

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Group of Negotiations on Goods (GATT)

Negotiating Group on Tropical Products

MEETING OF 19-20 OCTOBER 1989

Note by the Secretariat

1. The Negotiating Group on Tropical Products held its sixteenth meeting on 19-20 October 1989 under the Chairmanship of Mr. P. Leong Khee Seong (Malaysia). The purpose of the meeting was to define appropriate ways and means to give effect to the provisions contained in paragraphs 2 and 3 of the Decision on Tropical Products adopted by Ministers at the Mid-Term Review of the Uruguay Round.
2. The Chairman observed that since the last meeting of the Group on 24-26 July new contributions received from Yugoslavia and Malaysia had been circulated as documents MTN.GNG/NG6/LT/52 and 53 respectively. Responses by Australia and Malaysia to requests for additional trade information had been circulated in documents MTN.GNG/NG6/TI/4 and TI/3/Add.2 respectively. It was also noted that the secretariat had continued to issue as addenda to the Guides for Multilateral Consultations additional information on trade policy measures provided by participants under the TI-document series. Such addenda were being circulated in respect to all the seven product groups covered by the Guides. The Chairman also recalled that the proposals made by Bangladesh on behalf of least-developed countries were brought to the attention of the Group at its June meeting and that some participants reserved the right to revert to them at future meetings of the Group. It was recalled that at the July meeting of the Group, participants had an exchange of views on a proposal submitted by Colombia in document MTN.GNG/NG6/W/36 and agreed to revert to it as well as to consider other proposals that might be made at this meeting of the Group. In this respect it was noted that a proposal on Market Access recently submitted by Canada to the Negotiating Groups on Tariffs, Non-Tariff Measures, Natural Resource-Based Products, Textiles and Clothing, Agriculture and Tropical Products had been circulated to participants (MTN.GNG/NG6/W/37).
3. Several participants referred to implementation dates of their contributions in negotiations. The representative of Canada announced that her country's offer was approved on 19 October 1989 and would be retroactive to 1 July 1989. The representative of the United States informed the Group that the implementation of its contribution to the Montreal Package entered into effect on 18 October 1989 by Presidential Proclamation. The representative of South Africa announced that the autonomous contribution of his country (MTN.GNG/NG6/LT/47) would enter into effect on 27 October 1989.

4. The representative of Singapore informed the Group that notwithstanding the liberal trade régime maintained by her country including on tropical products, Singapore would make appropriate contributions to negotiations in this area commensurate with its development, financial and trade needs as a developing country. This reflected the recognition of the importance of the fullest liberalization of trade in tropical products in particular to the exports of developing countries. The contributions consisted of undertakings to consider bindings at the ceiling rate of 20 per cent on a number of items which presently were m.f.n. duty-free at the end of the Round in the light of the overall results achieved. Such contributions should be counted towards Singapore's overall contribution to the Uruguay Round. (The contributions by Singapore have been subsequently circulated in document MTN.GNG/NG6/LT/54.)

5. The Group welcomed the new contributions made by participants since its last meeting in July and the announcements made concerning the implementation of previous contributions.

6. The representative of Canada introduced its proposal on market access circulated in document MTN.GNG/NG6/W/37. Emphasizing that the key objective for Canada in the Round was trade liberalization involving both tariff and non-tariff barriers, the representative pointed out that the proposal was meant to give an impetus to market access negotiations generally and not to accord priority to any particular negotiating group. The proposal sought a practical way to move the negotiations forward through a comprehensive approach involving all participants and all product sectors in order to achieve the broadest and the most far-reaching negotiating deal. The key elements of the proposal were: (i) the use of a harmonization formula involving tariff reductions up to a maximum cut of 38 per cent which would be supplemented by request/offer procedure to provide for higher-than-formula cuts and ensure that non-tariff barriers relevant to particular tariff items would be dealt with in the negotiations. This combination of techniques was particularly important for the Group on Tropical Products as it would facilitate the achievement of the objective of the fullest liberalization of trade in tropical products set out in the Punta del Este Declaration; (ii) the proposal would apply to all product sectors with a minimum of exclusions, again an important feature of the proposal given the past history of the negotiations on tropical products; (iii) the application of the formula suggested would lead to the elimination of all duties presently at 4 per cent or less. This would go towards the objective of eliminating all duties on unprocessed products while contributing to eliminating or reducing those on processed products as well; (iv) the proposal envisaged negotiations on phasing of tariff cuts allowing longer periods for sensitive products and flexibility for developing countries in their participation in the application of the formula. The provision for longer time-frames in the case of sensitive products seemed to be more effective than their inclusion from the outset of negotiations on a list of exceptions. This would enable the achievement of a better package in

negotiations by allowing participants to adjust to the changed conditions that would emerge from final results. The proposal also envisaged greater than formula tariff reductions and accelerated reductions on goods of particular interest to the least-developed countries. The representative emphasized that Canada continued to attach priority to achieving the objectives agreed in Montreal in regard to tropical products. Its proposal provided for a mutual exchange of tariff and non-tariff measures offers by 31 January 1990. That would enable participants to have early next year a picture of the further market access improvements which might emerge from negotiations, thus helping developing countries to better assess the benefits that they could derive therefrom.

7. The representative of Malaysia, speaking also on behalf of ASEAN countries, noted with concern that there had hardly been any progress in the negotiations on tropical products since the Mid-Term Review. Recalling that in accordance with the Decision on Tropical Products the Group should determine appropriate modalities to pursue negotiations in order to achieve the negotiating objective of the fullest liberalization the representative made a number of suggestions which could be further elaborated at the next meeting. He proposed that the developed countries: (i) eliminate all duties on unprocessed items in the seven product groups; (ii) adopt a formula to substantially reduce duties on semi-processed and processed items so that tariff escalation and peak duties be lowered. A request and offer procedure might be used to supplement formula reductions; (iii) eliminate all nuisance duties; (iv) eliminate non-tariff measures on a request and offer basis and (v) bind all the above concessions. Developing countries could submit their contributions consistent with their development, financial and trade needs. Such contributions could include market-opening measures in tropical products and other product sectors. Liberalization measures undertaken since the launching of the Uruguay Round should also be taken into account. Developing countries in a position to contribute towards the liberalization of trade in tropical products should be encouraged to do so through their preferred modality. In this respect developing countries should be given the necessary flexibility to exclude sensitive items, undertake smaller tariff reductions and implement liberalization measures over longer time-frames. Developing countries would make efforts to bind as many items as possible at applied or ceiling levels. The representative explained that different levels of commitments were proposed in regard to liberalization of tropical products given the significant export interest of developing countries in these products. Therefore developed countries were expected to contribute more in this area of negotiations which would bring about direct benefits to developing countries. This in turn would encourage the latter to contribute more towards overall trade liberalization. The representative also proposed that the issue of negotiating modalities be resolved at the first meeting of the Group in 1990 to enable substantive negotiations to be carried out henceforth. (The ASEAN statement is contained in document MTN.GNG/NG6/W/38.)

8. The representative of Norway, speaking also on behalf of other Nordic countries, emphasized the significance of the results already obtained in negotiations on tropical products. He felt that in the further pursuit of the negotiating objective it was essential that as many participants as possible clarify how they think the objective could be achieved and what they would do to this effect. The representative recalled the basic elements of a systematic approach as proposed by the Nordic countries in April 1988: a tariff cutting formula with an appropriate element of harmonization and flexibility in its application; submission of lists of products and tariff rates to be covered by the formula agreed upon; broadest possible participation in the application of the formula; binding of all new concessions; maximum period of implementation of five years; request/offer procedure for further reduction/elimination of tariffs on specific tropical products or for tropical products not covered by the formula. Non-tariff measures could be negotiated on the basis of request and offer procedures to the extent that such measures had significant trade effects and other participants were willing to include them in negotiations. Given the highly liberalized import régime for tropical products in the Nordic countries, their further participation toward the achievement of the objective of the "fullest liberalization" would only be meaningful if a truly multilateral process with the broadest participation were to take place. (The statement of the Nordic countries was circulated in MTN.GNG/NG6/W/39.)

9. The representative of Switzerland expressed the view that two basic options were available for the further conduct of negotiations. First, through individual contributions coordinated among participants as in the context of negotiations on the Montreal Package. However under such an approach participants would tend to make offers commensurate with less significant ones made by their trading partners. This would produce results at the level of the lowest common denominator. Such a situation occurred in negotiations on the Montreal Package when a major trading partner lowered its initial significant offer in order to adapt it to contributions made by other participants. In his view, the risk of bringing down negotiating results was also involved in the Colombian proposal. A second approach could be a multilateral negotiation based on an agreed methodology for achieving the negotiating objective. In this connection, the Canadian proposal offered a good basis for discussion. This proposal took into account all the elements of the Decision on Tropical Products. It involved a multilateral approach based on a harmonization formula with the broadest participation and some flexibility in application, it provided for binding of all results in the tariff area and left the door open for bilateral negotiations aimed at achieving results supplementary to those obtained through the formula including in the non-tariff field. The representative further noted that tariff disparities among specific product groups and markets were the most important in the sector of tropical products. Therefore the objective of the fullest liberalization could only be attained through a harmonization formula. In this context, the representative recalled that his country had proposed such a formula in the initial stage of negotiations both in the

Tariffs Group and in the Tropical Products Group. This formula was well known as it had also been used in the Tokyo Round. His delegation could provide to interested participants data on the impact of the Swiss formula according to specific coefficients used. Modalities for the application of the formula by developing countries would be negotiated in accordance with the letter and spirit of the Punta del Este Declaration. Developing countries should also be given credit for binding autonomous trade liberalization measures. Different time-frames for implementing concessions could also be envisaged in the case of these countries.

10. Several participants made preliminary comments on the proposals submitted to the Group and approaches suggested in regard to the further conduct of negotiations. These are summarized in paragraphs 11 to 17 below. Participants also reserved the right to revert to specific proposals after further consideration.

11. Several representatives welcomed the comprehensive nature of the Canadian proposal which covered both tariff and non-tariff measures, all products and involved all participants. The systematic approach involved in the proposal which envisaged the use of a formula supplemented by request and offer procedure was also considered an interesting feature. However it was noted by some participants that a formula with a stronger harmonization effect would be preferable.

12. Some other participants observed that the Canadian proposal did not reflect the special attention recognized for tropical products and did not envisage more significant contributions by developed countries while these concerns were taken care of in the Colombian proposal and the approach suggested by ASEAN. It was also emphasized that the difference in timing of offers by developed countries and contributions by developing countries was equally an important feature of these two proposals. Other participants felt that these features amounted to establishing different categories of participants which would have a negative impact on the significance of results sought in this area.

13. Another participant questioned the appropriateness of a systematic approach in narrow product areas. He believed that while in broad areas, e.g. tariffs, such an approach contributed to balance out overall the costs and benefits in negotiations in narrow areas such as tropical products where individual participants did not have the same competitive advantage that approach would not be effective. The participant recalled that at the beginning of the negotiations on tropical products the search for a systematic approach had not produced results. The "building-blocks" method subsequently used to obtain the Montreal Package has produced limited but meaningful results. He did not see the reasons for changing that approach again. A systematic approach would create difficulties in ensuring broad participation in its application. Most likely it would lead to results at the level of the lowest common denominator as each participant would be tempted to assess the impact of the approach as against most sensitive products and attempt to limit accordingly the overall scope of the

offer. The representative believed that a more pragmatic approach on a case-by-case basis should be used in this Negotiating Group which had an area of its own that would not fit in a systematic approach related to all market access groups as proposed by Canada. Finally, the representative restated the view that establishing two classes of participants in negotiations taking action at different stages would not be productive.

14. A further view expressed by one participant was that emphasis in the Group should be placed on the results to be achieved and not on modalities. He also stressed the need for flexibility in approaches to be used in this Group. His country which proposed the use of request and offer procedure in different market access groups believed that submission as soon as possible of specific requests by trading partners would be the best way for his country to be aware of their interests. Referring specifically to the Canadian proposal the representative said that while it contained certain elements that he could support the basic methodology was not consistent with the approach envisaged by his country in respect to non-agricultural tropical products and was not far reaching enough to meet the needs regarding agricultural tropical products. This view was also relevant to the Nordic countries' approach. As far as the ASEAN approach was concerned he felt that it was very similar to the Colombian proposal and among other things it had the inconvenience of establishing categories of countries with different obligations.

15. Another participant recalled that the contributions made in Montreal form an integral part of the overall achievement of the Uruguay Round. He believed that in pursuance to the Decision on Tropical Products the Group should discuss the question of appropriate contributions by all participants before addressing the issues of negotiating techniques and modalities. The participant also restated the view that the Negotiating Group on Agriculture had the primary responsibility for all agricultural products.

16. The representative of Colombia underlined that negotiations in this Group should be pursued in accordance with the Decision on Tropical Products in particular its provisions contained in paragraphs 2 and 3. By defining ways and means to give effect to those provisions the Group would enable developing countries to participate more actively in other negotiating groups. Noting that the approach put forward by ASEAN was similar to the Colombian proposal and even more elaborated, the representative expressed interest in examining the written proposal that ASEAN intended to submit at the next meeting. He emphasized that this Group should move ahead of other groups and agreement on how to proceed with work had a sense of urgency.

17. The representative of Canada acknowledged that results were more important than negotiating modalities. However, establishing such modalities was essential in order for participants to be able to anticipate early next year which might be the possible results. The representative also noted that their proposal was not the final word. In regard to

harmonization effects of the proposal he noted that high tariffs would be reduced by up to 38 per cent. This coefficient was established having in mind that developing countries might not be prepared to apply higher reductions. The proposal also left room to accommodate the objective of eliminating duties on unprocessed tropical products for example through the use of request and offer procedure. Finally, the representative said that while he recognized that the negotiating objectives for tropical products were somewhat different from other areas it was also necessary to bear in mind that the negotiations were a single undertaking and that broad similarities existed in different market access groups. Therefore, an approach which would indicate that progress was being made across the broad front of the negotiations might help the whole negotiating process of the Round.

18. The Group agreed to continue its exchange of views on the further conduct of negotiations in informal meetings. The Negotiating Group reconvened in formal session on 20 October.

19. Summarizing the discussions and consultations held at this meeting the Chairman made the following remarks:

"At this meeting of the Group participants had another series of substantive discussions and informal consultations on ways and means to give effect to the provisions of paragraphs 2 and 3 of the Decision on Tropical Products adopted by Ministers at Montreal. These discussions and consultations were held in the light of a number of proposals tabled by participants and approaches stated or reaffirmed by them in regard to the further conduct of negotiations.

"It appears to me that in pursuance to the commitments contained in the Decision adopted by Ministers in Montreal and in order to give effect to its provisions, it is important to seek an understanding on procedures for the further conduct of negotiations at the next meeting of the Group.

"In the course of discussions several options have been proposed and examined with regard to possible procedures that might be used for achieving the negotiating objective set out in the Decision on Tropical Products. Although there appears to be no consensus on any single approach or combinations thereof to negotiations at the present time, it is generally felt that a certain degree of flexibility should be ensured in the negotiating process.

"Delegations are invited to submit proposals or elaborations of previous proposals by the next meeting of the Group so that an understanding on procedures can be reached at the next meeting.

"The next meeting of the Group will be held either on 15-17 November 1989 or if possible at a later date (29 November - 1 December 1989). Participants will be notified in advance on the dates of the next meeting.

"I urge all participants to intensify efforts in order to enable the Group to reach an understanding on negotiating procedures at its next meeting with a view to begin effective negotiations as early as possible in 1990 and produce optimal results in pursuance of the negotiating objective in the tropical products area."

20. Some participants recalled that the Punta del Este Declaration provided for special attention to be given to negotiations on tropical products including the timing of the negotiations and the implementation of the results. Therefore negotiations in this area should be concluded and results implemented before the formal completion of the Round so that agreements reached might be taken into account in the evaluation to be conducted by the GNG as called for in Section G of the Punta del Este Declaration. One of these participants expressed concern over the lack of progress at this meeting. This was in contrast with other areas of negotiations which were not of priority interest to developing countries and aggravated the imbalance in the pace of work in different negotiating groups. Another representative urged participants to renew efforts for determining procedures for the further conduct of negotiations so that modalities for negotiations be agreed at the first meeting of the Group in 1990.