

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG6/17
20 September 1989
Special Distribution

Group of Negotiations on Goods (GATT)

Negotiating Group on Tropical Products

Meeting of 24-26 July 1989

Note by the Secretariat

1. The Negotiating Group on Tropical Products held its fifteenth meeting on 24-26 July 1989 under the Chairmanship of Mr. P. Leong Khée Seong (Malaysia). The purpose of this meeting was to complete the multilateral review, initiated at the previous meeting of the Group on 12-14 June 1989, of the tariff and non-tariff situation in the light of the results achieved at Montreal with a view to identifying remaining barriers and taking stock of the present situation in pursuance of the negotiating objective of the fullest liberalization of trade in tropical products. The Group was also expected to consider the question of the continuation of negotiations, and in particular the work to be done in the second half of this year.

2. The Group had before it revised guides for multilateral consultations on the three product groups to be examined at this meeting i.e., Tropical Fruits and Nuts (MTN.GNG/NG6/W/34), Tropical Wood and Rubber (MTN.GNG/NG6/W/33) and Jute and Hard Fibres (MTN.GNG/NG6/W/32), an additional corrigendum to document MTN.GNG/17 containing technical corrections and specifications made by certain delegations (MTN.GNG/17/Corr.5) and a number of corrigenda to the guides on the four product-groups issued for the first round of multilateral consultations held in June. The Chairman noted that additional information on trade policy measures provided by participants under the TI-document series concerning Tropical Beverage Items had been circulated in MTN.GNG/NG6/W/28/Add.1 and that such information would be circulated with respect to the other six product-groups as well. He also drew the attention of the Group to the contribution received from the Republic of Korea and the indicative list of requests submitted by Argentina circulated in MTN.GNG/NG6/LT/50 and 51 respectively. A proposal recently submitted by Colombia was circulated in MTN.GNG/NG6/W/36. The Chairman also recalled that at the previous meeting of the Group some participants reserved the right to revert to the communication from the Chairman of the GNG concerning the least-developed countries which had been brought to the attention of the Group.

3. Introducing the autonomous contribution contained in MTN.GNG/NG6/LT/50, the representative of the Republic of Korea recalled that as of 1 January 1989 his government started implementing a five-year tariff reduction programme aimed at lowering the average tariff rate from 18.1 per cent in 1988 to 7.9 per cent by 1993. The first part of the Korean contribution was based on this programme. He observed that tariff reductions on agricultural products were more substantial than those implemented under a previous programme. Tropical products had been particularly taken into account in terms of both tariff cutting depth and product coverage. The second part of the contribution included the

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UR-89-0238

elimination of import licensing measures on a number of products through 1991 which would bring the total import liberalization rate and the liberalization rate of agricultural and fishery products to 97.3 per cent and 85.2 per cent respectively. While the contribution should be seen in the context of the domestic market-opening policy pursued by the Korean government, given the weak agricultural structure and the country's present level of development it represented a maximum.

4. Several participants expressed appreciation for the contribution made by the Republic of Korea which would help in achieving the liberalization of trade in tropical products. Some noted the inclusion of a number of tropical products not covered in certain contributions made by developed countries.

5. The representative of Malaysia said that all participants who were in a position to make contributions should do so in order to improve the interim negotiating results. Such contributions would be without prejudice to the modalities for further negotiations to be adopted by the Group and should be given due credit and assessed in the final results at the end of the Round. In this connection, he informed the Group that as an additional contribution to the Montreal Package, his country had autonomously reduced tariffs on a number of items falling in the jute and hard fibres product-groups. This additional contribution covered some 13 items for which the tariffs had been reduced from between 20 to 30 per cent to a new rate of 2 per cent effective 20 April 1989. Some of the products presented direct interest to exports of least-developed countries. The details of the contribution would be submitted to the Group later on.

6. The representative of Yugoslavia drew attention to the autonomous trade liberalization measures undertaken by her country in the first half of 1989 which included the liberalization of non-tariff measures affecting many tropical products specified in document MTN.GNG/NG6/TI/2/Add.5. A revision of this document reflecting the present more liberal import regime would be submitted by the next meeting of the Group. She hoped that those measures would be taken into account as part of Yugoslavia's contribution in negotiations. Tariff contributions would be considered later on together with possible tariff concessions to be made in the Round.

7. Recalling the announcement previously made concerning the intention of his country to make a contribution in negotiations, the representative of Nigeria said that his authorities were still considering this matter to which he would return in due course.

8. A number of participants referred to the implementation dates of their contributions to the Montreal Package. The representative of Czechoslovakia informed the Group that the autonomous contribution of his country contained in MTN.GNG/NG6/LT/47 entered into force on 1 July 1989. Similarly, the representative of Hungary announced that the contribution of his country (MTN.GNG/NG6/LT/39) had been implemented through a Joint Decree of the Ministers of Trade and Finance effective 27 June 1989. The representative of the United States said that due to some technical complication its contribution could not enter into effect before the summer recess as it had been hoped; he expected that the contribution would be

implemented during the summer recess. The representative of Canada informed the Group that procedural problems which had not been foreseen resulted in the delaying of the adoption of legislation for implementing her country's contribution; she hoped that the legislation would be soon adopted and pointed out that it would be retroactive to 1 July 1989. The representative of the European Communities recalled that their contribution had effectively entered into force on 1 July 1989 as previously announced; he would indicate to interested delegations the Official Journal containing the information on its implementation.

9. Regarding the communications on least-developed countries the representative of a least-developed country noted with appreciation that contributions made so far in negotiations included tariff liberalization measures of interest to exports of those countries. He expressed hope that such measures would be further improved and cover the non-tariff area as well. The least-developed countries were currently assessing the impact of the Montreal Package on their exports and would revert to the communications before the Group at a later stage.

10. Referring to the question of the continuation of negotiations the representative of Colombia introduced the proposal submitted in document MTN.GNG/NG6/W/36. He emphasized that the negotiating process on tropical products should be renewed as soon as possible and results obtained sufficiently in advance of the completion of the Round, in order for countries which are exporters of tropical products to contribute to the multilateral negotiations. Such contributions might not be related necessarily to the tropical products sector but be made in other market access groups as well as in other areas. The proposal envisaged starting negotiations at the next meeting of the Group in autumn in order to determine how developed countries would give effect as from 1 January 1991 to the provisions of paragraph 2 of the Montreal Decision on Tropical Products i.e., elimination of duties on unprocessed products, elimination or substantial reduction of duties on semi-processed and processed products and elimination or reduction of all non-tariff measures affecting trade in tropical products. Such negotiations should be completed by 30 April 1990. Developing countries would then indicate their contributions which might relate to negotiations in other market-access groups, in particular on tariffs and non-tariff measures and not to the tropical products sector only.

11. Commenting preliminarily on the Colombian proposal several participants said that it embodied a number of positive elements which could accelerate negotiations in accordance with the priority recognized in the Uruguay Round for the tropical products sector which was of particular importance to many developing countries. Other participants felt that the proposal put forward contained useful elements and concepts which warranted further examination. Another view expressed by several participants, was that the proposal did not seem to offer an adequate basis for the continuation of negotiations as it envisaged giving effect to the Montreal Decision on Tropical Products by one category of participants only, tending to neglect that a successful outcome of negotiations required appropriate contributions from all participants as spelled out in the Decision. The proposal would be conveyed to capitals for consideration.

12. The Group took note of the new contributions, the indications provided by participants on their possible contributions and on implementation dates of the contributions made as well as of the submissions and proposals put forward and the comments made on them.

13. During this meeting of the Group participants held a second round of informal consultations in order to complete the review of the tariff and non-tariff situation in the tropical products area as agreed by the Group on 21 April 1989. The Chairman presented to the Group, on his own responsibility, the following report on the second round of informal consultations:

" In accordance with the arrangements established by the Negotiating Group, participants held a second round of informal multilateral consultations on tropical products on 24 and 25 July 1989.

During this second round of multilateral consultations participants reviewed the following remaining three product groups on the basis of the revised guides for multilateral consultations prepared by the secretariat: Tropical Fruits and Nuts, Tropical Wood and Rubber, and Jute and Hard Fibres. Several participants made comments in regard to tariff and non-tariff measures still affecting products of particular export interest to them. The need for better identifying trade measures affecting tropical products applied by participants was also re-emphasized. One participant reiterated export interests for products not falling within the seven product groups.

As agreed by the Negotiating Group participants took up the question of the work to be done in the second half of the year. In this context they held a first exchange of views on the proposal submitted by Colombia in document MTN.GNG/NG6/W/36. The Group will revert to this proposal, and any other proposal that might be made, at its first meeting in autumn.

In the light of the results obtained so far in negotiations and in pursuance of the Decision on Tropical Products adopted by Ministers at the Mid-Term Review of the Uruguay Round, the Chairman proposes under his own responsibility the following procedures for the continuation of negotiations:

- (i) The Negotiating Group will meet on 19-20 October and 15-17 November 1989 with a view to defining appropriate ways and means to give effect to the provisions contained in paragraphs 2 and 3 of the Ministerial Decision on Tropical Products.
- (ii) Participants will focus their attention on two main areas of work:
 - (a) establishing as appropriate techniques and modalities for the further conduct of negotiations;
 - (b) further refining the identification of trade barriers to be negotiated.

For these purposes participants may submit or revise as appropriate indicative lists of requests, proposals and offers. Participants seeking recognition for trade liberalization measures adopted by them may put forward proposals for taking account of such measures in the negotiating process.

- (iii) Participants remain free to hold bilateral and/or plurilateral consultations amongst themselves as necessary in order to clarify any points regarding specific trade interests.
- (iv) The Negotiating Group will consider at its November meeting further arrangements to be made in the light of the work done as specified above."

14. Following the presentation of the report by the Chairman a number of representatives made comments on the question of the continuation of negotiations and in this context on the proposals put forward in that report regarding the work to be done in the second half of the year.

15. The representative of Colombia expressed regret that it had not been possible to reflect the elements contained in MTN.GNG/NG6/W/36 in the Chairman's proposals. In his view the schedule of work for the second semester of this year which provided for only two meetings of the Group totalling five meeting days was not sufficiently intensive for achieving the negotiating objective in due time. This was in contrast with the number of meeting days established for other negotiating groups where developed countries had greater interests. He formally reiterated the proposal put forward in the second round of multilateral consultations that at the next meeting of the Group existing information on tariff and non-tariff barriers be restructured according to the categories of the products referred to in paragraphs 2(a) and (b) of the Decision on Tropical Products so that participants determine how effect would be given to liberalization measures envisaged therein with respect to tariffs on unprocessed products, semi-processed and processed products as well as to all non-tariff measures affecting trade in tropical products. The representative also recalled that there was no agreement yet in the Group as to the use of request/offer procedures. Similarly he could not agree with bilateral negotiations; in accordance with the spirit of the Montreal Decision negotiations should have a more automatic character. Referring further to the question of credit for autonomous trade liberalization measures, the representative observed that despite the recognition being given in various Montreal documents to this issue the results so far had been meagre. Participants were aware that Colombia had notified in September 1988, through document L/6435 the reduction of tariffs for 600 tariff headings and later on in document L/6477 tariff reductions on 800 additional tariff headings made effective before the Montreal Meeting. No benefits had been obtained so far for those measures. Furthermore, last week Colombia reduced tariffs on steel and raw materials for the plastic industry which would be notified to GATT in due course. The representative further said that the Chairman's proposals could not ensure adequate progress in negotiations. Moreover it seemed that there was little willingness by some participants to negotiate in the Group. In a further intervention he also said that the principles governing negotiations

spelled out in Section B (iv),(v),(vi) and (vii) of the Punta del Este Declaration tended to be neglected in negotiations. Finally, he observed that the Chairman's proposals were made on his own responsibility and did not reflect a consensus in the Group.

16. Some participants shared the concern expressed by the previous speaker as to the slower pace registered in the work of this Group after the Mid-Term Review as compared with certain other negotiating groups. The need to observe the principle of globality in negotiations was underlined. They felt that the proposal contained in MTN.GNG/NG6/W/36 provided useful elements which would help moving forward negotiations in this area of particular importance to many developing countries. One representative further noted that the reference in Chairman's report to export interests for additional products should be understood in relation to access to developed-country markets.

17. Several other participants said that the proposals made by the Chairman offered the best way to continue making progress in accordance with the Punta del Este Declaration and the Montreal Decision on Tropical Products. Some of these representatives expressed preparedness to make further contributions in negotiations in line with contributions to be made by other participants as agreed in the Montreal Decision. A further view was that work in the Group should proceed at a pace that would allow taking into account progress made in other market access groups.

18. One participant underlined the need to complete the work in this Group earlier than in other Groups. To this end offers should be submitted early in autumn in order to help reaching agreement on techniques and modalities at the November 1989 meeting of the Group.

19. Another participant stressed that negotiations could only conclude successfully if all participants submitted background information. He urged all participants to provide such information by the next meeting of the Group.

20. In regard to the proposal concerning the restructuring of trade information in accordance with the categories of products identified in paragraph 2 of the Montreal Decision, some participants considered it useful. It was felt that the secretariat might proceed with this work on the basis of available information and circulate subsequently additional information which would be received from participants. Several others took exception to these views and emphasized that the identification of products and related possible trade liberalization measures were the prerogative of participants in negotiations and not of the secretariat.

21. The suggestion was also made that the Chairman have informal contacts with interested delegations which made proposals on techniques and modalities in order to help reaching consensus on this matter at the next meeting of the Group.

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

"Participants are urged to renew efforts in the second half of this year in order to establish techniques and modalities for giving effect to the provisions of the Montreal Decision on Tropical Products and to resume effective negotiations as early as possible in pursuance of their commitment to the objective of achieving the fullest liberalization of trade in tropical products. The results obtained by this Group at Montreal were positive indications of the determination of Governments to accord priority in this area of negotiations and to seek to achieve the objectives established at Punta del Este. It is therefore important that delegations conclude preparations for the second and final stage of our negotiations by the end of this year. Effective negotiations should begin as early as possible in 1990 in order to produce maximum results by the end of the Round. I urge all participants to work together in a spirit of cooperation to this end."