

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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MEETING OF 23 OCTOBER 1989

Statement by the United States

I would like to take this opportunity to share with you the predominant view in Washington regarding the state of market access negotiations, particularly in the area of tariffs. The basic questions that are being asked are "Is any country, other than the United States, truly interested in achieving the objectives set out in Montreal? Is any country, other than the United States, ready to sit down at the bargaining table? Of those countries that have not participated in previous rounds of formula reductions, why have only two indicated their intentions? Do those countries think they will again achieve a free ride in the negotiations? Are countries still hiding behind procedural issues to avoid substantive negotiations? Wasn't this resolved in Montreal?"

These are troublesome questions and I hope the meeting this week will provide an answer to them. In the United States, we take the Montreal document at face value and have invested a great deal of time and resources to prepare for Market Access negotiations. We hope this has not been in vain.

There has never been a formula negotiation that did not have significant sector exclusions. In formula countries, it is these sectors that contain today's remaining high tariffs. As in the past, if a formula were to be used today, these same sectors would likely be excluded and, eventually, subject to a request/offer procedure. The United States has repeatedly stated its willingness to engage in negotiations in these sectors. I repeat that today.

In the sectors that have been covered by previous formula cuts, U.S. tariffs averaged about 2 per cent. In fact, nearly 80 per cent of all imports into the United States face tariffs of 5 per cent or less. If a country has a specific interest in any of these duties, we will happily negotiate on these items as well.

Roughly 8 per cent of U.S. imports face duties greater than 10 per cent. These items were largely excepted from previous formula cuts and would likely be excluded if a formula were used in this round. We have assumed that it is in this area where other countries would seek tariff reductions by the United States.

I repeat again today, the United States is willing to engage in negotiations in these sectors where tariffs are greater than 10 per cent. Is anyone else?

In those countries that have used a tariff formula, the situation is similar. All have largely bound their respective schedules - an important objective in the round for those countries with few bindings. Use of a formula is an excellent way to expand bindings. Once done, this advantage largely disappears.

It is for this reason that it is imperative that previous non-formula countries achieve near universal bindings in this round, either through use of a formula or by other means.

Former formula countries also have the bulk of their imports entering at low rates. A few high rates remain; in the EC, roughly 12 per cent of its imports face duties above ten per cent, in Japan, approximately 7.5 per cent. The United States has an interest in some of these items and will pursue them in the Uruguay Round negotiations.

Our primary objective, however, is not tariff reductions in countries that have previously participated in formula cuts. Our interests are in those countries that haven't.

I mentioned bindings a moment ago. The U.S. schedule is 99 per cent bound, the EC 93 per cent bound, and Japan 81 per cent. I compare this to Australia with 25 per cent of its schedule bound, New Zealand with 48 per cent bound, Brazil with 19 per cent bound, and last, India, which apparently has no bindings whatsoever (with 0 per cent bound) according to secretariat documents. Tariff levels reflect the level of bindings in these countries. The United States also applauds Chile, Mexico, Bolivia, and hopefully, soon to be a Contracting Party, Costa Rica, for binding their entire schedules.

The United States has tried to be as flexible in regard to beginning tariff negotiations. We are submitting our requests as early as possible. We will have submitted request lists to all parties by the end of the year.

We have stated that we will accept requests in a formula format. We will also accept offers in a formula format.

And, at the end of the negotiation, we will reduce tariffs by the 33 per cent called for in the Montreal text. We will do this by requesting reductions in foreign tariffs that have been identified by U.S. industry to be of most importance to our trade. We will pay for these concessions with tariff reductions of most interest to our trading partners.

We could reach our goal of 33 per cent in an easier way. We could apply a formula cut to low duty-high trade volume items. This is not our intention. I hope other countries feel the same way. Also, we do not believe that such an approach would achieve our objectives in other countries' markets.

All of what I have said, however, depends on participation. While we expect and desire participation by those countries that have previously participated in formula cuts, this time the Contracting Parties have cast the net more broadly. They agreed at Montreal that the objectives of tariff negotiations apply to all participants.

There will be no free rides or free lunches in this round. Countries that expect such treatment should let their expectations be known so that those countries that are serious about trade negotiations can get on with their work.