiations. These participants felt that a combination of techniques and modalities based on proposals made could constitute an effective approach for the negotiations. Some participants restated their preference for the requests/offers

procedure. Another view expressed was that a clearer picture with regard to possible techniques and modalities would emerge from a more in-depth examination of different proposals made and how they would enable the achievement of the negotiating objective in the area of tropical products.

29. The Group agreed that the secretariat prepare for the next meeting a synoptic table containing the main elements of the proposals made up to the present. It was also agreed that the Chairman submit to the Group proposals for possible procedures for negotiations including as appropriate the tabling of initial requests/offers.

Agenda Item (d): Other business, including any arrangements for further work in the initial phase

30. The Chairman said that he felt that there was no need for a further meeting of the Group this year. He read a factual assessment, under his own responsibility, on the work done by the Group in the initial phase. The factual assessment of the Chairman is contained in the Annex to this note. After having made the factual assessment the Chairman recalled that the Group had welcomed the FAO to attend its meetings in the initial phase in accordance with the decision by the TNC.

Next meeting

31. The Chairman said that members of the Group might wish to consider the usefulness of holding, next year, longer meetings as necessary and keeping a more flexible schedule for work. The Group agreed to hold its sixth meeting between 25-29 January 1988 subject to decisions taken by the GNG.

ANNEX

WORK OF THE NEGOTIATING GROUP ON TROPICAL PRODUCTS  
IN THE INITIAL PHASE

Factual Assessment by the Chairman

1. The Negotiating Group on Tropical Products held five meetings in the initial phase (26 February, 11 May, 3 July, 14 October and 12-13 November 1987). All participants reiterated their commitment to the objectives and provisions concerning tropical products in the Punta Del Este Ministerial Declaration. It initially carried out a review of past work done in GATT in this area. It agreed to start work on the basis of the seven product groups selected for the purpose of the consultations on tropical products held in the Committee on Trade and Development in 1982-1984, in the understanding that this would not constitute a definition of tropical products nor an exhaustive listing and that other products might be included as negotiations proceed.

Compilation of background material for negotiations

2. The secretariat has prepared up-to-date data on tariff and non-tariff measures as well as trade flows pertaining to the following six tropical product groups, subject to verification by delegations: 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), certain oilseeds, vegetable oils and oilcakes (MTN.GNG/NG6/W/11), tropical roots, rice and tobacco (MTN.GNG/NG6/W/12), and natural rubber and tropical wood (MTN.GNG/NG6/W/15). Draft background material on the remaining product group namely, tropical fruits and nuts, is expected to be ready by the end of the year.

3. On the question of country coverage a number of participants requested that the documentation be broadened in order to cover information in regard to all significant markets for trade in tropical products. In their view although this would not create a precondition for the start of negotiations, it would be an essential element for the effective pursuit of positive results within the negotiating process. Other countries stated their readiness to cooperate in expanding the coverage of the documentation, as a useful contribution towards greater transparency in the negotiations. Other participants considered that the present coverage in the documentation was sufficient to give effect to the objectives of the Ministerial Declaration.

4. The Group agreed that discussions proceed on this matter without prejudice to the continuation of work under the other items of the Negotiating Plan for Tropical Products.

Submission of initial proposals and other inputs by participants

5. The Group received a number of initial proposals and other inputs by participants aimed at achieving the agreed objectives of negotiations in this area. A number of countries circulated initial lists of tropical products of export interest to them: Sri Lanka, Bangladesh, Colombia, Cuba, Egypt, India, Nigeria, Pakistan and Nicaragua (MTN.GNG/NG6/W/8 and Add.1), ASEAN countries (MTN.GNG/NG6/W/9) and Cameroon, Côte d'Ivoire, Gabon, Senegal, Zaire (MTN.GNG/NG6/W/14 and Add.1). Written proposals containing approaches to negotiations in this area were also received by several participants: ASEAN countries (MTN.GNG/NG6/W/9), Brazil (MTN.GNG/NG6/W/10), the European Economic Communities (MTN.GNG/NG6/W/13) Cameroon, Côte d'Ivoire, Gabon, Senegal, Zaire (MTN.GNG/NG6/W/14 and Add.1), New Zealand (MTN.GNG/NG6/W/16) and the United States. Other participants have made proposals on possible techniques and modalities for negotiations in the course of the discussions in the Group.

Techniques and modalities as a common basis for negotiations

6. The Group has carried out an initial in-depth examination of the different proposals and suggestions made by participants. As a result, a large number of delegations felt that it was necessary to maintain flexibility in regard to techniques and modalities for negotiations in tropical products. It was suggested that a combination of techniques and modalities could be adopted as a more effective approach for the negotiations. The Negotiating Group agreed to establish procedures as appropriate, including the tabling of initial requests/offers, in order to start concrete negotiations as early as possible in 1988.