

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG6/9

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

NEGOTIATING GROUP ON TROPICAL PRODUCTS

Meeting of 3 June 1988

Note by the Secretariat

1. The Negotiating Group on Tropical Products held its eighth meeting on 3 June 1988 under the Chairmanship of Mr. P. Leong Khee Seong (Malaysia) for the purpose of reviewing the results of the first round of multilateral consultations on tropical products (30 May - 3 June 1988) as provided for in the Procedures for Negotiations adopted on 29 January 1988 (MTN.GNG/NG6/6).

2. The Chairman presented to the Negotiating Group, under his own responsibility, the following report:

"In accordance with the Procedures for Negotiations adopted on 29 January 1988 (MTN.GNG/NG6/6) the first round of multilateral consultations was held between 30 May and 3 June. As agreed at the seventh meeting of the Negotiating Group on 25 April the multilateral consultations were informal, open to all interested participants and strictly confidential. No formal record of consultations was made. This report on the first round of consultations is made under the Chairman's own responsibility in accordance with the arrangements agreed upon by the Group at its seventh meeting.

"After the general review, the consultations were organized in two stages. First, participants reviewed the tariff and non-tariff situation affecting each product group under consideration on the basis of documentation prepared by the secretariat. In the course of this review participants were able to further clarify specific questions relating to existing tariff and non-tariff barriers affecting the product groups examined and to provide indications on measures which in their view constituted the main obstacles to their exports. After this review participants moved in a second stage to the examination of proposals and indicative lists and how they would affect the trade in different product areas. In the course of this discussion participants clarified certain aspects of proposals and had an in-depth exchange of views aimed at identifying possible approaches to be followed in negotiations in order to achieve the objective of the fullest liberalization of trade in tropical products.

"The first round of multilateral consultations has permitted an in-depth review of the tariff and non-tariff situation at product-group and specific product levels as well as a better understanding of how different approaches proposed might affect trade in the product areas under consideration. The second round of consultations is scheduled for the week of 27 June. It is hoped that after the second round of consultations the Negotiating Group will be in a position, at its July 6-8 meeting, to make the necessary arrangements for the further conduct of negotiations in the second half of the year with a view to achieving concrete results before the end of 1988."

3. Commenting upon the first round of consultations several participants observed that there was still uncertainty as to the techniques and modalities to be adopted in negotiations. They felt that the second round of consultations scheduled for the week of 27 June should aim at identifying clearly where the views of participants were divergent with the view to seeking an agreement on a possible common basis for negotiations. Without such an agreement it would be difficult to obtain results in negotiations by the end of the year. A number of participants also expressed concern at the exclusion of certain products under offers made by some participants. The view was also expressed that the linkage maintained by a major trading country under its proposal between progress in negotiations in the tropical products area and negotiations of agriculture did not correspond to the priority accorded in the Ministerial Declaration to tropical products negotiations, and went beyond the mandate of the group which was to focus primarily on improving market access for developing countries. Furthermore, several participants voiced their concern over the fact that another major trading country had not yet given any indications with respect to its offer in this area. One of these participants supported by several others suggested the preparation of a checklist of the main problems still existing in trade on tropical products which would serve as a basis for discussion at the second round of consultations.

4. Several other participants said that the first round of consultations had revealed that some major obstacles still remained to be overcome in order to achieve concrete results for the mid-term review. In this regard, the need for ensuring a truly multilateral process of negotiations including through contributions by developing countries according to their capacities was emphasized. One participant noted that given the number of approaches proposed, participants should find out practical solutions narrowing down existing differences and work out generally acceptable techniques and modalities which would enable them to move to an effective process of negotiations. Another participant stressed that its proposal on tropical products would bring about significant benefits to developing countries and reiterated the position that any early results at the mid-term review should include a satisfactory outcome on agriculture. In this connection he invited attention of the Group to a paper on the relationship between the proposals made by his country on tropical products and those made by it on agriculture and requested that it be circulated to the members of the Group (MTN.GNG/NG6/W/24).

5. Several developing country representatives reaffirmed the importance of a successful outcome of negotiations on tropical products in accordance with the objective of "fullest liberalization". Concrete results should be achieved by the end of 1988 independently of the work and results in other groups. A number of representatives reiterated that contributions by their countries would be global and not sectoral and that negotiations in the tropical products area should benefit mainly the developing countries given the importance of these products for their trade as recognized in the Ministerial Declaration on the Uruguay Round. Some of these participants referred to trade liberalization measures undertaken by them unilaterally or in the context of their accession to GATT for which they expected to be given credit in negotiations. Another participant announced that his authorities were exploring possibilities of making a contribution in the tropical products area. However, he stressed that any such contribution should mainly benefit the trade of developing countries.

6. In connection with requests for additional trade information addressed by certain participants, some representatives informed the Group that they would provide responses which could be circulated to the members of the Group. One participant said that the responses would be made available through the secretariat to interested exporting countries upon request. Several participants underlined that provision of additional information on their import régime was intended to respond to transparency requirements but that this did not imply agreement to negotiate on those measures.

7. The representative of Mexico recalled that his country had submitted an indicative list (MTN.GNG/NG6/LT/16) containing products for which it sought the elimination of tariff and non-tariff measures. The list included a number of products which had not been examined under the seven product groups selected for the work in the Negotiating Group. Recalling the understanding that the seven product groups did not constitute a definition of tropical products nor an exhaustive listing and that other products might be included as negotiations proceed, the representative expressed the hope that participants would take a positive attitude in regard to the additional products included in his country's list. The representative also reiterated support for the adoption of a global approach to the negotiations.

8. The representative of India drew the attention of the Group to the proposal on tropical products submitted by his country (subsequently circulated in MTN.GNG/NG6/LT/17). The proposal contained the following main elements: (i) elimination of all m.f.n. tariffs by developed countries within an agreed time-frame; (ii) elimination by developed countries of quantitative restrictions and selective internal taxes within an agreed time-frame. Consultations should be held with a view to eliminating the trade distortive effects of health and sanitary restrictions and State-trading. The representative also pointed out that his country had submitted, as information to the members of the Group, a list of tropical products in which it had an export interest.

9. The representative of Australia recalled that his country had some export interest in tropical products as specified in the indicative list submitted to the Group (MTN.GNG/NG6/LT/2) and reserved the right to address future specific requests. However, Australia was taking part in these negotiations mainly as an importer. In this connection the representative referred to a number of measures recently announced by his government for reducing tariffs and other assistance measures to industry over a period of four years starting 1 July 1988. These reductions were part of a package of measures designed to reduce distortions in Australian industry, to achieve a more internationally competitive outward looking industrial structure and, in the context of the Uruguay Round, to liberalize trade. The measures concerning tropical products would form the basis of Australia's contribution to the achievement of early trade liberalization in this area. Outlining these measures the representative said that as from 1 July 1988, the zero tariff treatment currently covering one-quarter of tariffs on tropical products would be extended to half the tariffs affecting these products. Within four years virtually all tariffs on tropical products would be 15 per cent or less (for developing countries 10 per cent or less). About two-thirds of all tropical products m.f.n. tariffs would be 10 per cent or less (developing countries rates will be 5 per cent or less). Only tariffs on textile items, which accounted for less than 4 per cent of tropical products trade, would remain above 15 per cent. For products covered by this Group, these measures meant new cuts on over 70 per cent of all Australian tropical product imports in all seven categories affecting about \$1.2 billion trade and further \$300 million of duty-free trade. Cuts in tariffs on tropical products ranged generally between 33-50 per cent and in some cases were as large as 15 percentage points. In addition, the Australian Government had taken decisions to phase-out the few remaining quotas affecting tropical products including the textile items. The representative restated that Australia was prepared to consider the binding of all tropical products tariffs provided that its trading partners would make similar efforts in the negotiations regarding tariffs and NTM's affecting Australia's exports. The representative also said that Australia would be seeking full credit for substantial cuts in industry assistance as well as other steps taken since September 1986 to liberalize trade in tropical products.

10. In concluding the discussion the Chairman observed that the Group was still facing some obstacles which required determined efforts by all participants in order to make the second round of consultations meaningful and productive.

11. The Group took note of the comments and the submissions made. It also took note of the proposal by Mexico for the inclusion of additional products in the list of products on which action was being sought. If any delegations wished, this matter could be discussed at a future meeting. The Group further agreed to revert to the suggestion on the preparation of a checklist of issues after completion of the second round of multilateral consultations.