Dear Participant,

At the last meeting of the Negotiating Group on Tariffs held on 18-19 April 1988, a suggestion was made that your Chairman prepare a note which would contain proposals for an agreement on key elements of the tariff negotiations. In this context, certain specific elements were mentioned which need to form part of such an agreement. Another view that was put forward was that a number of important substantive questions had to be the subject of further discussions in the Group before proposals along the lines suggested could be made.

Since the last meeting, I have given this matter serious consideration and have come to the conclusion that in view of the continued wide differences of view in the Group on most, if not all, key issues relating to a common negotiating basis on tariffs, it is not possible for me at this stage to come forward with proposals aimed at compromise solutions. While we had a fairly fruitful initial phase last year, progress since the beginning of 1988 has - at least in my view - been disappointing and I would consequently urge all participants to make utmost efforts so that at the time of the mid-term review meaningful interim results in the tariff area can be presented to Ministers.

Participants,
Negotiating Group on Tariffs
In order to expedite this process, I have put on paper the key questions that I perceive to merit further attention and finally agreement by the Group. The list containing these questions is contained in the Annex. I would propose that at the informal meeting that we agreed would be held, in the morning of 9 June 1988, these and any other questions that participants consider to be vital for further progress would be discussed. It goes without saying that the list of issues has been prepared on my own responsibility and cannot prejudge in any way the position of any delegation.

Yours sincerely,

Lindsay Duthie
Chairman of the Negotiating Group on Tariffs
ANNEX
NEGOTIATING GROUP ON TARIFFS

Main Issues Before the Group

1. Does the Group agree that a common negotiating basis for the tariff negotiations should be found as a matter of urgency, bearing in mind the need for subsequent bilateral negotiations on individual tariff items, and further bearing in mind the overall time-frame for the Uruguay Round?

2. Is the availability of tariff and trade data from further participants a prerequisite for agreement on a common negotiating basis?

3. Can it be agreed that, without prejudice to the work in other negotiating groups, the Group should consider tariffs on all products, bearing in mind the provision in the Ministerial Declaration that aspects of one issue may be discussed in more than one negotiating group?

4. Should the tariff cutting approach be based on a formula of general application or on a request/offer procedure? Is there room for differentiation in the application of these two alternatives between different participants?

5(a) If a general formula were to be adopted, should it be a harmonization formula, such as the one proposed by Switzerland (NG1/W/16)?

(b) Should a general formula be applied to all tariffs, high and low, or only to tariffs above a certain threshold? If the latter, what should the threshold be (10, 15, 20 per cent)?

(c) Should a general formula apply to the tariffs of all participants or only to certain groups of countries?
(d) Should the formula allow for exceptions, and if so, should there be an upper limit for exceptions (e.g. in terms of percentage of total imports)?

(e) Would a harmonization formula be able to take care of the conceived problems of tariff peaks and tariff escalation, or should a complementary request/offer procedure be used?

6. If a request/offer procedure were to be chosen, should it apply to all tariffs (high and low), and to the tariffs of all or only some participants? Should, under this procedure, a certain minimum for tariff reductions be fixed in order to achieve meaningful results in this area (e.g. x per cent average reductions by all, or certain groups of, participants)?

7. As an alternative or in addition to a general formula or a request/offer procedure, could participants agree on one of the following:

(a) complete abolition by developed countries of industrial tariffs (except mining and forestry products)?

(b) abolition by developed countries of a certain proportion of their tariffs except agricultural, forestry and fishery products and petroleum, the remainder of these tariffs to be subject to reductions under a harmonization formula?

(c) reduction of all tariffs to a maximum ceiling without exception?

8. How can the principle of special and differential treatment for developing countries, as embodied in the Ministerial Declaration, be observed in the tariff negotiations? Are the proposals made by Brazil (NG1/W/9) and/or Egypt (NG1/W/15) a suitable basis for further discussions?
9. Does the Group agree that an integrated market access approach, combining consideration of tariffs and non-tariff measures for individual products or groups of products, would achieve more meaningful results in terms of further trade liberalization?

10. What are the views in the Group on the period of implementation of the agreed tariff reductions or elimination? Would the eight year staging process of the Tokyo Round be applicable to the present negotiations? Should there be the same period of implementation for all countries and all products, or is there room for differentiation?

11. Is it realistic that all participants would agree to bind the totality of their tariffs, or alternatively all their industrial tariffs? If not, should there be a minimum percentage of bindings for all participants or should the degree of bindings depend on the level of development of individual countries?

12. Should the base rates for the tariff negotiations be the bound rates or the actually applied rates? What should the base date in this respect be (date of Ministerial Declaration, 1 January 1988, 30 June 1988)? In the absence of agreement in the Group, could these questions be left to the bilateral negotiations, as was the case in the Tokyo Round?