

MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND

RESTRICTED
MTN.GNG/NG1/7
29 April 1988
Special Distribution

Group of Negotiations on Goods (GATT)

Negotiating Group on Tariffs

MEETING OF 18-19 APRIL 1988

Note by the Secretariat

1. The Group was chaired by H.E. Mr. L. Duthie. It pursued the discussion on the following points.

A. Continuation of exchange of views on submissions of proposals by participants relating to the tariff negotiations

2. The Group had before it a considerable number of proposals and submissions on modalities for the tariff negotiations, including elements pertaining to the tariff-cutting approach, the elimination of high tariffs and tariff escalation, and the possible expansion of tariff concessions including bindings. These proposals and submissions had been presented by delegations in the course of last year and earlier in 1988, and had been circulated in NG1/W documents. Since the last meeting the secretariat had also revised and updated the synoptic table, contained in W/10/Rev.3, which incorporated in an abbreviated form all the proposals and comments made so far.

3. In a new submission contained in NG1/W/17, the advantages of a general harmonization formula and the disadvantages of a request-and-offer procedure were emphasized. According to this proposal, the formula should be applied, if possible, by all participating countries, but at least by all developed and the more advanced developing countries; the right to exempt some items should be limited by appropriate multilateral surveillance. The base rates should be the bound rates, or the autonomous m.f.n. rates for unbound items as per 30 June 1988.

4. One participant described to the Group the general tariff cutting programme to be implemented by his country as from 1 July 1988, consisting of the application of the Tokyo Round formula, and effecting five reductions over four years, to all tariff items not subject to industry plans. Products subject to industry plans or having specific phasing programmes within the individual plans would also be subject to the general formula as each particular plan expired. These tariff reductions would particularly affect the motor vehicle and textiles industries. The participant in question said he expected considerable credit for these measures and looked forward to other contracting parties to adopt a commensurate degree of liberalization. The details of this programme will be circulated in document NG1/W/18.

5. Another participant confirmed that, as part of a broadly-based multilateral approach to achieve reductions in industry protection, his country was willing to negotiate a broad package of measures to reduce overall levels of effective assistance to industry, including tariffs. He informed the Group that his Government had recently decided to take immediate action to reduce assistance to the motor vehicle industry. A 39 per cent phased reduction of the tariff on passenger motor vehicles had been announced; further phasing of reductions would occur annually until 1992. His Government would also claim full credit for this substantial trade liberalization action in the market access negotiations.

6. Commenting on the various proposals before the Group, a number of participants reiterated their preference for the application of a general harmonization tariff-cutting formula of the type used in the Tokyo Round without, however, excluding supplementary negotiations based on a request-and-offer procedure. Divergent views were expressed concerning the participation in the negotiations, the product coverage, the tariff rates to be used as the base rates for the negotiations, as well as the year to be taken as reference. The need for an expansion of the degree of bindings by all participants was again emphasized by several members of the Group. In this context, the secretariat was requested by the Group to expand document NG1/W/2 concerning the importance of GATT bindings to include information relating to additional countries.

7. In reply to a question concerning its Supplementary Submission contained in NG1/W/8/Suppl.1/Rev.1, a participant confirmed that his country envisaged the application of a formula to all tariffs except agricultural, fishery, forestry products and petroleum which could be negotiated in other fora, and that petro-chemical products would be subject to the formula approach. Developing countries should participate in the tariff negotiations through an expansion of bindings and a reduction of their tariffs, according to the stage of their development.

B. Broadening and updating of factual basis for the tariff negotiations

8. The Chairman noted the encouraging developments which had recently taken place in the context of the Integrated Data Base (IDB). However, the IDB was not expected to be fully operational before the autumn of 1989 and would thus not be available for the Uruguay Round tariff negotiations which - bearing in mind the overall time-frame - should start not later than the beginning of 1989. He stressed that it was therefore imperative to make progress in the Group in terms of an enlargement of the Tariff Study or, alternatively, the submission of tariff and trade data to the IDB on an advanced basis, i.e. before the end of this year. In response to the Chairman's invitation, two participants stated that their governments had decided to join the Tariff Study. Other members of the Group referred to their participation in the IDB or said that the matter was still under consideration in their capitals. Another participant suggested that each delegation should make a copy of its current national tariff available to the secretariat.

9. The Group requested the secretariat to establish a note, based on document NG1/W/3, Annex I, listing the information required on a simplified basis. This information should include the product descriptions of tariff items, m.f.n. bound tariff rates, m.f.n. statutory tariff rates, m.f.n. effectively applied tariff rates, the value and volume of imports, and the unit of quantity used to report the volume of imports. In relation to statistics, 1986 was mentioned as a possible base year, but some members mentioned technical difficulties in this respect. The paper would be circulated as soon as possible and would be subject to informal exchanges of views with interested delegations.

C. Consideration of next steps in the work of the Group and arrangements for further meetings

10. The Chairman invited participants to give an indication as to how further progress could be achieved by the Group, bearing in mind the contents of the negotiating mandate, i.e. to agree on a common negotiating basis, and the overall time constraints as well as the mid-term review to be held in December.

11. One participant, referring to the mid-term review, invited the Chairman to submit a note to the Group containing proposals for agreement on key elements of the tariff negotiations. Another participant supported this idea and suggested that the following elements should form part of such an agreement:

- (a) understanding on the basic direction of a common negotiating approach, taking into account the widespread support for a general tariff-cutting formula;
- (b) understanding on the use of, and procedures for, complementary negotiating techniques, such as request/offer negotiations;
- (c) principles and procedures for increasing the level of tariff bindings;
- (d) the treatment of exceptions;
- (e) base date and base rates for the tariff negotiations;
- (f) indication by participants of their participation in the general formula and the scope and modalities for such participation.

Other participants stated, however, that it was premature for the Chair to make proposals along the lines suggested since there were a number of important substantive questions which needed to be further discussed, such as the choice of the tariff-reduction method, the extent of its application and the participation of countries in the negotiations. In response, the Chairman said that he would consider the suggestions made.

12. The Group agreed that the next meeting of the Group would be held on 24 June 1988, and that informal consultations would be carried out during the week starting 6 June.