

**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 20 September 1988

Note by the Secretariat

1. The Negotiating Group on Tropical Products held its tenth meeting on 20 September 1988 under the Chairmanship of Mr. P. Leong Khee Seong (Malaysia).

2. The Group adopted the agenda set out in GATT/AIR/2661 dated 1 September 1988. No matters were inscribed on the agenda under "other business".

Review of action taken in pursuance to the Arrangements for the further conduct of negotiations (MTN.GNG/NG6/10)

3. The Chairman recalled that the procedures for the further conduct of negotiations adopted on 1 July 1988 provided for the submission of initial offers or further elaborations of previous offers and proposals not later than mid-September 1988. Consultations and negotiations covering all seven product groups would then take place up to early November 1988 and the Negotiating Group would meet on 4-5 November in order to assess the results achieved, and make any further arrangements as necessary. The Chairman also informed the Group that in accordance with the decisions taken by the GNG at its meeting on 25-26 July 1988 he intended to prepare his report to the GNG after consultations with members of the Group, towards the end of October with the view to submitting it to the GNG after the meeting of the Negotiating Group on 4-5 November 1988. It was recalled that according to the arrangements for the further conduct of negotiations, aside from the present meeting and the meeting scheduled on 4-5 November 1988, the Negotiating Group might hold other meetings during the forthcoming process of consultations and negotiations, as necessary. In this connection several delegations felt that the Group could usefully meet informally, during the forthcoming process of consultations and negotiations in order to ensure the necessary transparency. It was therefore suggested to keep open the possibility for the Negotiating Group to meet informally to examine any new submissions that might be put forward by participants and review action taken in this process of consultations and negotiations on 5-6 October and 25-26 October 1988. The Chairman expressed the hope that the forthcoming process of consultations and negotiations would lead to progress in the work of this Group objectives with the view to achieving concrete results before the end of 1988 and their implementation at the

earliest possible date in accordance with Section B(ii) of the Ministerial Declaration.

4. For this meeting of the Group the secretariat prepared as agreed at the meeting of 1 July 1988 a synoptic table of proposals by participants relating to elements of negotiations on tropical products (MTN.GNG/NG6/W/26). The secretariat also revised the guides on product groups as background material in the forthcoming process of consultations and negotiations. Since the last meeting of the Group, nine indicative lists submitted by Pakistan, Zaire, Morocco, Bangladesh, El Salvador, Egypt, New Zealand, Japan and the Nordic countries had been circulated in documents MTN.GNG/NG6/LT/26 to 34. Three more responses to requests for additional information received by the secretariat for circulation to participants were contained in MTN.GNG/NG6/TI/1/Add.7 and Add.8 and MTN.GNG/NG6/TI/2/Add.3. A number of requests for additional information addressed by Australia have been circulated in MTN.GNG/NG6/TI/3.

5. The representative of Norway introduced the submission of the Nordic countries circulated in document MTN.GNG/NG6/LT/34 containing further and more concrete specifications of individual offers by the Nordic countries that illustrate types of product-specific concessions which these countries were ready to negotiate in the area of tropical products. The representative pointed out that partly as a result of concessions granted in past negotiations the import régimes of the Nordic countries for tropical products were generally very liberal. The individual specification of offers by Finland, Norway and Sweden were not fully identical as the points of departure of their trade régimes had not been exactly the same in the three countries. These specifications had an illustrative purpose and should not be considered as exhaustive. The Nordic countries were ready to consult with and answer specific questions from interested countries. The representative urged other participants, which had not already done so, to undertake similar efforts to specify types of concessions envisaged by them with a view to bringing the negotiations into a more concrete and operational phase in order to achieve expeditious results.

6. Introducing the initial offers contained in MTN.GNG/NG6/LT/33 the representative of Japan emphasized the crucial importance of achieving concrete results at the Mid-Term Review in the tropical products area for the overall developments in the Uruguay Round. He pointed out that the offers covered 144 products on a tariff-line basis. The first part of the initial offers (pages 1-43) covered tariff measures affecting 123 products. M.f.n. reductions were envisaged for 108 products with tariff rates bound to zero for 52 products (ten products whose tariff rates were below 3 per cent, twenty-nine products with rates over 3 per cent and thirteen products whose statutory rates were currently zero). Reduction of statutory temporary rates would affect eight products. GSP improvements covered nine products, two of which were also offered under reductions of statutory rates. The second part (pages 44-46) contained offers regarding import quota termination for twenty-one products. The third part (page 47) contained indications as to the possible abolishment of the Commodity Tax and Sugar Excise Tax. The representative recalled that his Government

intended to carry out an overall tax reform during the current Diet session. Once the reform was approved by the Diet a consumption tax would be introduced on all commodities and services without any discrimination and consequently the Commodity Tax and Sugar Excise Tax would be abolished subject to completion of necessary domestic procedures including approval of the Diet. The representative also observed that the initial offers covered a wide range of product groups despite the difficulties facing domestic producers. His Government hoped that the Japanese submission would contribute to expediting the negotiations in this group. In this context, his Government deemed it essential that other developed countries make similar offers in order to achieve maximum liberalization of trade in tropical products. Developing countries were also requested to make appropriate contributions commensurate with their stages of development.

7. The representative of the United States introduced a further elaboration of the proposal made at the November 1987 meeting of the Negotiating Group (MTN.GNG/NG6/W/17). The elaboration (subsequently circulated as MTN.GNG/NG6/LT/35) was submitted in the hope of contributing to progress in the negotiations on tropical products and reflected the willingness to work towards achieving concrete results in this area by the Mid-Term Review. The representative observed that his authorities had tried to take into account as much as possible the concerns expressed by other participants which appeared to focus on the possible difficulty of accomplishing the objectives of the United States proposal within a short time and the broad range of policies covered therein, as well as the ideas informally presented by the Chairman. The new submission maintained the distinction between agricultural tropical products and non-agricultural tropical products. In pursuance of the objective of eliminating all trade-distorting policies affecting agricultural tropical products, the United States would be willing to eliminate on an expedited basis tariffs and all non-tariff measures affecting an agreed list of such products. As a major departure from the United States proposal negotiations in the Tropical Products Group would now be confined to market access issues. All trade-distorting measures affecting agricultural tropical products not negotiated in this Group including subsidies and health and sanitary regulations would be negotiated in the Agriculture Group. Attached to the elaboration was the list of products for which the United States would be prepared to eliminate all market access restrictions provided other participants do the same. The list included those products that were not significantly influenced by subsidies. In recognition of the importance of trade in tropical products to a large number of less-developed countries the list included those products that were produced and/or traded mainly by developing countries. Products on the list represented over 75 per cent of the value of United States imports of the agricultural products included in the seven product categories under consideration in this Group. Acknowledging that certain developing countries might need distinctive treatment the representative noted that consistent with the submission in the agriculture negotiations, such countries would be allowed to continue limited tariffs provided these tariffs were reduced to a moderate level and were bound in the GATT. Non-tariff measures would be eliminated on the agreed list of products. The period for eliminating non-tariff measures and reducing tariffs could be extended for a specific time for certain

developing countries. Regarding non-agricultural tropical products, the elaboration represented a major advance in specifying the aims to be achieved in the Tropical Products Group. On the basis of specific requests, negotiations would aim at eliminating tariffs on unprocessed tropical products, reducing duties on semi-processed and processed products by up to a specified percentage, reducing very high tariffs to a specified level, and eliminating very low tariffs. Non-tariff measures would be reduced or eliminated to the maximum extent possible. The United States expected to receive concessions or contributions in areas of interest to them, consistent with the relevant provisions of the Punta del Este Declaration. To be able to implement results reached in tropical products, the Mid-Term Review must be successful, including a satisfactory outcome for agriculture. Following the Mid-Term Review, results could be implemented as soon as possible on a provisional basis. Tariffs and non-tariff measures would return to their original levels if the Uruguay Round was not successful.

8. The representative of New Zealand introduced the submission circulated in MTN.GNG/NG6/LT/32 setting out details of New Zealand's liberalization measures affecting tropical products. He informed the Group that the unilateral tariff reduction programme as it applied to tropical products involved five tariff reductions over four years from 1 July 1988 to 1 July 1992. This had the effect of reducing 40 per cent tariffs to 18.5 per cent, 30 per cent tariffs to 16 per cent and 20 per cent tariffs to 12.5 per cent. The submission also provided information on liberalization undertaken in industry plan areas and how it affected tropical products. This reform extended across the whole tariff and applied to quantitative restrictions as well as tariffs. Of the 107 HS items at the four-digit level covered by negotiations in this group 82 items were outside the coverage of industry plans. No quantitative restrictions were applied to these items. Forty-six per cent of them were free all sources while fifty-one per cent were free to LDCs and 97.5 per cent were free to least developed countries. Normal rates not at free were included in the phasing formula which included also LDC rates in order to keep these preferential rates at 80 per cent of the normal rate. This would mean that by 1 July 1992 all of these items would be subject to duty rates of less than 20 per cent normal and, in the case of LDCs, at 15 per cent or below. Least developed countries enjoyed duty-free entry on all but two tariff lines, which were being reviewed to assess the application of a duty-free policy to these exceptions. The remaining 25 items were subject either fully or partially to the coverage of one of eight separate industry plans. Each plan either had or would have a termination date set for it. Some 16 of the 25 items subject to coverage of industry plans were subject to some form of quantitative control. These controls would be removed on items under each of the eight plans at varying dates in 1989, 1990 and 1991. As far as tariffs on plan items were concerned, all plan goods will become subject to reductions under the global tariff phasing programme either upon review or expiry of the plan, or at the conclusion of individual tariff phasing programmes, as appropriate, unless special circumstances existed.

Finally, the representative noted that these reforms were not a conditional offer. New Zealand would expect those unilateral moves to be given credit in the outcome of the Uruguay Round negotiations. In the light of contributions that other participants would be prepared to make New Zealand would consider binding some or all of the measures taken.

9. The representative of Switzerland recalled the previous proposal made by his country concerning the application of a tariff harmonization formula of the kind used in the Tokyo Round (MTN.GNG/NG6/LT/4). That offer accompanied by precise conditions was still valid. Switzerland would therefore be ready to apply to tropical products the tariff harmonization formula which would be agreed upon in the tariff negotiations. Nevertheless in view of the Mid-Term Review it would be useful that participants in a position to do so make quantified initial offers without prejudice to their positions in the follow-up negotiations. Thus, in the absence of an agreement in the Negotiating Group on Tariffs concerning the application of a formula, Switzerland would be prepared to use a co-efficient 20 for tariff reductions affecting tropical products. This offer could become operational only in case of appropriate contributions by all participants in accordance with the Ministerial Declaration in the Uruguay Round.

10. Recalling the previous offer made by his country (MTN.GNG/NG6/LT/11) the representative of Hungary informed the Group that his authorities were currently working on a further elaboration of this offer consisting in GSP improvements to be implemented as from 1 January 1989.

11. The representative of Canada said that due to Federal elections which would take place shortly his authorities were not yet in a position to table an offer. However he expected that an offer would be tabled in the not too distant future hopefully in the next thirty days. The representative also hoped that some of the results in the tropical products area would be implemented through Ministerial endorsement at Montreal. His country was prepared to work together with other participants for ambitious results in tropical products in particular during the remaining two years of the multilateral negotiations.

12. The representative of Australia also informed the Group that his authorities would in the near future elaborate on his country's previous submission.

13. Several participants welcomed the initial offers introduced and the further elaborations on previous proposals presented at this meeting. Some participants made preliminary comments on these submissions and sought clarification on certain elements of submissions. These comments and the responses provided by submitting countries are summarized in paragraphs 14 to 22 below.

14. Commenting upon the submission of the Nordic Countries (MTN.GNG/NG6/LT/34) some participants welcomed the tabling of more specific offers. It was also noted that concessions included in the offers were not exhaustive.

15. Responding to questions addressed on certain elements of the submission the representative of Norway said that in addition to reductions of m.f.n. rates through the application of a formula which were indicated in the "type of concession" column through the symbol "F", the offers envisaged GSP improvements on a number of items. Such improvements would consist in unilateral reductions of duty rates to zero. In this connection he recalled that the Nordic countries had proposed that preference-giving countries unilaterally improve their schemes and retain all GSP preferences applicable for tropical products for a period of "X" years starting from 1 January 1989. As the GSP had a unilateral character and was not a part of the multilateral negotiations no concessions would be asked in return for such further improvements. The representative of Sweden referred specifically to the offers of his country and drew attention of the Group to the overview of tariffs, levies and GSP annexed to the offer which showed that tariffs on many products were already bound at zero level and all tropical products were included in the GSP scheme. Possible improvements in the tariff treatment could therefore consist of removing remaining tariffs on certain items and binding them at zero level.

16. Several representatives noted that the initial offers by Japan were a step forward in that it further specified certain elements of the initial proposal made at the meeting of the Group on 1 July 1988, thus helping negotiations to move towards some concrete results in accordance with relevant provisions of the Ministerial Declaration. However, some representatives expressed concern that a number of important products such as rice, bananas, palm oil and plywood had been left out from the offer and observed that on certain items included in the offers tariff reductions could be more significant. It was also pointed out that the submission did not contain any indications as to the treatment of phytosanitary measures. With regard to the proposed consumption tax some participants expressed hope that it would not have trade restrictive effects. Other participants sought clarification in regard to GSP improvements envisaged in the offers.

17. The representative of Japan recalled that as it had been already indicated in MTN.GNG/NG6/LT/33 certain tropical products which were generally produced in temperate areas and/or which were direct substitutes for products of temperate areas could be excluded from offers and negotiations on them be pursued in other appropriate fora such as the Negotiating Group on Agriculture. Therefore on such products it had not been possible to make any offers at this stage. As to the consumption tax the representative observed that if the Diet approved the proposed Tax Reform the consumption tax would replace the selective taxes presently in force and be applied on both imported and domestic products. Thus any

alleged discrimination would disappear. The consumption tax was not intended to distort trade or discriminate among countries. Turning to the question of GSP the representative reiterated the position of Japan stated at the meeting of 1 July 1988 (MTN.GNG/NG6/11, paragraph 15) and emphasized that in the view of his country, existing GSP treatment on tropical products as well as the GSP improvements which would result from the ongoing multilateral negotiations should be made as stable as possible. Furthermore, the representative restated that Japan had no intention to remove GSP treatment or to raise GSP rates under existing laws.

18. Several participants welcomed the elaboration of the United States proposal which partially lifted the link between negotiations on tropical products and negotiations on agriculture. However, it remained to be seen how this approach might translate itself in terms of concrete results in the area of tropical products. In this connection some representatives sought clarification with respect to the possibility of provisional implementation of results and the type of action envisaged by the United States with respect to non-agricultural products.

19. The representative of the United States explained that according to new trade legislation the President had the authority to proclaim tariff reductions that were within certain ranges. Broadly speaking the President had the authority to reduce tariffs up to 50 per cent. For any reductions that exceeded ranges specified in the Tariff Law the President must seek separate legislation which was supposed to move on a fast-track basis. Therefore provisional implementation of any results reached as part of a satisfactory outcome of the Mid-Term Review would have to be consistent with those statutory requirements. With respect to non-agricultural tropical products the specified percentage of tariff reductions or of low tariffs to be eliminated was still under consideration in Washington. Nevertheless, the representative felt that on the basis of specific requests addressed to the United States the ideas informally put forward by the Chairman at previous meetings of the Group would appear to be within reach.

20. Several participants welcomed the indicative list by New Zealand as a unilateral positive step. The readiness of New Zealand to bind some of the trade liberalization measures undertaken if other participants would make similar contributions in negotiations was also noted. Some participants enquired whether and to what extent New Zealand would be prepared to go beyond those liberalization measures in negotiations. Other participants sought clarification with respect to GSP rates mentioned in the offer.

21. Responding to the comments made the representative of New Zealand said that the GSP was not a part of negotiations. LDC and LLDC rates had been included in the list for reasons of transparency so that beneficiary countries see how the m.f.n. liberalization measures would affect those rates. No change was planned in the application of LDC and LLDC rates. Some of these rates would be adjusted downwards as the tariff liberalization programme takes place in order to maintain the GSP margin. Turning to the question of further possible contributions in negotiations by New Zealand the representative said that in order to assess that

possibility more clarification as to the extent of tariff reductions by other participants and timing of implementation would be needed.

22. The representative of the European Communities emphasized that the offer made last year which had been specified during the two rounds of multilateral consultations remained on the table. He also expressed hope that other participants would follow the example of those which had already made offers. What was important now was to examine the contents of the offers made and of those which would be forthcoming and see what results could be collectively achieved in view of the Mid-Term Review. He therefore urged those participants which had not yet given indications as to their contributions in particular the main beneficiaries to do so in the process of consultations and negotiations scheduled to take place up to early November. Some other representatives observed that on the basis of offers made so far it was not clear which were the main beneficiaries of negotiations in this area and that importing countries should be more specific in regard to their offers including possible early results and their implementation.

23. With respect to the next stage of the work several participants emphasized the importance of the forthcoming process of consultations and negotiations in particular for achieving concrete results for the Mid-Term Review. Some participants stated that the informal meetings of the Negotiating Group would be useful to the extent that participants would be prepared to start serious negotiations and exchange concessions among themselves. Another participant expressed the view that the informal meetings of the Group should focus not only on possible results for the Mid-Term Review but also on reaching consensus on a multilateral formula. In his view developed countries had not yet taken concrete steps to ensure the achievement of the objectives set out in the Ministerial Declaration. Moreover the forthcoming process of consultations and negotiations should be of a multilateral character and not pave the way for a bilateral type of negotiation. A further view was that, given the importance of achieving results for Montreal and the short time left, it would be more appropriate to consider the possibility of having a less ambitious package of concessions for Montreal. However all participants in a position to do so should make concessions. Such a package would in no way prejudice the follow-up of negotiations which should be resumed immediately after Montreal. It would be understood that all concessions made for the Mid-Term Review would be taken into account in the final outcome of the Uruguay Round.

24. Recalling the importance of ensuring transparency of the negotiations one participant noted that many countries had not yet responded to requests for additional trade information and expressed expectation that more countries would respond by the next informal meeting of the Group.

25. The Group agreed to hold informal meetings on 5-6 and 25-26 October 1988. Referring to the work programme between now and the formal meeting of the Group on 4-5 November 1988 the Chairman recalled that delegations had been called upon to carry out intensive consultations and negotiations in order to achieve concrete results by the Montreal meeting. He therefore

envisaged that the two sets of dates agreed for informal meetings of the Group would be used as points of reference for delegations to organize their own private schedules of bilateral and plurilateral consultations and negotiations. He believed that little could be achieved in the informal multilateral consultations if a process of bilateral and plurilateral consultations and negotiations had not been carried out. The Chairman therefore urged delegations to use the dates which had been set as a point of departure for scheduling these consultations and for carrying out negotiations as appropriate. The multilateral meetings would provide an opportunity for all participants to assess the progress achieved as well as to work in an atmosphere of maximum transparency.

26. In concluding the meeting of the Group the Chairman made the following remarks:

"The Group welcomed the submissions put forward at this meeting by Japan, the Nordic countries and New Zealand, as well as the further elaborations of previous submissions introduced by the United States, Switzerland or announced by Hungary.

"In accordance with the arrangements for the further conduct of negotiations adopted on 1 July 1988 participants will now move into a process of intensive bilateral and plurilateral consultations and negotiations with a view to achieving concrete results before the end of 1988 and their implementation at the earliest possible date in accordance with Section B(ii) of the Ministerial Declaration. It is hoped that participants will effectively use these consultations and negotiations in order to achieve real progress for the Montreal meeting. I believe that the achievement of concrete results by the December Ministerial meeting would be of considerable political importance to the Uruguay Round as a signal of the willingness of governments to move forward in an area of special significance to developing countries. This would also provide the necessary impetus for the pursuit of negotiations after the Montreal meeting. It is understood that during this period of consultations and negotiations the secretariat could help delegations by making available rooms for private meetings and by further providing technical assistance to individual delegations as necessary.

"The Negotiating Group will meet informally on 5-6 and 25-26 October 1988 for the purpose of examining new submissions that might be put forward by participants or reviewing action taken during the period of consultations and negotiations.

"As requested by the GNG I will prepare my report to the GNG after consultations with members of the Group. A draft text will be made informally available to delegations towards the end of October and it will be finalized in the light of results achieved until the next formal meeting of the Negotiating Group scheduled for 4-5 November 1988."