

MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND

RESTRICTED

MTN.GNG/NG6/7  
18 February 1988

Special Distribution

Group of Negotiations on Goods (GATT)  
Negotiating Group on Tropical Products

NEGOTIATING GROUP ON TROPICAL PRODUCTS

Meeting of 25 and 29 January 1988

Note by the Secretariat

1. The Negotiating Group on Tropical Products held its sixth meeting on 25 and 29 January 1988 under the Chairmanship of Mr. P. Leong Khee Seong (Malaysia).
2. The Group adopted the agenda set out in GATT/AIR/2531 dated 5 January 1988. The Group took up agenda items (a) and (b) together.

Agenda items (a) and (b): Compilation of background material for negotiations; examination of 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; Chairman's proposals for possible procedures for negotiations

3. The Group had before it draft background material on six 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), tropical roots, rice and tobacco (MTN.GNG/NG6/W/12), and natural rubber and tropical wood (MTN.GNG/NG6/W/15). 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 tropical fruits and nuts (MTN.GNG/NG6/W/19) and a revised version of a synopsis of the commercial policy situation (MTN.GNG/NG6/W/6/Rev.1). As requested by the Negotiating Group at its last meeting the secretariat had also prepared a synoptic table of the main elements contained in the written proposals submitted so far by participants (MTN.GNG/NG6/W/18).

4. The representative of Norway introduced the proposal by the Nordic Countries (document MTN.GNG/NG6/W/20 and Corr.1) containing the following main elements: establishment of a formula for reducing or eliminating tariffs on tropical products on the broadest possible basis, including in their processed and semi-processed forms; use of requests/offers procedure for further reduction or elimination of tariffs on specific products as well as for reducing or eliminating non-tariff measures affecting trade in tropical products; implementation of results starting from 1 January 1989 and a maximum period of implementation of five years; unilateral

improvements of GSP schemes and maintenance of all GSP preferences on tropical products for a particular period of time; examination of desirability and feasibility of creating preferences of additional benefit to the least-developed countries.

5. The representative of Austria introduced his country's offer on tropical products (subsequently circulated as MTN.GNG/NG6/W/21). The offer was made on the assumption of a fair degree of burden sharing in the framework of the Uruguay Round; its degree of comprehensiveness would be dependent on comparable offers by other importing countries. In the tariff area Austria envisaged both further improvement of GSP treatment including the maintenance of a special preferential margin for least-developed countries, and m.f.n. concessions. With respect to the latter the offer proposed reduction and/or harmonization of tariffs in the framework of a generally agreed formula, phased elimination of m.f.n. rates for a given tropical product when the developing countries accounted for more than 60 per cent of Austrian imports, phased reduction of m.f.n. rates over and above a percentage to be agreed upon within a formula when the developing countries accounted for more than 30 per cent of Austrian imports and binding of remaining zero or low rates for tropical products. Certain tropical products in particular those competing with sensitive temperate zone agricultural products might be excepted from m.f.n. concessions. As to non-tariff measures, although Austria was not applying such measures it would be prepared in specific instances to examine notifications by exporters of tropical products on alleged measures having restrictive effects. GSP improvements would be worked out on Austria's own initiative in the course of 1988. Measures concerning m.f.n. concessions would be elaborated as soon as possible. Austria would be prepared, upon request by interested developing countries, to enter into bilateral consultations and negotiations on all tariff matters relating to tropical products.

6. The representative of Australia stated that his country's initial approach to the negotiations on tropical products covering the seven product groups envisaged that all participating countries would negotiate (i) the phased elimination within ten years, preferably on an accelerated basis, of all trade protective barriers on all tropical products up to and including their primary processed stage; (ii) reductions in overall levels of protection for other tropical products, preferably as part of a formula approach covering both tariff and non-tariff measures including subsidies which had a trade effect; and (iii) tariff bindings on all tropical products. Moreover, the proposal envisaged that disciplines on other trade distorting measures particularly subsidies, negotiated separately on agricultural products in the Agriculture Group were to be extended where appropriate to agricultural tropical products. The representative also announced the intention of his authorities to provide a more detailed submission for the next meeting of the Negotiating Group.

7. Another delegation also announced the intention to put forward a proposal by the next meeting of the Group.

8. A number of representatives welcomed the submissions by the Nordic countries and Austria as well as the proposal made orally by Australia. Some representatives also supported the time-frame and the sequence in the procedure for negotiations contained in the proposal made by the Nordic countries.

9. The representative of the People's Republic of China made a statement outlining the views of his country on how negotiations should proceed (document MTN.GNG/NG6/W/22). The representative said that negotiations should be based on the traditional seven product groups and include tropical products in their processed and semi-processed forms; any significant recategorization or exemption of products should be avoided, particularly those products of special interest to developing countries. His country favoured the use of a formula approach in regard to tariffs along the lines suggested by the ASEAN countries and a number of African countries. The negotiations should also seek to harmonize sanitary and phyto-sanitary regulations according to relevant standards of other international organizations and to eliminate all non-tariff measures on tropical products. As the Negotiating Group on Tropical Products was of special interest to developing countries no reciprocity should be expected from them.

10. Several representatives restated their positions on the question of country coverage in the background material prepared for negotiations. One of the participants which had been advocating that information on trade policy measures should be provided by all participants noted that the Negotiating Group on Agriculture was updating information previously submitted by all contracting parties. While this information did not cover all the tropical products, in particular non-agricultural tropical products, it would be useful if the secretariat could make the information that had been submitted to the Negotiating Group on Agriculture available to the Negotiating Group on Tropical Products. Likewise information on non-tariff measures available from other notification systems could be provided to this Group.

11. Commenting on proposals put forward so far by participants some representatives felt that there was a certain degree of convergence between different proposals since most of them envisaged the use of a formula approach supplemented by requests/offers procedure. Another representative restated the view that the use of requests/offers procedures would be the most appropriate in this area of negotiations.

12. One participant expressed disappointment that developing country proposals placed all the responsibility in negotiations on developed countries; he therefore wondered how those proposals would achieve the objective of fullest liberalization of trade in tropical products. The representative also sought clarification in regard to certain elements of proposals put forward by other participants.

13. Referring to the question of the Generalized System of Preferences, some representatives said that they would like to see the GSP schemes preserved and enhanced. In this context the need for special attention to the least-developed countries was also emphasized. Other representatives considered that certain proposals gave too much prominence to the GSP which should not become an obstacle in negotiations. GSP improvements might be considered at a certain point in negotiations but the Group should not focus on this issue from the beginning.

14. Responding to questions addressed with respect to the EEC's offer, the representative of the Communities said that proposals for "industrial" and "agricultural" tropical products contained in the offer were practically the same. He also recalled that the offer would reduce tariff escalation since it envisaged the elimination of tariffs for industrial tropical raw materials where the protection was low as well as the reduction of up to 50 per cent of tariffs for finished industrial tropical products. With regard to the category of "more advanced developing countries" the representative said that countries falling into that category could be identified on the basis of self-election; the Community would then assess the results and the offer would be dependent on these results. As to the countries having a "dominant supply position" for raw materials on the world markets, this category would emerge from the product-by-product examination. The representative also said that the offer concerned non-tariff measures which in his view did not cover variable levies. He added that there were no EEC-wide quantitative restrictions applied in the Community but only national quantitative restrictions.

15. The representative of Brazil explained that one of the elements contained in the statement made by her country in the Negotiating Group on Tariffs which might be useful for discussion in the Negotiating Group on Tropical Products concerned the general formula proposed. The statement also contained suggestions with regard to contributions that developing countries could make in the Uruguay Round as a whole and not in specific areas of negotiations of particular importance to export interests of these countries.

15. The representative of New Zealand referred to questions addressed in regard to his country's proposal. He said that his delegation was prepared to receive suggestions from participants with regard to the particular tariff level envisaged in the proposal. As far as New Zealand was concerned it was ready to consider possibilities for removing all tariff and non-tariff measures. The proposal envisaged the application of special and differential treatment for example by granting to developing countries with difficulties longer time frames for phasing out tariff or non-tariff measures. Although the proposal did not specifically address the issue of internal support measures, it did not exclude their treatment in this Negotiating Group. The proposal mainly dealt with market access on the assumption that a number of internal support measures which concerned substitution products for tropical products would be dealt with in other groups. The representative believed that the major increase in market

access that would be achieved through his country's proposal would have significant net benefits for developing countries.

17. The Group took note of the proposals and comments made by participants. The Chairman recalled that at the fifth meeting of the Group in November 1987 it was agreed that the Chairman submit to the Group proposals for possible procedures for negotiations including as appropriate the tabling of initial requests/offers. He stated his intention to seek an agreement on such procedures at this meeting of the Group.

18. Following informal consultations held with delegations, the Chairman submitted to the Group a Proposal for Procedures for Negotiations (document MIN.GNG/NG6/W/23). The Chairman said that it set out flexible and pragmatic procedures aimed at furthering the negotiating process directed towards the fullest liberalization of trade in tropical products, an area of particular importance to developing countries. The Proposal which took into account views expressed within the framework of a balanced agreement, would enable the Group to move forward with its work and achieve concrete results by the end of the year. It reflected the desirability to seek early results in negotiations in this area, especially in the light of the mid-term review expected to be carried out by Ministers.

19. The Group adopted the Procedures for Negotiations (circulated as MIN.GNG/NG6/6, which is annexed to this note). After the adoption of the Procedures a number of delegations made statements. The views expressed are reflected below.

20. The representative of India noted that a large number of participants had stated a preference for a multilateral approach. He further reminded the Group of the separate identity of the tropical products sector which had been recognized for over twenty-five years to be the symbol of the aspirations of developing countries for improved access to the markets of industrialized countries. Therefore negotiations must serve to promote the interests of developing countries, exporters of tropical products and that it was his delegations view that developing countries were being invited to submit indicative lists of request. With regard to the provision of additional information he considered that the present coverage of the documentation was quite adequate to give effect to the Punta del Este mandate; it was his understanding that such requests would not be treated as a precondition for consultations or negotiations. He acknowledged that a number of participants had expressed their willingness to provide information in the interest of transparency. Finally, he pointed out that it would be completely inappropriate to expect developing countries to make contributions in this sector of negotiations.

21. The representative of Brazil expressed her delegation's view that negotiations on tropical products should be conducted multilaterally and should be based on a global approach in order to achieve the fullest liberalization of trade in this sector. Procedures should aim at the liberalization of developed countries' markets for tropical products. Developing countries were not expected to make sectoral contributions while

any contributions made should be included in the global balance of the Round. This representative stated that existing background information was sufficient and any additional information should not constitute a condition for progress in the negotiations. Furthermore, negotiations should be completely independent from work in other negotiating groups and should achieve concrete results including the implementation of concessions, during 1988.

22. The representative of Yugoslavia stated her government's position that, given the high protection in developed country markets, negotiations on tropical products must be pursued on a priority and non-reciprocal basis, independent of results in other negotiating groups. Her delegation supported the sequence of procedures set forth in the proposal by the Nordic Countries (MTN.GNG/NG6/W/20) beginning with the establishment of a formula for reducing or eliminating tariffs on tropical products in their processed and semi-processed forms. Negotiations at the next meeting of the Group should be conducted along those lines.

23. The representative of the Republic of Korea noted the general awareness of the long history of negotiations on tropical products. The focus of the Group should be on improving market access for tropical products exported by developing countries to developed countries. Consequently the references in the procedures inviting participants to submit indicative requests and offers should be understood to mean requests by developing and offers by developed countries.

24. The representative of Sri Lanka expressed appreciation that the Group had been able to establish a set of procedures in a pragmatic and cooperative spirit. The agreement had been achieved due to a certain amount of flexibility and compromise resulting in a combination of techniques and modalities. Since a general approach seemed to have been the preference of the majority, this delegate appealed to the country which had opted for the traditional request and offer procedure to display flexibility towards a multilateral approach. He affirmed that the existing coverage of documentation was adequate to achieve the negotiating objectives and reiterated that additional information should not be a precondition for negotiations in this sector. Nor should developing countries be expected to make contributions on a sectoral basis although contributions on a global basis were not out of the question. Given the special attention to be paid to tropical products, results should be achieved by the end of the year without creating any unwarranted linkages with other sectors.

25. The representative of Mexico considered that the procedures adopted reflected the will to negotiate and to compromise. Three elements of these procedures were viewed as positive: the timetable, the multilateral consultations on the seven product groups and the invitation to developing countries to submit indicative lists of requests and offers. However, he saw the need to orient negotiations towards a general formula and requested that delegations which had proposed a bilateral approach reconsider their

position. He objected to the notion of sectoral reciprocity given that negotiations must benefit developing countries. Regarding additional information, while not to be viewed as a precondition, secretariat assistance might be useful or necessary when required and authorized by the participant to whom requests had been directed. He believed the upcoming multilateral consultations would reveal the political will of the participants. His government supported the ASEAN proposal as contained in MIN.GNG/NG6/W/9, the reduction or elimination of high internal taxes as well as the strict implementation of the principles contained in the code on technical standards. Finally, his delegation reserved the right to propose additional products for negotiation as previously stated.

26. The representative of Cuba expressed the view that a general formula or at least a combination of methods be applied and urged other delegations having a different opinion to reconsider. Further, she emphasized that the Group should not wait for contributions from developing countries or hope for sectoral reciprocity.

27. The representative of Pakistan noted the spirit of compromise, cooperation and pragmatism displayed by all members of the Group to achieve the present results. Referring to the sector of tropical products as a symbol of the aspirations of the developing countries, he expressed satisfaction that it had been possible for the Group to encompass the spirit of the Ministerial Declaration which envisages the fullest, as opposed to the widest, liberalization of tropical products. Viewing the existing information compiled as sufficient he acknowledged that while participants may request or provide additional information this should not be interpreted as an obligation, particularly for developing countries, neither should the provision of further information be used as a pretext for impeding progress nor as a means of extracting sectoral reciprocity. In conclusion, he expressed appreciation for the recognized need to achieve results and move forward with their implementation as early as possible.

28. In the light of some of the preceding interventions, the representative of Japan commented that various approaches, including their own, should be given due treatment.

29. The representative of the United States welcomed the adoption of procedures for comprehensive negotiations. In reminding participants of the US position, he emphasized that requests addressed to the United States should be made on the basis of their proposal. He further stated that the objective of "fullest liberalization of trade in tropical products, covering both tariffs and all non-tariff measures" was encompassed by the US proposal in the Negotiating Group since it called for all participants to eliminate all support and protective measures affecting trade. In the view of his delegation, products which clearly were not "tropical" would be referred to other groups. He expressed the strong conviction that all who intended to participate in the negotiations must provide background material and urged all countries who have not done so to provide the appropriate information. His delegation planned to review progress on

expansion of the background material at subsequent meetings of the Negotiating Group, as, in their view, negotiations cannot conclude successfully without such information. Finally, he stated that results reached in the Negotiating Group on Tropical Products could only be implemented once the basic objectives of the US in the Negotiating Group on Agriculture had been achieved.

30. The representative of Canada encouraged delegations, who wished to seek clarification on specific points with his delegation, to do so at any time. His delegation retained an open mind as to which approach would ensure maximum export opportunities to all existing and potential markets. He emphasized the importance of participants being as specific and detailed as possible on elaborating approaches or making requests to his delegation.

31. The representative of the European Communities expressed concern with some of the previous statements made which referred only partially to the objectives of the Ministerial Declaration. He acknowledged that developed countries accepted in Punta del Este not to expect the developing countries to make contributions inconsistent with their individual development, financial and trade needs. He also noted that similarly less developed countries had accepted that they expected that their capacity to make contributions or negotiate concessions would improve with the progressive development of their economies and the improvement of their trade situation and would, accordingly, expect to participate more fully in the rights and obligations of the General Agreement. Such participation should become evident as negotiations proceed. Similarly the term participant should not be subject to a limited interpretation as narrow interpretations are out of line with normal GATT practices. Certain principles laid down in Punta del Este, particularly transparency, were important. Consequently, his delegation intended to use the provisions of paragraph (ii) of the procedures to request information and expected to receive replies, the secretariat should distribute both requests and replies in the interests of transparency. He expressed the firm intention to review action taken under this provision at the next meeting of the Group, noting that the absence of information would present very serious difficulties for progress in the negotiating process.

32. The representative of New Zealand commended the constructive spirit in which discussions had taken place and allowed the broadening of documentation, although he would have preferred a stronger commitment to a multilateral approach. In his view, attempts to exclude products, markets or participants incur the risk of failing to achieve the objectives of the Group. However, the existence of a method and a timetable was propitious for an early result. He looked forward to the discussion of problems in a more concrete way and to the further assistance of the secretariat, particularly in the information gathering process.

33. The representative of Nigeria noted the global nature of the undertakings and that his delegation expected to be requested to make contributions commensurate with developmental needs. He expressed the view



that any attempt to align progress with that in other Groups would have certain inhibiting effects on the expectations of developing countries.

34. The representative of the Philippines speaking on behalf of ASEAN, viewed the adopted proposal as procedures for negotiations and not policy prescriptions *per se*. He stressed the principles governing negotiations and the importance of differential and more favourable treatment for less-developed contracting parties. He recalled that additional information should not create a precondition to negotiations, nor should linkages with other negotiations diminish the special attention due to tropical products. He expressed the hope that the Group would give due attention to the proposals by developing countries regarding approaches and that the US would give consideration to the ASEAN proposal.

35. The representative of Norway (on behalf of the Nordic countries) noted that this was the only Group that had been singled out for special treatment with regard to both timing and implementation of negotiations. He, too, would have hoped for a stronger commitment to a multilateral approach. His delegation's interpretation of "all non-tariff measures" was "all non-tariff measures affecting trade in these products". He expressed the wish for the broadest possible participation requiring the fullest possible information as a basis for the negotiations, while stressing the need to keep in mind the special situation of developing countries.

36. The representative of Australia reiterated his delegation's support for a multilateral approach to the negotiations. He believed that an important element to the success of negotiations would be the willingness by all participants to enter negotiations on bindings across all products. He agreed with the view expressed by other delegations that progress should not be linked with that of other areas, given the objective of achieving early concrete results. The question of documentation should not act as a roadblock; however, the objective of fullest liberalization could only be achieved through broadest participation which requires fullest availability of information on the problems facing trade in tropical products. He reiterated that Australia had export interests in tropical products and intended to pursue these in the Group.

37. The representative of Jamaica expressed hopefulness that the main objective, of achieving early results, would indeed occur.

38. The representative of Switzerland welcomed the procedures for negotiations which allowed for a broad-based approach and sufficient flexibility. He hoped, however, that there would not be too much flexibility in interpretation. He stressed that negotiations be firmly based on the Ministerial Declaration and, in particular, that paragraph (i)(a) of the procedures, as suggested by Norway, should be read to mean tariffs and non-tariff measures affecting trade in tropical products. Regarding participation, his delegation expected the fullest possible data base to be available.

39. In conclusion, the Chairman reminded participants that indicative lists should be sent to the secretariat for circulation or, alternatively, directly to the interested parties with a copy to the secretariat for circulation to other participants. The secretariat would prepare a revision of the synoptic table of the main elements contained in the proposals submitted, both written and orally, by participants. The secretariat would further provide tariff-line based data and revise background material taking comments and corrections by delegations into account. The Chairman pointed out that the Technical Cooperation Division was available for technical assistance for developing countries.

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

40. In accordance with the Procedures for Negotiations adopted by the Group it was agreed that the next meeting of the Group will be held on 25-26 April 1988 to review action taken under (i) and (ii) of the Proposal, and to deal with any practical questions that might arise. At that meeting the Group might also consider any new proposals which might be made.

ANNEX

PROCEDURES FOR NEGOTIATIONS

Adopted by the Negotiating Group  
on Tropical Products on 29 January 1988

In pursuance of the objectives of the Punta del Este Ministerial Declaration and in the light of proposals made by delegations the Negotiating Group on Tropical Products agrees to establish the following procedures for negotiations:

- (i) In order to further the negotiating process directed towards the fullest liberalization of trade in tropical products, participants are invited to submit indicative lists which should:
  - (a) elaborate on general approaches, formulae and measures covering both tariffs and all non-tariff measures;
  - (b) and/or contain product/country specific requests which would, where available, usefully build on proposals already tabled.

Participants are invited to submit indicative offers or broad indications of possible individual contributions to a successful outcome of the negotiations taking into account all relevant factors in determining such contributions.

Initial indicative lists shall be submitted by 31 March. It is understood that participants would not be precluded from modifying these lists or submitting lists at subsequent dates.

- (ii) For the purpose of consultations mentioned below, participants may also request or provide additional information on trade policy measures, with assistance from the secretariat as appropriate.
- (iii) The Negotiating Group will meet on 25-26 April to review action taken under (i) and (ii) above, and to deal with any practical questions that may arise; the Group may also consider any new proposals which might be made.
- (iv) Two rounds of multilateral consultations covering all seven product groups<sup>1</sup> will be organized in the weeks of 30 May and 27 June. These consultations would aim at the fullest liberalization of trade in tropical products in accordance with the Punta del Este Ministerial Declaration and in the light of the different techniques and modalities that have been put forward by participants. The Negotiating Group on Tropical Products will be convened at least once in each round of consultations.

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<sup>1</sup> It was understood by the Negotiating Group that the seven product groups selected for its work did not constitute a definition of tropical products nor an exhaustive listing and that other products might be included as negotiations proceed. Additional products may be proposed to the Negotiating Group which would make arrangements for consideration or further action as appropriate.

- (v) The Negotiating Group will, at a meeting on 6 to 8 July, review the results of these consultations including any conclusions regarding the applicability of different approaches and make arrangements for the further conduct of negotiations.
- (vi) These negotiations will take place with a view to achieving concrete results before the end of 1988 and their implementation at the earliest possible date in the light of the provisions of Section B(ii) of the Ministerial Declaration. The Negotiating Group will review progress to this end at a meeting to be held during autumn 1988.