TARIFF NEGOTIATING APPROACH

The Chairman of the Group has been requested by several participants to circulate the following communication as a contribution to the work of the Group.

I. Introduction:

- There is a need to demonstrate progress in the tariffs area by the time of the Montreal Ministerial Meeting; otherwise the overall tariff liberalization objectives for the Uruguay Round could prove difficult to achieve.

- This is desirable because tariff liberalization remains, in our view, a central element of the Uruguay Round.

II. Elements of a Tariff Negotiating Approach:

a) Tariff Reductions:

- The base rate for the negotiation should recognize (i) the political significance of the Punta del Este meeting as the starting point for the negotiations as a whole; (ii) the practical significance of the conversion of the GATT Schedules of Concessions and national tariffs to the Harmonized System (H.S.) nomenclature by many participants; and (iii) the traditional GATT significance of bound tariff concessions; therefore, negotiated tariff concessions should start from either...
- MFN bound rates as of January 1, 1988, or,

- where a binding does not exist, the MFN rate normally applicable as of that same date, except that, where autonomous or unilateral changes have been made in advance of January 1, 1988, the base rates shall be those normally applicable as of the date of the Punta del Este Declaration;

- formula approaches, such as the Swiss formula or a variant thereof, are the most effective practical means of encouraging the broadest possible participation and liberalization and, because of the harmonization effect, can be especially important in addressing problems of high average tariffs and tariff peaks

- criteria would be incorporated to deal with the elimination or reduction of low duties; possibilities in this regard might include, for example,

  (i) a supplement being added to the formula requiring all resultant rates of (x%) and less to be automatically eliminated (the precise level to trigger elimination would be for negotiation);

  or

  (ii) the negotiations having as a target for each participant that at least a specific proportion of tariff lines carrying current rates of (y%) or less would go to "free" as a result of negotiated Uruguay Round concessions (the precise proportion would be for negotiation)

- taken together, the foregoing should ensure that tariff escalation is narrowed; nevertheless, particularly in those cases where problems remain, supplementary reductions should be considered as part of the negotiating framework

- reductions would be phased-in over an appropriate maximum period of years, the precise mechanisms of which would be for negotiation
b) Bindings:

- the Uruguay Round provides an important opportunity to achieve greater security and predictability in international trade through substantially increasing the level of bindings by all participants.

- the objective in the negotiation would be to bind all reductions achieved through the above modalities; an approach needs to be elaborated to give appropriate credit for making bindings where none previously existed.

- through the negotiation of bindings, developing participants can make an important contribution to the Uruguay Round, taking into consideration the points set out under (d) below.

c) Other Considerations:

- there should be no a priori exclusions from this tariff negotiating approach; however, progress in other Negotiating Groups needs to be taken into account.

- if there are to be limited exceptions agreed, there need to be rules to ensure that these are kept to an absolute minimum.

- it is acknowledged that, in the application of the tariff negotiating approach, individual participants will attach importance to evaluating progress made in achieving real reductions in tariff and non-tariff measures, as well as progress in other areas of the negotiations.

d) Participation:

- there needs to be the broadest possible participation in the tariff negotiating approach by all developed and developing participants. In this regard, in order to take due account of the individual development, financial and trade needs of developing participants, additional elements for the tariff negotiating approach could include, eg

(i) longer phase-in periods

(ii) different mathematical coefficients or constants for the formula

(iii) ceiling bindings at somewhat higher levels

(iv) a lesser proportion of tariff lines to be bound.