

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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Group of Negotiations on Goods (GATT)

Negotiating Group on Tropical Products

NEGOTIATING GROUP ON TROPICAL PRODUCTS

Meeting of 25 April 1988

Note by the Secretariat

1. The Negotiating Group on Tropical Products held its seventh meeting on 25 April 1988 under the Chairmanship of Mr. P. Leong Khee Seong (Malaysia).
2. The Group adopted the agenda set out in GATT/AIR/2581 dated 13 April 1988. No matters were inscribed on the agenda under "other business".

Review of action taken pursuant to items (i) and (ii)
of the Procedures for Negotiations

3. The Chairman recalled that in accordance with the Procedures for Negotiations adopted on 29 January 1988 the Group was expected to review at this meeting action taken pursuant to items (i) and (ii) of the Procedures i.e.:

- (i) submission of indicative lists elaborating on general approaches, formulae and measures covering both tariff and all non-tariff measures and/or containing product/country specific requests which would, where available, usefully build on proposals already tabled;
- (ii) requests for and provision of additional information on trade policy measures for the purpose of the multilateral consultations to be held in the weeks of 30 May and 27 June 1988.

4. It was recalled that so far indicative lists had been submitted by Côte d'Ivoire (MTN.GNG/NG6/LT/1), Australia (MTN.GNG/NG6/LT/2), the EEC (MTN.GNG/NG6/LT/3), Switzerland (MTN.GNG/NG6/LT/4), Sri Lanka, Bangladesh, Colombia, Cuba, Egypt and Nicaragua (MTN.GNG/NG6/LT/5 and Corr.1), Austria (MTN.GNG/NG6/LT/6), ASEAN (MTN.GNG/NG6/LT/7), and Peru (MTN.GNG/NG6/LT/8). Requests for additional information had been addressed by the United States (MTN.GNG/NG6/TI/1) and the EEC (MTN.GNG/NG6/TI/2 and Corr.1). The Chairman noted that for confidentiality purposes the indicative lists, the requests for additional information and the replies would be circulated only to participants in negotiations. They would therefore not be available in the meeting room. It was also noted that the secretariat had circulated revised background material on the seven product groups taking into account

comments and corrections made by delegations as well as tariff line-based statistical data. As requested by the group at its sixth meeting in January 1988 a revised synoptic table of written and oral proposals by participants had also been circulated as document MTN.GNG/NG6/W/18/Rev.1.

5. The representative of Sri Lanka introduced the indicative list submitted by his country together with Bangladesh, Colombia, Cuba, Egypt and Nicaragua (document MTN.GNG/NG6/LT/5 and Corr.1). The submission was further to an earlier submission contained in MTN.GNG/NG6/W/8. It elaborated on negotiating modalities under a general approach with a view to addressing comprehensively the issues in the sector of tropical products. As the aim of negotiations was to achieve the fullest liberalization, the modalities were related to the particular problems in the three broad areas of tariffs, non-tariffs and sanitary measures as they affected tropical products. With regard to tariffs it was first proposed to draw a distinction between unprocessed products on the one hand and semi-processed and processed products on the other given the difference between the problems in the two areas which had therefore to be treated differently. Unprocessed tropical products were at present mainly free of duty (either under MFN or GSP, more so under MFN). Since existing duties were a residual problem an immediate elimination of the duties and their binding at zero level was proposed. Trade in semi-processed and processed products was mainly affected by tariff peaks and tariff escalation. In order to address effectively the tariff peaks and to prevent any likely aggravation of tariff escalation following the elimination of duties on unprocessed products in particular, there should be at the same time an immediate reduction of the tariffs on semi-processed and processed products to a given level. To this end New Zealand's formula of reducing tariffs to a particular level could be used. Then there should be a phased elimination of the tariffs from that particular level over a time-frame to be agreed upon. The formula could differ depending on whether the MFN route or the GSP route was taken. In this regard the suggestions made in the Nordic and Austrian proposals could be relevant. With respect to non-tariff measures three problem areas might be identified: (i) selective internal taxes - which were confined to four products (coffee, cocoa, tea and bananas) and to certain markets; (ii) variable levies - again a problem in certain markets; and (iii) prohibitions, quantitative restrictions, licensing etc., applicable in some countries on some products and which needed to be eliminated. The representative considered that the maintenance of non-tariff measures would make no sense, with the proposed elimination of tariffs, if the fullest liberalization was to be achieved. As far as sanitary and phytosanitary measures were concerned it was proposed to abolish those measures which represented in their effects non-tariff measures and to simplify other measures. While the submitting countries reiterated their willingness to make contributions, such contributions would not be sector-related. The contributions likely to be made would be overall to the negotiations in accordance with Section B of the Ministerial Declaration. In conclusion, the representative believed that the multilateral consultations proposed for end of May should cover the seven product groups and test the modalities and formulae on the ground

in each product group. Nevertheless, it was his understanding that they would be applied across the product groups. The submitting countries also expected to achieve concrete results by the end of 1988 so that implementation could begin on 1 January 1989. The work should therefore be organized with this end in view.

6. The representative of Norway speaking on behalf of the Nordic countries introduced the submission subsequently circulated in MTN.GNG/NG6/LT/9. He explained that this submission was based on an earlier proposal by the Nordic countries (MTN.GNG/NG6/W/20 and Corr.1) and should be seen in conjunction with that proposal. The representative recalled that the approach proposed a tariff-cutting formula and an appropriate element of harmonization to be agreed upon during 1988 followed by submissions of individual lists of products and tariff rates to be covered by this formula. The broadest possible participation in a formula approach was desirable. All new concessions would be bound. The implementation of tariff cuts would start as of 1 January 1989 with a maximum period implementation of 5 years. In addition to the submission of lists of products and tariff rates to be covered by a harmonizing tariff-reducing formula participants could consider submitting requests or offers for further reduction or elimination of tariffs on specific tropical products or for tropical products that had not been covered by the formula reductions. All such concessions would be bound. The time-frame for implementation of results would be the same as above. It was also suggested that all participants in a position to do so, be they developed or developing countries, consider granting zero per cent tariffs on imports of tropical products from LLDCs on a preferential basis. The Nordic countries were prepared to include non-tariff measures in negotiations on the basis of a request/offer procedure to the extent that those measures had significant trade effects and that other participants would take similar steps. Finally, the representative recalled the basic Nordic position concerning the need for the Negotiating Group on Agriculture to deal with all questions relating to agricultural trade. Nevertheless, this position would not prevent the Nordic countries from actively pursuing negotiations in this Group.

7. Introducing the indicative list circulated in MTN.GNG/NG6/LT/4 the representative of Switzerland said that it constituted basically an extension of the tariff-cutting formula proposed by Switzerland for Chapters 25 to 97 in the Negotiating Group on Tariffs (MTN.GNG/NG1/W/16) to the tropical products falling in Chapters 1 to 24 as well. The extension of the tariff-cutting formula proposed in regard to Chapters 24 to 97 to all tropical products represented a significant development since most tropical products were agricultural and the results obtained in previous rounds of multilateral negotiations in that sector were less significant than in the industrial sector. An agreement on such a formula should be reached by the end of 1988. If participants could not agree on the multilateral application of such a formula to all tropical products, a

request and offer procedure would have to be considered. The offer covered all the seven product groups despite the fact that certain products were direct or indirect substitutes for products from temperate areas including Switzerland. This could of course either lead to less rapid progress in negotiations or limit the scope of liberalization measures as for instance the coefficient for tariff reduction. One possibility to achieve more rapid progress would be to exclude in a preliminary way the more sensitive products as it was envisaged in other submissions made to the Group. Such a possibility could perhaps be envisaged if it would enable greater liberalization on non-excluded products and/or advance implementation of results. The representative also pointed out that the offer was not unilateral but it envisaged the broadest possible application with the view to ensuring a substantial increase in trade which was ultimately the aim of the negotiations. Therefore the offer was accompanied by suggestions on sharing equitably the burden and the benefits resulting from negotiations. The representative also reiterated the view that an active participation in negotiations of all participants including developing countries exporters of tropical products was desirable and necessary in order to achieve rapid and significant progress; the participation by developing countries should not however be incompatible with their development, financial and trade needs. Furthermore, developing countries that have a dominant supplier position with respect to certain tropical products on world market should at the same time commit themselves to dismantle measures which distort conditions of competition in the trade of these products so that they do not derive an artificial comparative advantage in the manufacture of processed products based on the commodities concerned. The implementation of agreements in negotiations should be carried out as quickly as possible, at a date to be agreed, and be completed by the end of 1990. Of course only satisfactory conclusions of overall negotiations would make it possible to consider that the results obtained were final. In conclusion the representative said that if the questions covered in the negotiations on tropical products were not to lead to a multilateral solution Switzerland was already prepared to consider, as a measure complementary to the negotiations in tropical products, the possibilities of improving its GSP scheme with regard to these products taking particularly into account the development aspect which might not have been satisfactorily covered in the course of the negotiations.

8. The representative of Hungary introduced an offer by her country which was aimed at contributing to the expeditious fulfilment of the negotiating objective in the tropical products area (subsequently circulated as MTN.GNG/NG6/LT/11). The offer related to the seven product groups which had been agreed as a basis for the negotiations in this group. The representative said that her Government had considered steps which could be taken within the limited possibilities of the Hungarian economy to meet the objectives of negotiations in this area and to assure a meaningful package of decisions at the mid-term review. The offer contained the following main elements: in regard to tariffs on tropical products, of which two-thirds were presently covered by the Hungarian GSP scheme with preferential or zero duties, Hungary was ready to reduce to zero

practically all tariff rates on tropical products already included in its GSP scheme. Moreover those tropical products for which no tariff preferences existed, would be included in the Scheme at substantially reduced tariff rates with a view to decreasing them to zero within a three-year time frame. The final aim of these measures envisaged was to provide duty-free market access for all tropical products exported by developing countries. As far as non-tariff measures were concerned the only quantitative restriction maintained by Hungary was the global quota on consumer goods which covered only four items out of the nearly 160 products identified as tropical products. Hungary intended to exempt those products from the global quota as a part of the offer. The representative emphasized that the offer reflected the importance that Hungary attached to the faithful implementation of the negotiating objectives of the Punta del Este Declaration in all areas. Though a small importer of tropical products, mainly due to the market size and consumption pattern, Hungary would do its best to ensure a better market access in this area anticipating that as a result of the Uruguay Round Hungary's basic negotiating objectives, especially in the fields of agriculture, tariffs and non-tariff measures would also be met.

9. In introducing the submission circulated in MTN.GNG/NG6/LT/2 the representative of Australia reaffirmed the recognition by his authorities of the importance and priority given to Tropical Products Negotiations as reflected in the Punta del Este Ministerial Declaration as well as their hope that substantial results could be achieved in these negotiations this year. The representative said that the proposal took into consideration the discussions in the Group to date. In the Australian view negotiations should cover the seven product groups as outlined in MTN.GNG/NG6/W/5 without exceptions. In order to fulfil the negotiating mandate of "the fullest liberalization" of trade in tropical products, Australia suggested that all countries: bring their trade distorting measures to the table; negotiate the phased elimination within ten years, preferably on an accelerated basis of all trade protective barriers on tropical products up to and including their primary processed stage; negotiate overall reductions in protection for other tropical products, preferably as part of a formula covering tariffs and non-tariff measures including subsidies which have a trade effect; negotiate tariff bindings on all tropical products. Such an approach would achieve very significant trade liberalization and provided agreement could be reached on a formula which achieved substantial cuts to the highly processed tropical products, the proposal could significantly reduce tariff escalation.

10. The representative of Peru referred to the indicative list submitted by his country (MTN.GNG/NG6/LT/8) and indicated that it contained a preliminary list of products of export interest to developed country markets. He reserved the right to modify, extend or partially or totally withdraw the list taking into consideration the reaction of developed countries. The representative also emphasized that the list did not prejudice the techniques and modalities for negotiations which might be agreed upon. In this connection he expressed preference for a multilateral approach supplemented by requests and offers procedure as necessary.

11. The representative of Austria drew attention of the Group to the indicative list submitted by his country containing an elaboration of the initial Austrian proposal as well as a list of items and measures envisaged under the proposal (MTN.GNG/NG6/LT/6 and Suppl.1). He reserved the right to revert to this submission later on.

12. The representative of Malaysia on behalf of ASEAN referred to the submission made by those countries (MTN.GNG/NG6/LT/9). It contained an indicative list addressed to Australia, Canada, the EEC, Japan, New Zealand, Switzerland and the United States. The representative reserved the right to modify the list. He also said that additional indicative lists by ASEAN would be submitted in due course.

13. Referring to the indicative list submitted by the European Communities (MTN.GNG/NG6/LT/3) the representative of the EEC said that the submission elaborated on the earlier offer made by the Communities attempting to clarify certain points. For example, on the question of "sectoral reciprocity" it was clearly stated that concessions by other participants would not necessarily be limited to the tropical products sector. The representative felt that the Group could move on to the next stage of its work under which the different formulae would be checked against the details of the situation in different product groups. This was not to suggest a product-by-product approach. The EEC remained deeply attached to a global approach as the one contained in the Community's offer in the tariff area. However it was necessary to see what the possible outcome of different formulae would be.

14. The representative of Mexico announced the intention to submit shortly an indicative list containing requests on products and markets of interest to his country. Mexico was very much interested that negotiations bring about a lowering of tariffs to zero as well as their immediate binding and the elimination of non-tariff measures particularly domestic taxes on tropical products including in their processed and semi-processed forms. It was also of particular importance that the commitment on standstill be implemented especially in the light of the possible impact of the US Trade Bill. The representative reiterated the preference expressed by other participants for a combination of multilateral techniques and modalities supplemented wherever necessary by other modalities. In this context he urged the countries which spoke in favour of bilateral modalities to reconsider their positions. Finally the representative emphasized that no link should be established between negotiations in this Group and negotiations elsewhere particularly in the Group on Agriculture.

15. The representative of Brazil informed the Group that her authorities would present shortly an elaboration on the proposal contained in MTN.GNG/NG6/W/10. A list of products of export interest to her country would be attached thereto for information purposes. The representative of Uruguay also announced the intention to submit a preliminary indicative list in the near future.

16. Several participants welcomed the submission of indicative lists as a result of the adoption of the Procedures for Negotiations and made preliminary comments or addressed questions on some of the submissions.

17. One delegation said that it fully shared the basic thrust and purpose of the submission introduced by Sri Lanka. Another representative welcomed the fact that many submissions involved a global product coverage combined with fully multilateral methods such as the formula approach. He believed that the idea of setting a level up to which the tariffs would be reduced according to a formula was the best way of dealing with tariffs in particular tariff peaks and tariff escalation. In his view non-exclusion of products and the widest possible participation were essential for negotiations. As to possible improvements of GSP schemes he considered that it was a "second-best" option. The representative also said that his delegation intended to submit a rather short list of products of export interest to his country.

18. Another representative observed that according to available information a number of developed countries held negotiating rights on certain tropical products not only in processed or semi-processed forms but unprocessed forms as well in at least one of the eleven markets. He wondered what were the implications of that situation for these negotiations which were designed to achieve the fullest liberalization of trade in this sector mainly because of its importance for developing countries' exports and not as a recognition of any critical situation facing developed countries.

19. The representative of Japan said that her authorities would examine carefully the indicative lists in particular those elements therein which related to her country in order to prepare the offers. This representative felt that emphasis should now be placed on finding the techniques and modalities which could overcome the differences in views manifested among participants. She hoped that the consultations in May would increase the mutual understanding of particular situations existing in individual countries.

20. The representative of the United States recalled that his delegation expected requests based on the US proposal. In this connection he referred to the submissions by ASEAN, Côte d'Ivoire, Peru, Sri Lanka on behalf of several countries, as well as Australia, and enquired whether those indicative lists were submitted on the basis of the US proposal. He also asked whether submitting countries were seeking removal of trade distorting policies affecting tropical agricultural products within a time-period of less than ten years. Another question related to the readiness of submitting countries to remove their trade distorting policies affecting tropical agricultural products and if so whether they would be prepared to remove such policies in less than ten years. Finally, the representative enquired whether the countries concerned sought removal of the particular policies from only the United States, from only specifically identified countries or from all participants in negotiations.

21. Commenting upon the questions addressed by the United States some representatives reiterated the view that this Group was concerned only with improving market access for tropical products which as recognized in the Punta del Este Ministerial Declaration were of particular interest to exports of developing countries. They felt that if the US approach was to be followed the exercise in the Group would turn into an agricultural negotiation which was supposed to take place in the Negotiating Group on Agriculture. The point was also made that the Negotiating Group on Subsidies was supposed to deal with such measures and not the Negotiating Group on Tropical Products.

22. In regard to the requests for additional information submitted by the EEC and the United States several delegations said that the requests had been or were being sent to capitals and that they would revert to this matter later on in the light of instructions received. Some of these delegations expressed concern at the language used in certain requests. They noted that while the objective of ensuring transparency in negotiations was not contested the requests for additional information should not lead to requests for sectoral reciprocity from developing countries. It was also recalled that the procedure agreed in connection with requests for additional information should not prejudice the negotiating process.

23. The representative of Hungary observed that her country was covered by the Tariff Study and therefore all the necessary tariff and import data were supplied regularly to the secretariat which could make them available to interested participants. Likewise other information could be obtained from available sources in the secretariat for example the Inventory of Non-Tariff Measures. Her authorities would nevertheless provide an official reply to the requests for information before the multilateral consultations on tropical products.

24. The representative of the Republic of Korea recalled the statement made by his delegation in the Negotiating Group on Tariffs to the effect that his country was prepared to join the Tariff Study and would submit the necessary information by the end of the first semester this year. Thus, most information requested from his country would be available in the Tariff Study. His delegation would also provide a detailed reply to the requests addressed concerning additional information in the near future.

25. The representative of the EEC felt that some of the reactions to the requests for additional information were constructive and might perhaps enable the secretariat to present to the Group the information available in different sources. While taking note that capitals need some time to examine the requests and collect information the representative of the EEC expressed the hope that information would be made available for the purpose of the multilateral consultations to be held at the end of May. The representative reiterated the view that comprehensive multilateral negotiations implied that all participants should take part fully in

negotiations. While this did not mean, ipso facto that every participant should make concessions, the Negotiating Group as a whole should be in a position to assess the existing factual basis and then what concessions might be made by participants in line with their respective development, financial and trade needs. The EEC was looking for a substantial result in these negotiations which could be achieved only if the largest number of participants contributed to it.

26. The representative of the United States restated that the negotiating objective in this area could not be achieved without expanding the data base to include all participants. He continued to believe that the negotiations could not conclude successfully without complete transparency in all markets. Recalling that the requests addressed by his country were requests for information only the representative said that his authorities would continue to evaluate progress on this issue at subsequent consultations and meetings of the Group. He urged all participants to submit information along the lines of the existing product coverage so that negotiations could proceed on an expeditious basis.

27. The Negotiating Group took note of the submissions and the comments made.

28. Referring to the multilateral consultations scheduled for the weeks of 30 May and 27 June 1988, the Chairman said that delegations might examine the effect of the different proposals on the trade situation in specific product groups. In particular, an effort should be made to elucidate what each participant was prepared to do in terms of his proposals. He trusted that participants would be able to make their positions clear in relation to specific product areas and barriers, so that it was possible to determine how negotiations could maximize benefits in trade liberalization. The Chairman also noted that certain requests for trade information had been addressed to a number of countries which were not covered by the existing background material, and he assumed that countries seeking such information might wish to pursue this matter further. It was his hope that countries would be in a position to respond to the requests for information in a timely manner. The Chairman expressed the hope that as a result of the two rounds of consultations the Negotiating Group would be in a position to assess what practical agreements could be reached on the basis of the concrete exchange of views on the proposals which would have been carried out. The Negotiating Group should subsequently be in a position to map out the phase of intense negotiations which hopefully would follow in the early part of next semester.

29. Commenting upon these suggestions the representative of Brazil recalled that the purpose of the consultations was to accomplish the mandate from the Punta del Este Ministerial Declaration, which was the "fullest liberalization of trade in tropical products". Therefore, she considered that the Group should adopt practical steps which allowed the participants to come to an agreement on global solutions for the whole sector of Tropical Products. In her view, this Group should not adopt

further procedures that might prejudice the achievement of these goals or reduce the scope of the negotiations. The representative said that she could accept the proposal of having consultations based on the seven product groups, provided that: (i) the consultations have, as their only objective, the identification of problems affecting trade on each product group, with a view to offering to the Negotiating Group a concrete basis for the examination of the modality or modalities to be adopted for the negotiations. Her delegation would not agree that the procedures prejudice the modalities for negotiations which were not yet established by this Group; (ii) the decision on modalities for negotiations should be addressed by the Negotiating Group, taking into account the problems identified in the product groups. Her delegation might accept different solutions for different problems, but it could not accept only partial solutions for a few problems. The acceptance of the Chairman's suggestions in the terms outlined above did not, in any circumstances, prejudice the Brazilian position concerning the negotiations on tropical products. Brazil maintained its proposal, as described in document MTN.GNG/NG6/W/10 and in oral statements made in this Group. The representative reserved the right to review the Brazilian position concerning procedures for consultations, if her authorities considered, at the end of the first series of consultations, that they do not contemplate Brazilian interests in this Group.

30. In conclusion, the Chairman said that the consultations would be informal, open to all interested participants and strictly confidential. No formal record of consultations would be made. The Chairman would report on these consultations under his own responsibility to the Negotiating Group at the formal meetings at the end of each series of multilateral consultations. It was suggested that the consultations start with a general review of the proposals on the table and of the indicative lists submitted. After that participants would examine how these proposals affect trade in different product areas. The first series of consultations would be convened on Monday, 30 May 1988 at 10 a.m. and would continue through Friday, 3 June 1988, as necessary. The Negotiating Group on Tropical Products would be convened on Friday, 3 June 1988.