

SENIOR OFFICIALS' GROUP

Record of Discussions

Note by the Secretariat

1. The Group of Senior Officials, established by the Decision of 2 October of the CONTRACTING PARTIES (L/5876), instructed the secretariat to issue summary records of the Group's discussions.

2. At the meeting of the Group on 12 November, the Chairman stated his understanding that the record would cover only substantive discussions, and noted that most of the Group's discussions after the meeting of 1 November had covered points of procedure.

3. These summary records are accordingly being issued by the secretariat under the symbol SR.SOG/- as follows:

SR.SOG/1	14 October	SR.SOG/7	30 October (first part)
SR.SOG/2	15 October	SR.SOG/8	30 October (second part)
SR.SOG/3	16 October	SR.SOG/9	31 October (first part)
SR.SOG/4	22 October	SR.SOG/10	31 October (second part)
SR.SOG/5	23 October (first part)	SR.SOG/11	1 November (first part)
SR.SOG/6	23 October (second part)	SR.SOG/12	1 November (second part)

Substantive points made at the meeting of 8 November will be included in SR.SOG/11.

4. During the discussions, a number of delegations referred to explanations of their positions given in written communications and statements<sup>1</sup> with regard to the proposed new round of multilateral trade negotiations. Reference was also made to relevant statements in the Council debates on 5-6 June and 17-19 July 1985 (C/M/190 and C/M/191, respectively) and in the special Session of the CONTRACTING PARTIES held on 30 September - 2 October 1985 (4SS/SR/1-5).

5. Some delegations stated in the Group that they had frequently refrained from intervening in the discussions because they felt that their positions had been adequately set out in the communications, statements and records referred to in paragraph 4 above, or had been expressed by another delegation, or because they had reserved their right to revert to some of these matters at a later stage in the preparatory process.

6. Two copies of these summary records will be issued to each contracting party. Further copies will be available on request.

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<sup>1</sup>These communications and statements are: Developing countries L/5647 and L/5744, 24 Developing countries L/5818 and Add.1, ASEAN countries L/5848, Australia L/5842, Austria L/5849, Brazil L/5852, Canada L/5834 and L/5836, Chile L/5850, EFTA countries L/5804, European Communities L/5835, Jamaica (informal paper circulated to the Group), Japan L/5833, Korea L/5851, New Zealand L/5831, Nordic countries L/5827, Switzerland L/5837 and L/5883 (originally issued as Spec(85)52), United States L/5838 and L/5846.

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.SOG/5

22 November 1985

Special Distribution

## SENIOR OFFICIALS' GROUP

### Record of Discussions

#### Discussions on 23 October (first part)<sup>1</sup>

The Chairman stated that, following further consultations on the question of observers, he had concluded that there was no consensus that would permit the admission of observers to the meetings of the Group.

In continuing the discussions, the Chairman recalled that the Group had completed the discussion of the position of developing countries in new negotiations, agriculture, safeguards and dispute settlement and that the Group had agreed to continue working its way through the individual topics in the order adopted in the Ministerial Declaration of November 1982 but leaving aside, for the present, the question of textiles. He reminded delegations who wished to make statements on particular subjects but were not at present in a position to do so, that they would be able to revert to these subjects later.

The next four subjects to be taken up were tropical products, non-tariff measures, tariffs and the MTN codes (including the issue of subsidies).

The Chairman invited statements on the subject of tropical products.

The representative of Sri Lanka stated that it attached considerable importance to the tropical products sector. Given Sri Lanka's continuing dependence on the export of a narrow range of tropical products, the full liberalization of trade in this sector could bring considerable benefits and make Sri Lanka's participation in any proposed round of multilateral trade negotiations a meaningful one. This was equally true for other developing countries and in particular for the poorer and least-developed amongst them. Tropical products had long been designated as a separate sector of special significance to the less-developed countries, and commitments towards their liberalization were undertaken dating back to the Ministerial Declaration of 1963. In the Tokyo Round, tropical products were treated as a special and priority sector and though some progress was achieved, less developed countries continued to face obstacles in the exports of such products. These obstacles related to tariff and non-tariff barriers and other measures including internal taxes and levies which applied to these products in their primary, semi-processed and processed forms. In the Ministerial Declaration of 1982 contracting parties decided to carry out, on the basis of the work programme pursued by the Committee on Trade and Development, consultations and appropriate negotiations in tropical products aimed at further

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<sup>1</sup> Statements made on 30 October on certain of the subjects covered in this record are also included in the present document.

liberalization in this sector. The outcome of these consultations had been most disappointing and any further progress in this area had virtually stalled on the question of what appropriate negotiations really meant. There was now an urgency to carry forward to a finish the liberalization of trade in this sector. The obstacles had long been identified and the requests of less developed countries were too well known. A speedy solution to the problems in this sector was within reach. Sri Lanka therefore strongly supported the statement on tropical products contained in L/5818 that a short and special time-table be established for liberalization in the area of tropical products. Furthermore, action in this area should be concluded prior to, and independently of, the results of negotiations on other products.

The representative of Colombia recalled that tropical products had been the subject of discussions in GATT for many years. During the Tokyo Round, it was agreed that this would be a priority item during the negotiations and, to this end, consultations were organized with a view to negotiations which never took place. GATT had not taken a decision on tropical products since the 1970s until the Ministerial Declaration of 1982, where it was again agreed that consultations would take place followed by appropriate negotiations leading to a greater liberalization of trade in this sector. To this end, a number of consultations did take place in the Committee on Trade and Development where specific problems confronting developing countries exporting tropical products were identified and a list made aimed at facilitating market access. Regrettably negotiations had not been possible so far because the developed countries desired further clarification of the mandate of the Ministerial Declaration pertaining to "appropriate negotiations". After three years it appeared that the developed contracting parties did not want a negotiation on tropical products but at the same time were keen to open negotiations in new sectors. Since all the obstacles in the area of tropical products had been identified, Colombia felt negotiations should start immediately and concluded within a reasonable period of time. They should be based on relative reciprocity and the Enabling Clause and concessions granted by the developed countries should be put into force immediately and without waiting for the negotiations in other fields to be completed. The implementation of concessions made by developing countries should, in the context of more favourable and differential treatment for these countries, be deferred until developing countries were able to assess the overall results of the negotiations.

The representative of Thailand, speaking on behalf of the ASEAN countries, regretted that although tropical products were treated as a priority sector during the Tokyo Round, the results achieved had brought little or no benefits to the developing countries. Consultations on tropical products under the Ministerial Work Programme of 1982 had likewise made painfully little progress. It was therefore the view of ASEAN that for the proposed new round to benefit developing countries such as theirs, substantial and meaningful results had to be achieved in the area of tropical products as early as possible and in this connection the ASEAN

countries proposed the following aims and principles: (1) Tropical Products should be accorded special consideration and priority, both in terms of the time-table for negotiations and in terms of the immediate implementation of the concessions; (2) concessions should be made to developing countries on a strictly non-reciprocal basis; (3) product coverage should also include tropical products in the semi-processed and processed forms; and (4) liberalization of tropical products should cover the areas of tariffs, tariff escalation, and non-tariff measures in their totality. The representative of Thailand recalled that during the consultations in the Committee on Trade and Development, the ASEAN countries had proposed that in order to facilitate progress in tropical products, developed countries should try to harmonize their tariff rates on a given product down to the lowest rate which existed in developed countries. For example, if the tariff rate on a given product in certain developed countries was 2 per cent and the rates on the same product in other developed countries are higher than 2 per cent, then the latter group of developed countries should endeavour to bring their rates down to 2 per cent, i.e. the minimum prevailing rate. The spokesman reiterated the proposal and hoped that it would receive favourable consideration by ASEAN's developed trading partners.

The representative of Argentina stated that the subject of Tropical Products was one on which the developing countries had been waiting for a decision from the developed countries since the last two decades. Every negotiating exercise and programme of work within GATT had recognized the importance of this sector for the developing countries. At the 1982 Ministerial Meeting, Ministers had desired that the restrictions imposed on tropical products should become the subject of negotiations but this appeal had also been ignored by the developed contracting parties. Argentina reiterated the position expressed in L/5818 regarding the need to set up a specific schedule for negotiations to be initiated as soon as possible. Argentina also reiterated its support to the proposal advanced by Indonesia speaking on behalf of ASEAN in the appropriate forum on this subject.

The representative of Uruguay stated that Uruguay was an importer and not an exporter of tropical products. However, tropical products were an essential part of the ensemble of a future negotiating round and Uruguay attached to this area all the importance given to it by contracting parties, exporters of tropical products. The representative noted that despite the mandate on tropical products set out in the Ministerial Declaration of 1982 and notwithstanding the work carried out in the Committee on Trade and Development on this subject, no major progress had been achieved. He recalled that the CONTRACTING PARTIES, at their 40th Session, had taken note of the fact that the Committee on Trade and Development had yet to determine how best to move from the stage of consultation to that of appropriate negotiations. This confirmed the impression that work in this important area had come to a halt. Uruguay hoped that the situation would improve significantly in the context of the proposed new round. The representative supported the position of other developing countries as laid down in L/5818 and the presentation made by the ASEAN countries and said that rapid and effective negotiations on tropical products should be held within the proposed new round.

The representative of Malaysia expressed support for the position taken by the ASEAN countries on the issue. He felt that discussions with the developed trading partners was like communicating to a brick wall. Since the Tokyo Ministerial Declaration in September 1973, which had stated most unambiguously that tropical products should be treated as a special and priority sector for the developing countries in particular, the developing countries, including Malaysia, had sought increased market access and further liberalization of trade in tropical products especially in their processed form. There had, however, been little or no progress since 1973. Some responses had been received but these had been too few and too insignificant for any dynamic movement in the exports of these goods from developing countries. More than a decade had passed and developing countries were still seeking progress. Their patience should not be taken as a sign of weakness. For too long they had continued submitting their requests only to find out that the developed contracting parties do not have the mandate to respond or even negotiate. The request list had not changed over the years. Developing countries had been pragmatic in their request. These requests were intended to help them solve pressing problems, to help them gain better market access and to help them overcome barriers of a perennial nature. For over a decade, there had been the same negative replies. If developed contracting parties were truly committed to the principle of special and differential treatment, there could be no better way to show it than by making positive responses to the needs of developing countries in the area of tropical products. The unproductive and, at times, frustrating situation characterizing tropical products could not continue too long and developing countries could not go from round to round with previous commitments in this area left unfulfilled. The representative hoped that the good faith exhibited by Malaysia and the ASEAN countries in supporting the proposed new round would not be frustrated by lack of progress on tropical products or on the other issues of importance to them. He believed that there should be a clear understanding resulting from the meeting of the Senior Officials' Group that the developed contracting parties would respond positively. The representative of Malaysia specifically asked the delegation of the United States if their authorities were in a position to make a specific commitment that they would react positively to requests by developing countries on tropical products in the context of the proposed new round.

The representative of Zaire recalled that the Tokyo Declaration had indicated that the tropical products would be considered as a special priority sector. For Zaire's economy it was a sector of fundamental importance. The representative considered that it was not possible to deal with the numerous problems in this sector such as market access, the production and export of processed goods, and the reduction and elimination of tariffs and non-tariff barriers to the trade without applying the provisions of Part IV of the General Agreement. Respect for Part IV could not be disassociated also from the approach called for in document L/5818 of drawing up a short-term calendar to introduce liberalization of trade in tropical products. The time had come for the developed contracting parties to make known their response to the specific requirements of developing countries. The representative also urged the industrialized countries to refrain from adopting further restrictive fiscal policies and measures, the effect of which was inevitably to slow down domestic consumption in their economies of processed tropical products exported by the developing countries.

The representative of the European Communities noted that attendance was not as full as he had expected considering the importance of the subject under discussion. Taking up the question addressed to the United States delegation by the representative of Malaysia, he confirmed that the Communities would respond positively to as many as possible of the requests submitted by developing countries. He considered the comments and statements made by representatives of developing countries on tropical products as being expressions of legitimate concern. He felt that it would be easier for the importing countries to provide greater access, and to grant concessions without full reciprocity to meet the requests submitted by the developing countries in the overall framework of a single new round of negotiations. As far as the Community was concerned, some special problems peculiar to the Communities would have to be kept in mind such as the interests of those countries who benefited from special duty-free access to the Community markets. Any effort at liberalization on an m.f.n. basis would have to take this situation into account. In this context, the representative felt that it would be difficult to satisfy some developing countries whilst penalizing a number of them who had had a relationship of long standing with the Communities. He considered however that the problem was not an insoluble one. The response to these questions by the other industrialized importing countries of significance to developing countries would also condition the attitude of the Communities and the manner in which the Communities conducted the negotiations. The Community would accord the highest priority to tropical products with a view to accommodating, to the extent possible, the requests made by the large number of developing countries including ASEAN. However, apart from improved market access, there was the need for trade promotion and the Communities were attentive to this particular need of developing countries.

The representative of Peru stated that less than full attendance at the discussions signified the exhaustion and frustration of developing countries at the continued lack of progress in this critical area. The subject was considered in the Tokyo Round and yet no significant progress had yet been achieved. It was hoped that on the eve of the proposed new round the situation would change. According to the Ministerial Declaration of 1982, negotiations on tropical products should already have been concluded and the balance sheet for 1984 drawn up. Regrettably this had not been the case. The developing countries, and Peru in particular, hoped that these negotiations would be pursued forthwith irrespective of the decision taken on a possible new round of negotiations and this by drawing up a calendar for immediate liberalization with priority being accorded to products of export interests to developing countries in accordance with their lists of requests. Peru believed that by "appropriate negotiations" was meant an exercise in which the developing countries were able to participate on the basis of relative reciprocity in accordance with Article XXXVI, paragraph 8 of the General Agreement and paragraph 5 of the Enabling Clause. The representative stressed that little could be expected by the developing countries in a possible new round if the attitude of the developed countries in areas of priority interest to them remained so completely negative. Peru supported the position set out in document L/5818 as well as the proposal submitted by the ASEAN countries.

The representative of Egypt endorsed the observations and statements made by the delegations of developing countries. He regarded the subject as being an important one and, moreover, one that had been treated as a special and priority area as early as in the Tokyo Declaration. He recalled that a special group for tropical products had been established under the Tokyo Round. It was disappointing that after all this, the actual results were insignificant in part because of the difficulties encountered in finding an appropriate definition of tropical products. He hoped that these difficulties would not continue. He further recalled that though tropical products had again been given a place of importance in the Ministerial Declaration of 1982, the results of the work done in the Committee on Trade in Development in pursuance to this Declaration had been extremely meagre. The representative felt that the time had now come for the discussion of this subject in the proposed new round of trade negotiations. He stated that Egypt's position in this area was set out in L/5818. He stressed the need for a short and special time-table to be established for liberalization and urged that action in this area should be concluded prior to and independently of the results of the proposed negotiations on other products. He expressed regret that in their submissions relating to the proposed new round of trade negotiations, four of the developed countries who were proponents of the new round had responded to points raised by developing countries with regard to tropical products, i.e. Australia, Austria, Japan and Switzerland. He noted that the representative of the European Communities had also referred to the need for finding solutions in this area. Whilst appreciating these responses, the representative of Egypt stated that developing countries expected to hear from those developed contracting parties who had so far been silent on the proposals contained in L/5818.

The representative of Canada stated that his Government believed that the new round of trade negotiations would provide a significant and important opportunity to enhance Canada's economic cooperation and trading relationship with developing countries within the multilateral framework. Canada had fully participated in the forum for tropical products established as a result of the Ministerial Declaration of 1982. Significant progress had been made in identifying specific interests of both exporters and importers of tropical products. Canada had already implemented a number of important tariff concessions for developing countries in the context of the negotiations in the Group on Tropical Products established in the Tokyo Round with the result that most tropical products now entered Canada free of duty. Canada remained prepared to seriously consider requests for further concessions. However, it was clear that barriers in many areas of particular interest to developing countries were mainly in the sensitive product sectors. Canada believed that it was in the interest of all concerned contracting parties to pursue these requests in a broader context, namely in the new round of multilateral trade negotiations.

The representative of New Zealand felt that the question of tropical products had tended to get bogged down on the problem of defining what appropriate negotiations should be, whether concessions should be given on a non-reciprocal basis or on the basis of relative reciprocity, and whether a few concessions at least should be made on the basis of counter offers. In answer to the representative of Egypt, the representative stated that New Zealand had taken a number of unilateral liberalization measures in response to requests from developing countries and these were set out in the documentation submitted for New Zealand's Part IV consultations. New Zealand remained prepared to do what it could unilaterally and was also ready to examine any negotiating modality which had regrettably not so far emerged. Like Canada, New Zealand was of the view that the prospects for a specific commitment to negotiate on tropical products should well improve within the broader context of a new round. New Zealand was prepared to respond to any emerging framework of negotiation that may emerge even prior to that.

The representative of Australia supported the view that high priority should be given to tropical products in their processed and semi-processed forms in the new round of negotiations. The key elements of the work required in this area had been elaborated many times before and most recently in the Ministerial Declaration of 1982. Australia considered that the elements contained therein needed to be addressed when dealing with trade in tropical products. There were some specific steps which could be taken to improve trade in this sector including standstill and improved market access through tariff reductions and elimination of non-tariff barriers. A particular problem of the tropical products sector which needed to be addressed was the problem of tariff escalation.

The representative of Norway, speaking on behalf of the Nordic countries, stated that the Nordic countries fully recognized the importance of tropical products for many countries and particularly for many least-developed countries notwithstanding the fact that the weight of tropical products in international trade had diminished and the relative importance of these products for many individual countries had been reduced over the years. The Nordic countries had on a number of occasions expressed the view that the consultations in the Committee on Trade and Development on tropical products were useful in the sense that they had contributed to a clarification of the interests and priorities of developing countries in this field. With regard to concrete results, it could be said that some progress had been registered but it had to be recognized that this progress had not been dynamic. There were several reasons for this; one complicating factor, as already referred to by the representative of Sri Lanka, was the confusion pertaining to the concept of appropriate negotiations contained in the Ministerial Declaration of 1982. Uncertainty as to what was actually meant by this concept had complicated deliberations at the multilateral level and also made the situation more difficult at the national level. However, contracting parties were now starting a new phase and within the broader framework of a new round of multilateral trade negotiations, the concept of appropriate negotiations would be easier to define and would constitute a natural element in the entire negotiating



package, thereby expanding the scope for real progress in this sector. On their part, the Nordic countries had noted with interest the many concrete proposals made by representatives of developing countries. There would be an opportunity to come back to the proposals at a later date. The trade restrictions maintained by Nordic countries on tropical products were, on the whole, very few and rather limited in scope. The Nordic countries were, in fact, major importers of many tropical products.

The representative of Nicaragua thought it pointless to repeat the arguments which the developing countries had been presenting in the GATT since the last two decades. He wanted to be fully associated with the intervention of the delegate of Peru and reiterated Nicaragua's support for the position on this subject as set out in L/5818.

The representative of Jamaica referred to the informal paper circulated by his delegation at the beginning of the work of the Senior Official's Group. He pointed out that the problem of tropical products had been addressed in that paper in the section relating to trade in agriculture. In this text he recalled that the question had been raised whether tropical products should not be treated as part of the work on trade in agriculture. One could also ask whether it ought not to have been treated along the same lines as dairy products and in that connection the representative of Jamaica recalled the proposal made by the delegation of the Ivory Coast at the Ministerial Meeting of 1982 which had not been followed up. At the Special Session of the Contracting Parties, Jamaica had indicated that the fulfilment of commitments to standstill and rollback, consistent with contractual obligations, was among the important confidence building measures. Further, at the opening session of the Senior Officials, Jamaica had put forward four specific points related to the objectives of the proposed new round: one of these had been trade liberalization and trade expansion of a kind that would enable each contracting party to see some benefit in the proposed negotiations and thus expect that its trade would expand as a result of trade liberalization. If this objective was applied to tropical products and if the history of liberalization undertaken by developed countries in this area was kept in mind, it could be seen that some of these liberalization measures undertaken at the request of other developed countries had, in fact, adversely affected certain developing countries in a serious manner, inter alia, through the reduction of existing preferential measures in their favour. In the case of tariff reductions, there would be difficulty for those countries who would stand to lose their preferential access to certain important markets like the European Community, particularly if it was kept in mind that a number of these exporters of tropical products were relatively small, had other constraints and consequently were not perhaps as competitive as other suppliers. However, the representative of Jamaica could agree that insofar as it was a matter of common interest something had to be done on the problem of tariff escalation which affected not only the preferential suppliers, but other suppliers as well. As an example of other barriers, he mentioned the problem of trademarks whereby products exported which were genuine tropical products were unfairly treated in markets due to insufficient protection

from counterfeit goods masquerading as tropical products. The question of trade promotion, though important per se, was related to the question of financial support to exports. The representative stated that an important element of the trade arrangement which Jamaica and other countries shared with the European Communities was the stabilization schemes for exports of tropical and mineral products. He recalled that these schemes had recently been extended across the board to all the least developed countries and stated that this was a positive and a constructive step taken by the European Communities.

The representative of Jamaica also referred to the adverse effects of exports of tropical products resulting from the manner in which the markets for a number of these products were organized. As an example, he raised the question of commodity exchanges which determined to a large extent, the prices of the exported goods and the incomes that exporters from developing countries would receive. He hoped that in any further work on tropical products, due account would be taken of this rather important service area which did not work to benefit producers of tropical products.

The representative of Japan expressed awareness of the fact that tropical products were an important priority area for the developing countries and recalled that the forum established for work in this area had identified the problems and received requests. The logical next stage was the solution of the problems through negotiations. Japan had not waited for the launching of negotiations to respond to requests from the developing countries. The series of measures announced by the Japanese authorities had included tariff reductions and other liberalization measures. In particular, the recently announced Action Programmes had included many tropical products for tariff reduction. Japan intended to implement these measures with effect from 1 April 1986, subject to approval by the Diet. The new round of trade negotiations would provide the most appropriate forum for further action on tropical products. During the negotiations, or perhaps even in the preparatory process, consultations should be held with the aim of arriving at understandings concerning a mutually satisfactory negotiating formula concerning the tropical products, how it would relate to a possible formula of tariff reduction in general, and other issues like the question of GSP and how it could be dealt with in the new round of negotiations. The question of tropical products would have to be given particular attention without losing sight of the overall negotiating modalities, particularly those relating to tariffs, market access, or the GSP.

The representative of the United States recognized the keen interest of developing countries in further liberalization of trade in tropical products. The United States had already made significant progress in this area, and in this aspect, the representative disagreed with those delegations who maintained that there had been no progress over the past twenty years. More than 75 per cent of the United States' imports of tropical products from developing countries entered the country duty-free on an m.f.n. basis. The average tariff for tropical products was 3 per cent. This was a degree of liberalization greater than other product categories in the United States. Nevertheless, the United States encouraged the efforts

of the contracting parties in developing mechanisms for negotiating reductions in regard to tropical products and believed that the work in the Committee on Trade and Development had established a basis for negotiations within the context of a new round. In this regard, the representative tended to agree with the other delegations who saw that there were greater opportunities for liberalization in the context of a major new round of negotiations. In response to the question put by the representative of Malaysia, the representative of the United States reiterated his country's position that if the negotiations were to succeed, they would have to address the concerns of all participants. Like the European Communities, the United States was willing to respond positively to the concerns of others on the assumption that others would similarly respond positively to concerns of the United States in the new round.

The representative of Austria thanked the representative of Egypt for mentioning Austria as one of four countries which had referred to the question of tropical products in their submission papers. Austria considered that one of the general objectives of the new round should be the improvement of market access both for developed and developing countries, especially for the least-developed among them. Particular consideration should be given to the area of tropical products. Since the consultations within the Committee on Trade and Development had been mentioned, he recalled that following these consultations Austria had instituted improvements on its import regime for some products of interest to developing countries and especially the least-developed among them. He was happy that some progress had been made in the consultations.

The representative of Pakistan stated that his country's position on the subject was reflected in L/5818. He had noted that very few developed countries had submitted detailed proposals on this subject and felt that the likely reason for this was that they would prefer this to be submerged in the bigger exercise on agriculture. In contrast to this approach, it had to be stressed that in 1982 the Ministers had earmarked tropical products for a separate and special treatment in terms of "appropriate negotiations". Pakistan felt that the best way to do this was through the establishment of a short timetable for the liberalization aimed at an early conclusion or resolution of the problems in this area. Pakistan had an interest in those tropical products where there was competition from the developed countries. Pakistan's experience had been that the developed countries concerned produced such products through the aid of high, protective regimes and substantial subsidization programmes exported the products using extensive export credits as well as the cover of security of food and food aid programmes. The developed countries also had a major advantage over their developing country competitors in terms of superior marketing power or monopolies, an issue which needs to be addressed as well. Pakistan was excluded from any preferential arrangements existing in the area of tropical products.

The representative of Romania stated that tropical products were the best example of a sector wherein the trade interests of the developing countries were directly and critically affected. He expressed support for the statement made by the representative of Uruguay whilst concurrently supporting the position adopted by the representatives of other developing countries. The work of the Committee on Trade and Development on liberalization of trade in tropical products had begun and developed in favourable circumstances. What was lacking in the exercise was the end result. Trade in topical products should therefore be a priority subject in the proposed new round of multilateral trade negotiations.

The representative of Yugoslavia stated that his country's position on the subject of tropical products was contained in L/5818. Yugoslavia considered it as a priority area in which liberalization measures should not await the launching of the proposed new round. Liberalization could be achieved through the reduction of customs duties which were still very high on some tropical products. Other measures including non-tariff measures which were abundant in this area also needed to be tackled immediately. Yugoslavia's understanding of the Ministerial Declaration of 1982 was that the negotiations should have led to more substantial results, although some progress had been made by some countries such as Canada, the European Communities and the United States. However, there was considerable scope for further confidence building measures in this area before launching the proposed new round. Such measures would not only lead to further trade liberalization, but also give a timely signal to the world community.

Certain delegations who had reserved the right to revert to the subject of tropical products at a later stage did so in the meeting of the Group on 30 October.

The delegation of Brazil stated that as stressed by many developing contracting parties, the area of Tropical Products was of particular interest to developing countries. In 1982, the Ministers had recognized the vital importance of these products, and in so doing, decided very clearly to carry out consultations and appropriate negotiations aimed at further liberalization of trade in this sector, and to review progress on the matter at the session of the CONTRACTING PARTIES in 1984. Similar to what happened in the Tokyo Round, no concrete results were reached in the consultations which had taken place on this issue. Progress in implementing the 1982 Ministerial Decision had not been up to expectation. In their statement on the improvement of world trade contained in document L/5818, developing contracting parties had pointed out that a shortened, special timetable for negotiations on tropical products should be agreed upon before the launching of the proposed new round of multilateral trade negotiations. The results of the negotiations on Tropical Products should be implemented immediately in advance of the conclusion of the proposed new round. Brazil felt that the liberalization of trade in tropical products should proceed independently from the results of negotiations on other products or areas; also, it should not be subordinate or linked to concessions by developing contracting parties in other areas.

The representative of India recalled that in the paper submitted by the developing countries, L/5818, it had been proposed that a short and special timetable be established for liberalization in the area of tropical products. This could not have come as a surprise to those who had been following the negotiations in GATT during the last two or three decades. It was in the early 1960's that the developing countries, for the first time, had pursued the objective of liberalization in this category of products and had proposed that the CONTRACTING PARTIES agree that there should be unrestricted duty-free entry of these products in their primary as well as processed forms. Most industrialized countries had had great sympathy with this approach and they had also agreed that this was a feasible objective which was worth pursuing. Since then there had been two major rounds of negotiations. Although it would not be correct to maintain that there had been no progress whatsoever, it was clear that the aim of unrestricted duty-free entry remained far from fulfilled. There had also been variations in the degree to which the developed countries had responded to the requests made by the developing countries. Some had responded considerably and brought down duties and other restrictions on a number of tropical products. Others still clung to their restrictions. In this regard, the representative of India particularly drew the attention of the Senior Officials to the fact that one developed country continued to maintain restrictions on items such as shellac, castor oil and jute products, although it did not produce any of the primary products from which these were derived. In the case of castor oil for instance, the developed country in question maintained a tariff of 10 per cent and after prolonged negotiations during the Tokyo Round had agreed to reduce the percentage from 10 to 9 per cent - a reduction to be implemented over five years - although later the country in question had agreed to advance the implementation of the tariff reduction. The same country also maintained tariffs on shellac, black tea and jute products, to the detriment of a large number of countries which produced and manufactured these items. The representative of India thought that the time had come to reaffirm the desires and commitment of all contracting parties to respond meaningfully to the long-standing demand of the developing countries for unrestricted duty-free entry on tropical products. A short and special timetable was a pre-condition which the developing countries would like to attach to the proposed new round of negotiations. When the developed countries were talking of the need for liberalization in the area of high-technology goods it did not appear logical or fair that they should cling to their restrictions on the trade of these basic items.

The Chairman then invited statements on quantitative restrictions and other non-tariff measures.

The representative of Hungary stated that as a result of the proliferation of quantitative restrictions and other non-tariff measures, particularly those not in conformity with the provisions of the General Agreement, this issue had become one of the key problems of international trade. The 1982 Ministerial Work Programme had clearly defined the basic task in this area which was to achieve the elimination of measures not in conformity with the General Agreement or their being brought into conformity with the General Agreement and also to achieve progress in liberalizing other quantitative restrictions and non-tariff measures. He felt that priority should be given to the elimination of measures conflicting with

basic GATT obligations. He stressed that the credibility of the GATT system and the credibility of the forthcoming negotiations required that the contracting parties concerned should proceed with the elimination of these measures preferably prior to and in any case independently of the proposed new round of negotiations. He further suggested that contracting parties should consider the possibility of setting up a multilateral mechanism of surveillance with the task of overseeing this process. He underscored the need for it to be clearly understood that no counterpart or reciprocal concession could be requested for the elimination of measures which were not in conformity with the General Agreement. In regard to other quantitative restrictions and non-tariff measures, he suggested that contracting parties should define appropriate methods and negotiating techniques with a view to ensuring a programme of scheduled progressive and comprehensive liberalization based on non-discrimination. In this context he expressed disappointment that even within the clear framework established by the Ministerial Decision of 1982, certain contracting parties had put forward proposals on liberalization which were contrary to the basic provisions of the General Agreement and contrary to their obligations arising therefrom. He could neither accept the argument that since it was difficult to distinguish clearly between "legal" and "illegal" measures a pragmatic approach was required rather than a theoretical or dogmatic one. He felt that pragmatism could not be allowed to substitute for well-defined GATT rights and obligations. He noted that textiles and agriculture were two critical sectors severely affected by quantitative restrictions and other non-tariff measures and said that the fact that these were being dealt with in separate GATT bodies should not lead to an underestimation of the seriousness of the situation in these sectors which required urgent action.

The representative of Uruguay stated that non-tariff measures posed a major obstacle to Uruguay's export trade. The Government of Uruguay considered that any negotiation should, as a minimum, offer certainty of substantially improved market access based on equity and respect for commitments undertaken. Uruguay categorically rejected protectionism and the success or otherwise of the proposed new round in curbing protectionism forces would be a decisive element conditioning Uruguay's participation. The Uruguayan delegation reiterated its support for the position of the Group of Developing Countries on this issue as contained in document L/5818. The representative of Uruguay stressed the close links that he believed existed among the questions of standstill, rollback, safeguards and quantitative restrictions and other non-tariff measures. He stated that the credibility of contracting parties in the implementation of their commitments in the areas of standstill and rollback would be put to the test in their readiness to eliminate quantitative restrictions and other non-tariff measures, and specifically those which represented clear-cut violations of their commitments within the framework of the General Agreement.

The representative of Argentina recalled that the issue of quantitative restrictions and other non-tariff measures had been discussed in the GATT system for many years. More recently, the Ministerial Declaration of 1982 had aimed at the elimination of restrictions which were not in conformity with the General Agreement and, as a subsequent stage, the elimination or liberalization of other quantitative restrictions and non-tariff measures. It was nevertheless important to recall that the group set up under the Ministerial Work Programme for the implementation of this task had not made much progress. This clearly indicated the need for this subject to be given special consideration within the proposed new round. To this end a clear-cut programme should be established to initiate a unilateral rollback of quantitative restrictions which were not in conformity with the General Agreement and those which were sought to be justified on questionable social, historical or economic grounds alien to GATT rules and provisions. The programme of rollback should have a clearly specified time frame to be agreed upon prior to any new negotiations. The representative of Argentina stated that a second alternative would be to bring non-conforming restrictions into line with the General Agreement by converting them into tariff quotas and subsequently eliminating them. Restrictions in the specific product sectors of agriculture, textiles and tropical products, would have to be dealt with in the specialized bodies set up for analysis and work on these subjects although the results would have to be considered within an overall context to be clearly defined. The representative stressed that in all such work priority should be given to the elimination and liberalization of restrictions affecting products of special export interest to developing countries.

The representative of the United Kingdom speaking on behalf of Hong Kong said that the area of quantitative restrictions and other non-tariff measures was one in which a good deal of work had been done under the 1982 Ministerial Work Programme in terms of the number of meetings held, the volume of documentation produced and the number of specific proposals considered. He felt, however, that although some tangible progress had been made, the results had been modest. It was, moreover, not easy to measure results in terms of real liberalization as there were cases of credit being claimed for measures of liberalization that would have been taken anyway for quite other reasons. He noted that the Ministerial mandate has two distinct elements: firstly, the elimination of quantitative restrictions not in conformity with the General Agreement or their being brought into conformity; and secondly, the liberalization of remaining quantitative restrictions and non-tariff measures. This made amply clear the emphasis placed by the mandate on legality which meant in this context conformity with the General Agreement, in particular Articles XI and XIII thereof. The representative stated that the interpretation of these Articles was well established and had been confirmed in a number of recent panel cases. Rejecting the argument that the issue of "legality" should be seen pragmatically, keeping in view the realities of the situation, the representative stated that in the GATT, reality for the contracting parties could only be the General Agreement itself and the obligations that they had

accepted under it. He questioned whether there could be any faith in the multilateral trading system if major parties unilaterally claimed the right not to conform with its fundamental principles and obligations whenever it suited them. He doubted whether there could be confidence in any new obligations being honoured if existing obligations were not fulfilled. As far as quantitative restrictions were concerned, he stated that the starting point should be the elimination of all measures for which GATT justifications could not be established. A start had been made in this direction through the work done by the Group on Quantitative Restrictions and Other Non-Tariff Measures, but much remained to be done and the work should be continued further without the introduction of false linkages. There should be no attempt to confer legality on non-conforming measures, nor to reward those contracting parties who had maintained them. The bilateral request-offer procedure had not produced satisfactory results in the Tokyo Round and the same mistake should be avoided in the proposed new round of negotiations. There should be no negotiation on measures that were illegal - non-conforming measures should simply be rolled back and eliminated. There would, however, be scope for negotiating the liberalization of measures for which GATT justifications existed. It would be a logical conclusion that a mechanism should be established in the context of a new round to intensify surveillance over progress with the elimination of non-conforming measures and over negotiations on the liberalization of other measures.

- Supporting the views expressed, the representative of Poland stated that the elimination of quantitative restrictions not in conformity with the General Agreement, in particular Articles XI and XIII thereof, was among the top priorities for Poland. He felt encouraged by some progress made in the exercise conducted by the Group on Quantitative Restrictions and Other Non-Tariff Measures, especially in the later stages of its work, and hoped that this would be followed up by more substantive action as contracting parties prepared themselves for the proposed new round.

The representative of Cuba stated that her authorities would find the proposed new round a credible exercise only if contracting parties showed the necessary political will towards eliminating the large number and variety of non-tariff measures that affect the multilateral trading system, many of which were outside the GATT and without justification. She made a special reference to contracting parties which used quantitative restrictions for non-economic reasons in contravention of the General Agreement and the commitments undertaken in paragraph 7(iii) of the Ministerial Declaration of 1982. It was not possible to see how the proposed negotiation could be successful whilst there were contracting parties maintaining measures which ran counter to internationally agreed instruments and to the General Agreement.

The representative of the European Communities stated that the position of his authorities was amply represented in document L/5835. He stressed that discussions in the Group were not negotiations but clarifications and elaborations of individual positions held by contracting parties. He had heard the views expressed by participants and had taken them to be an



indication of their expectations from the proposed new round. He stated that the European Communities also had expectations and that many of these had remained unfulfilled in the area of quantitative restrictions and other non-tariff measures. He noted that a gradual process of elimination and liberalization of restrictions had begun and stressed that this must be continued. He stated that the European Communities had not asked for reciprocity in this process but rather emphasized that the entire plethora of non-tariff measures needed to be tackled urgently and comprehensively on the basis of burden-sharing as it had been largely ignored in the functioning of the General Agreement. As to the question of legality, the representative reiterated the need to face up to the historical, social and economic realities of the situation as it existed and urged contracting parties to ensure that the display of goodwill was not discouraged. The European Communities considered the question of quantitative restrictions and other non-tariff measures to be an important issue in the proposed negotiations.

The representative of Norway, speaking on behalf of the Nordic countries, stated that with the general lowering of tariffs, there had been a proliferation of quantitative restrictions and other non-tariff measures to the extent that it was now recognized that non-tariff measures had often very serious adverse effects on international trade. He felt that more concentrated attention should be given to these types of trade-restrictive measures, and considered it important to enlarge participation and to enhance the level of commitment in the MTN codes dealing with non-tariff measures. As to the further elaboration and improvement of the existing codes, the Nordic countries attached importance to the current negotiation on the Government procurement code and to further elaboration of the Subsidies Code. For non-tariff measures not covered by the codes it was their view that the scope for multilateral discipline should be further explored.

The representative of Austria stated that there seemed to be a general recognition that non-tariff measures deserved to be given special and priority attention in view of their serious effects on trade. An effective multilateral discipline for quantitative restrictions and other non-tariff measures should be established in the context of the proposed new round of negotiations whether or not specific types or categories of non-tariff measures were covered by the MTN Agreements and Arrangements.

The representative of Peru stated that one major objective of the proposed new round was to bring about further trade liberalization through substantial reduction and elimination of existing non-tariff measures. Much work had already been done towards finding solutions for this problem but restrictions applied on the margins of the GATT had nonetheless proliferated over the years. She wished to make it clear that the Group on Quantitative Restrictions and Other Non-Tariff Measures had done important work in identifying the range of existing non-tariff measures that hampered trade. The comprehensive documentation prepared by the Group should be the basis for all future work in this area and efforts should continue keeping in view

the guidelines laid down in the Ministerial Decision of 1982 - the immediate unilateral elimination of measures not in conformity with the General Agreement and the phased liberalization of other quantitative restrictions and non-tariff measures within as short a time span as possible. The immediate elimination of non-conforming measures was not negotiable. It was also necessary to set up a multilateral body for surveillance over the elimination and liberalization of these measures. Special and more favourable treatment should be accorded to developing countries by ensuring that measures affecting products of special export interest to them were eliminated as a matter of priority. Her authorities attached the highest importance to this issue which, they considered, was intimately linked with the question of standstill, rollback and safeguards. The efforts made by developed contracting parties to eliminate protectionist measures taken by them would condition Peru's attitude towards any participation in the proposed new round of negotiations.

The representative of Jamaica stressed the need to ensure greater transparency in the application of non-tariff measures and to this end to examine the various possibilities open to contracting parties, for example the conversion of tariffs where possible. This should be an important part of the process of the proposed new round of negotiations. He stated that apart from the important question of market access and the rôle of tariffs, the impact that both subsidies and the application of quotas had on the trade of developing countries would also have to be kept in view.

The representative of Romania said that his country attached great importance to the elimination of measures that were not in conformity with the General Agreement and the progressive liberalization of other quantitative restrictions and non-tariff measures. He expressed support for the guidelines laid down in the area of quantitative restrictions and other non-tariff measures by the Ministerial Decision of 1982. He felt that a great deal of complex work in this direction had been done by the Group on Quantitative Restrictions and Other Non-Tariff Measures although the results had been less than expected. The question of quantitative restrictions and other non-tariff measures should, therefore, continue to receive special and priority attention in the proposed new round of negotiations.

The representative of Japan stated that a principal objective of the proposed new round should be the reduction and elimination of all barriers to trade. He recalled that his authorities had announced a series of measures aimed at the elimination and liberalization of a range of non-tariff measures such as technical standards, certification, government procurement procedures and customs formalities. His delegation had participated actively in the work of the Group on Quantitative Restrictions and Other Non-Tariff Measures and thought that it was now time to commence negotiations in this area on the basis of procedures and modalities which took into account the work done by the Group. He felt that some of the MTN Codes negotiated in the Tokyo Round should also be reviewed in the context of work relating to the elimination and liberalization of non-tariff measures.

The representative of Switzerland felt that it would seem necessary to keep in mind opposing views and positions, for example on the question of legality, when tackling the issue of quantitative restrictions and other non-tariff measures. Contracting parties would have to decide whether the problem lay with the rules themselves and the need to adapt them to existing circumstances or the failure of contracting parties to implement them fairly and equitably. The method of treating the issue of quantitative restrictions and other non-tariff measures would depend upon the answers to these questions.

The representative of Korea stated that his authorities considered the multi-faceted nature of the problem of quantitative restrictions and other non-tariff measures as being a serious one. The control and reduction of non-tariff measures was to be seen as a constant struggle. With this end in view, Korea had instituted a long-term plan for liberalization. Korea attached the highest priority to the issue of non-tariff measures and the major reason for actively supporting the proposed new round of negotiations was Korea's desire to work towards the dismantling of non-tariff measures affecting international trade. Korea was aware of the work done by the Group on Quantitative Restrictions and Other Non-Tariff Measures, inter alia, in systematically identifying and classifying existing quantitative restrictions and non-tariff measures. In addition to the general question, Korea attached great importance to the so-called residual import restrictions. The stage had now been reached for formulating specific modalities for the rollback of existing restrictions. For this purpose, the representative of Korea called for the establishment of a special body in the context of the proposed new round to oversee and monitor implementation of rollback commitments. Care should be taken to ensure that no institutional or other cover was explicitly or implicitly provided for measures that were inconsistent with GATT provisions. A comprehensive understanding on safeguards, based on the elements listed in the Ministerial Declaration of 1982 and on the most-favoured-nation principle, should be reached as a matter of priority as this would prevent the proliferation of quantitative restrictions and other non-tariff measures, particularly those applied outside the disciplines of the General Agreement.

The representative of Canada stated that a prominent feature of any new round of trade negotiations would inevitably be the reduction or elimination of the full array of non-tariff measures affecting access to markets. Much of this work could be undertaken in the context of the agreements and arrangements concluded in the Tokyo Round, for example efforts to extend the Agreement on Government Procurement to include certain entities which were the main purchasers of products not presently subject to international competition. A new round should also review existing rules concerning subsidies and countervailing measures with the aim of increasing discipline on subsidies harmful to the trade interests of contracting parties, of broadening international agreement on the definition and measurement of subsidies and of improving the rules, procedures and conditions governing recourse to countervailing measures. Extremely useful work had been done since the Ministerial Meeting of 1982 to review existing quantitative restrictions and other non-tariff measures, the grounds on which they were

maintained and their conformity with the General Agreement. While Canada maintained the position that measures maintained inconsistent with GATT provisions should not be the subject of negotiations for their elimination, it would be important within the context of the proposed new round to address the range of other measures maintained by contracting parties with a view to their elimination and liberalization.

The representative of Czechoslovakia considered that the question of non-tariff measures was a central issue in GATT as after the several rounds of multilateral trade negotiations they had overtaken tariffs as the main obstacle to trade. A distinction was necessary between non-conforming non-tariff measures and those which were consistent with GATT provisions. Non-tariff measures not in conformity with the General Agreement, and especially those which were of a discriminatory nature should, in the light of the Ministerial Declaration of 1982, be either eliminated or brought into conformity in advance of any new round of multilateral trade negotiations. The liberalization of other quantitative restrictions and non-tariff measures was a key issue for the proposed new round and a commitment to this process should be undertaken by all participating countries.

Certain delegations who had reserved their right to speak on this subject at a later date, did so on 30 October. Their statements are summarized below.

The representative of Brazil expressed the view that trade liberalization with respect to quantitative restrictions and other non-tariff measures could be reached through the removal, without reciprocity, of those restrictions and measures which did not find legal cover under the GATT, under the terms of a phase-out proposal to be negotiated in the Preparatory Committee, prior to the launching of a new round, and within the spirit of a general rollback commitment. As for the liberalization of restrictions and measures consistent with GATT rules, Brazil believed that work should proceed according to a special calendar to be agreed upon before the proposed new round of negotiations were launched. The results achieved should be implemented forthwith, independently of the conclusions of the proposed new round of multilateral negotiations in its entirety.

The representative of Chile believed that the proposed new round of negotiations should cover the totality of non-tariff measures and also other measures of an equivalent influence. He stressed that quantitative restrictions and other measures of similar effect which were not in conformity with the General Agreement should either be eliminated or brought into conformity with the General Agreement. The results of this exercise should be applied immediately to measures affecting products of special export interest to developing countries and gradually to other product sectors until discrimination was completely eliminated.

The representative of India drew attention to the submission made by a number of developing countries in document L/5818 in regard to quantitative restrictions and non-tariff measures. He supported the basic elements of the statements made by the representatives of Hungary and Hong Kong. He stressed that the scrupulous application of GATT rules, with a view to eliminating non-conforming quantitative restrictions and other non-tariff measures, particularly in textiles and agriculture, was the best guarantee for achieving trade liberalization. He recognized that a good deal of work had been done in regard to this area by the Group set up in pursuance of the Ministerial Declaration and the Decision of 1982. However, he did not think that the impact of this work on actual liberalization had been at all appreciable. The mandate of the Group, in terms of the Ministerial Decision, had two distinct elements, and the distinction between these two elements had to be borne in mind. The first priority had to be the elimination of quantitative restrictions and non-tariff measures which were inconsistent with the General Agreement. The liberalization of measures which were GATT consistent must not be equated with the elimination of non-conforming measures which was a first and priority conditions of the Ministerial mandate. In this context, he stressed that he could not subscribe to the idea of adaptation of GATT rules to justify what could not be justified. This was an important principle which had to be kept in mind in the context of the proposed new round of multilateral trade negotiations. He would find it even more difficult to subscribe to any idea of a new round of negotiations in which the process of legalizing what is not legal was either initiated or considered. It was also vital to bear in mind the product sectors like textiles and clothing which were of crucial concern to developing countries and which were severely affected by the proliferation of non-tariff measures. The exercise for the elimination or liberalization of non-tariff measures should start with these product sectors.

The representative of Australia said that quantitative restrictions and other non-tariff measures presently constituted a greater threat to world trade than tariffs. He recalled that world trade in certain sectors such as textiles and clothing, footwear, passenger motor vehicles and steel was almost completely managed through a variety of non-tariff measures, including quantitative restrictions and voluntary export restraints. The use of such trade restricting measures was increasing in other sectors of world trade, both in manufactured goods and agriculture. The 1982 Ministerial Meeting established a Group on Quantitative Restrictions and Other Non-Tariff Measures to review non-tariff measures with a view to the elimination of quantitative restrictions which were not in conformity with the GATT and liberalizing other quantitative restrictions and non-tariff measures. The elimination of quantitative restrictions which are not in conformity with the GATT was a matter which each contracting party should proceed with, preferably in advance of a new round. The liberalization of other quantitative restrictions and non-tariff measures was a key general issue for the proposed new round and a commitment to this process by all participating countries would be essential in achieving a meaningful liberalization of trade in the context of a new round of negotiations.

The representative of Korea wished to relate the issue of quantitative restrictions and other non-tariff measures to the idea of standstill and rollback and the need to oversee the implementation of standstill and rollback through a multilateral body with the task of surveillance. He cautioned against the danger of adapting GATT rules for the purpose of institutionalising illegal quantitative restrictions or non-tariff measures.

The Chairman then invited statements on tariffs.

The representative of Uruguay fully endorsed the position advanced by the developing countries in document L/5818. He noted that tariff escalation was a problem for many products of interest to developing countries and that it affected the whole range of goods such as textiles, processed foods of various kinds, meat, dairy products and fruit. He said that in any new round of negotiations, definite action would have to be taken to tackle the problem of tariff escalation.

The representative of the European Communities said that it was in the field of tariffs that there was still a core of imbalance between the rights and obligations of contracting parties. He said that even though tariff levels were not very high today, tariff bindings remained an important issue and the Communities would do its utmost to persuade contracting parties to bind their tariffs to a greater extent in order to introduce more security in trade. He said that the problem of tariff peaks should also be dealt with in the forthcoming negotiations.

The representative of Japan said that Japan would participate in the tariff negotiations on industrial products in the new round with the aim of reducing the tariff rate to zero together with the other advanced industrialized countries. He suggested that since many countries had mentioned that problem, attention should also be given to the simplification of import procedures. He said that his Government was also willing to engage in tariff negotiations on agricultural products in the new round, taking into account the special characteristics of this sector.

The representative of the United States said that his government, in its submission concerning a new round of negotiations had emphasized trade barriers and problems other than tariffs, because these areas, offering as they did, potential for trade distorting practices, required urgent attention. He agreed, however, that tariffs were an impediment to increased trade in some areas and that a number of countries attached importance to reducing tariffs in particular products such as tropical products. He noted that some delegations had discussed the problem of symmetry in the system. The fact that some countries, including the United States, had nearly all of their tariffs bound, while others had very few bound, was in his view an element of asymmetry in the system. He said that certain countries were interested in reducing tariff escalation. To address these concerns, new negotiations should create the opportunity for the exchange of tariff concessions among interested parties. He said that contracting parties needed to explore what creative new approaches might be considered in this area.

The representative of Yugoslavia recognized the need for multilateral negotiations in the field of tariffs, aimed at lowering duty rates in all products sectors and achieving a larger number of bindings, especially in sectors such as agriculture. He said that tariff peaks still existed even in countries with relatively low-average tariff rates and that this deserved special attention in the negotiations. He noted that tariff peaks mostly affected the so-called sensitive products which were of export interest to developing countries. In his view, another subject of negotiations in the area of tariffs was the reduction of tariff escalation which inhibited international trade and had harmful effects in the economic and trade interests of developing countries. He said that the aspect of tariff escalation should take due account of the need to facilitate the development of manufacturing processes in the developing countries to enable them to diversify their production and export structures.

The representative of Korea said that the tariff negotiations should constitute an essential part of the proposed new round and that tariff peaks, particularly in product sectors such as textiles and leather should be reviewed. He said that tariff escalation based on the degree of processing was particularly inequitable from the standpoint of trade liberalization and trade expansion and should not be allowed in the GATT system. He said the asymmetry of Article XXVIII, which referred to "principal supplying interest" or "substantial interest" in the context of the modification of tariff schedules or withdrawal of concessions should be corrected in order to take into consideration the interests of developing countries who were potential exporters of the products concerned.

The representative of Spain said that tariff matters should be the subject of negotiation in the proposed new round to solve in particular such problems as tariff peaks, differences in levels of tariff bindings and tariff escalation. Referring to tariff peaks, he distinguished between those which existed in the national tariff schedules of countries depending on certain products, and tariff peaks as they existed amongst countries. There were those countries which had low tariff levels, those which had medium tariff levels and those which had very high tariff levels. He said that elimination of tariff peaks should be undertaken to a greater extent by some countries than others. He noted that it was also important to address the problem of the different levels of tariff bindings in the context of the negotiations because the issue gave rise to the existence of imbalances which should be corrected. He noted that there were divergencies of views among contracting parties on tariff escalation and he considered that it was important to deal with the issue during negotiations in order to find a common solution to the process.

The representative of Australia felt that tariff peaks in certain sensitive industries in major industrial countries still remained at relatively high levels. He also noted that tariffs often remained at high unbound levels and in a number of countries, developed and developing alike. He noted that while the major focus of the next round needed to be on non-tariff measures there would also be scope to address the remaining

tariff issues. Of particular concern to Australia was the question of tariff escalation. He stressed that tariff escalation restricted trade and inhibited the development of processing industries in countries exporting raw materials. Australia attached importance to having tariffs included as a major topic in the new round.

The representative of Canada said that tariffs were the most visible of the substantive issues which were under consideration and that for this reason, contracting parties, in past negotiations, had been able to come to agreements on significant tariff reductions. He noted that although substantive progress had been made to reduce tariff rates to relatively low levels, there still remained a range of tariffs in a number of markets which continued to act as significant barriers to trade. He noted that in a number of countries, there still existed the uncertainty that resulted from the existence of a large number of unbound tariffs, particularly in the agricultural sector.

Canada believed that further improvements in market access conditions should be made in the proposed new round of multilateral trade negotiations on as broad a basis as possible including in the area of customs duties. This could include the prospect of total tariff elimination in particular product areas. It should also include the binding of tariffs in the agricultural sector to a degree comparable with that in the industrial sector. Canada believed there was no valid reason to maintain the large degree of unbound tariff rates that currently existed with the uncertainty in trade that they created.

The representative of Peru said that her country's position on the subject of tariffs was contained in document L/5818, presented by the group of developing countries and noted that her Government attached particular interest to tariff escalation as it might penalize developing countries by permanently reducing them to the level of exporters of raw materials and prevented them from upgrading and diversifying their export capacity. She stated that the proposal of Japan contained several interesting elements such as the reduction of tariffs as applied to processed products as well as the possibility of tariff reduction under GSP schemes. She said that her country was particularly interested in duty free entry for products of interest to the developing countries and in the extension of GSP schemes to cover products not presently included at zero rate level, without any clause of conditionality. She said that in order to ensure effectiveness of the GSP schemes restrictions of all kinds, be they tariffs or QRs, on exports of developing countries should be removed. She said that it would be desirable to have programmes for special and preferential treatment in tariff schemes of developed countries.

The representative of Pakistan said that the Ministerial Declaration and the Work Programme had to be the fundamental guiding principle on the various matters which the group was supposed to discuss. He referred to statements by the European Communities and the United States and noted that there was keenness to widen the scope of treatment of this matter. He said that tariffs were low in trade among developed countries and there were no



QRs on trade among them but as far as developing countries were concerned, tariffs were still a problem. Among the issues of major importance he mentioned tariff escalation, tariffs on textiles, discriminatory tariffs, tariff quotas, variable levies and the fact that the export trade of developing countries was not being regulated so much through tariffs as rather through quantitative restrictions. He noted that before contracting parties could begin to negotiate on tariffs, the problem of the quantitative restrictions affecting the exports of the developing countries would have to be addressed.

The representative of Hungary said that although importance of tariffs had been reduced due to tariff cuts negotiated through previous rounds, and due to the widespread use of NTMs, the impact of tariffs on the relative competitive position of different suppliers and on import decisions remained significant. He said that the significance of the problem was highlighted by the fact that imports under m.f.n. tariffs had become an exception rather than the rule. He stressed that the competitive position of countries that did not belong to arrangements under Article XXIV had been particularly compromised. For this reason he believed that there was both the need and possibility to further reduce m.f.n. tariffs and that tariff negotiations should remain one of the central questions of the proposed next round.

The representative of Czechoslovakia said that tariffs remained at a high level, especially with regard to the so-called sensitive items and he supported the idea that tariffs should be further reduced in order, inter alia, to improve the competitive position of countries outside Article XXIV arrangements. He said that there was great scope for addressing tariff issues in the proposed new round.

The representative of Switzerland said that there was a reason for concern about tariff bindings, because there was a lack of symmetry in the area. He said that some kind of harmonization formula along the lines of the Tokyo Round formula might be used to deal with the problem of tariff peaks and high tariff levels in certain countries. He also said that this approach might help to reduce the problem of tariff escalation. As far as harmonization was concerned, he recalled that early during the Tokyo round, Switzerland had proposed harmonizing at zero level. He said that it was possible that Switzerland, or some other contracting party, might make a similar or identical proposal in the near future. Referring to Article XXVIII he said that the criteria of "principal supplying interest" was not complete because it did not take into account the rights of the countries for which the exports in question were most important in a given market. He said that it was desirable to improve Article XXVIII so as to take into consideration the interests of exporters.

The representative of Romania said that it would be difficult to imagine trade negotiations within GATT that did not include tariffs. He was of the opinion that customs duties should be covered as a traditional item in the proposed new round of negotiations.

The representative of Sweden, speaking on behalf of the Nordic countries, said that the previous rounds of multilateral trade negotiations had resulted in generally low bound tariff levels - at least in most developed countries and suggested that the introduction of the Harmonized System would also be a significant achievement in the simplification of trade relations among contracting parties. He said that the scope for and the timing of further tariff liberalization either on an item-by-item basis or under some general formulae should be considered in the light of these factors. The Nordic countries believed that the possibilities for further progress in the area of tariffs had not been exhausted, that a further general reduction of tariffs was desirable and that tariff peaks in a number of product areas should be reduced to the extent possible, thus contributing to a further harmonization along the lines which governed the tariff negotiations in the Tokyo round. In addition, the Nordic countries considered that the work should aim at generally improving the extent and levels of bindings, this being an area where a greater balance of obligations was desirable. The spokesman considered the active participation of member countries in such negotiations to be of utmost importance in the work towards a successful and balanced outcome of the proposed new round.

The representative of Zaire said that tariff escalation was a serious obstacle to infant industries in developing countries and that it perpetuated an unfair division of labour which condemned developing countries to a permanent role of producers and exporters of primary products. In the proposed new round of negotiations, it would be necessary to tackle the problem of tariff escalation particularly in product sectors of interest to developing countries. The spokesman stressed that this matter be treated on a priority basis. He said that Zaire expected concrete measures with a timetable for progress on tariff escalation especially in areas such as tropical products and proposed the establishment of a surveillance body to monitor progress in the area. He also noted that the health of the international monetary system did have an impact on international trade and he expected that the developed countries would come out with solutions to the financial and monetary difficulties facing the international community.

The representative of Malaysia, speaking on behalf of the ASEAN countries recognized that tariff cuts had been implemented as a result of the Tokyo Round negotiations, but also noted that there were still areas of importance to developing countries which had not been addressed. He said that although agriculture and tropical products were covered in the Tokyo Round tariff negotiations the results achieved were not satisfactory, particularly in respect of the issue of tariff escalation. The ASEAN countries viewed with concern the increasing incidence of tariff escalation on tropical products in particular where higher tariff rates applied in developed countries commensurate with the level of processing in the ASEAN economies. He said that ASEAN would want to see this problem addressed as a matter of urgency in the proposed new round.

Certain delegations who had reserved their right to revert to this subject at a later date did so on 30 October.

The representative of Chile referred to the need to establish a similar formula as the one used during the Tokyo Round, which would enable a greater reduction for the higher tariffs. Efforts would also have to be made towards the elimination of customs duties which were already very low. A special formula needed to be established for the progressive elimination of the problem of tariff escalation. Such a formula should cover all tariff measures and other measures of similar effect with the aim of ultimately binding them. Chile was convinced that the developed countries that enjoyed preferences exchanged among themselves in free trade areas should grant equal conditions of competition and market access to the developing countries as this was necessary to eliminate the influence of negative preferences.