

**ECA/OAU-AEC Ad Hoc Preparatory  
Meeting of Experts and Senior Negotiators  
for the Seattle WTO Ministerial  
Conference and UNCTAD X**

**Addis Ababa, Ethiopia  
21-23 July 1999**

**POSSIBLE INCLUSION OF INDUSTRIAL TARIFF REDUCTIONS IN  
THE NEXT NEGOTIATIONS**

**Summary of positions and proposals  
(as of 21 July 1999)**

***Prepared by UNCTAD Secretariat***

**1. Industrial tariffs**

- Consideration to be given to accommodating further industrial tariff negotiations in forward agenda with appropriate modalities for the negotiations (United States); modalities to be considered before tariff negotiations begin (Australia); Market Access Committee to undertake technical analytic al work on bound and applied tariffs in industrial sector and related trade flows and volumes, without prejudice to launch or objective of further negotiations (EC), and to continue and expand work on the PCIDB electronic loose-leaf schedules (Canada)
- Industrial tariff negotiations to form part of comprehensive new round (Australia, Bulgaria, Czech Republic, EC, Hong Kong China, Hungary, Iceland, Japan, Mexico, Poland, Romania, Slovak Republic, Slovenia), and based on global and comprehensive approach, across all sectors without exception (Bulgaria, Czech Republic, EC, Hong Kong China, Hungary, Iceland, Japan, Mexico, Poland, Romania, Slovak Republic, Slovenia)
- Negotiations to be considered on reciprocal and mutually advantageous basis (Canada, Japan), aimed at reducing tariff peaks and tariff escalation (Australia, Bulgaria, Chile, Czech Republic, EC, Hong Kong China, Hungary, Poland, Romania, Slovak Republic, Slovenia, Switzerland), eliminating nuisance tariffs (Australia, Hong Kong China), and achieving zero tariff outcome where possible (New Zealand), and 100 % bindings (Chile).
- Negotiations to use horizontal tariff reduction modalities without sectoral initiatives, allow credit for bindings and acknowledge autonomous liberalization measures; tariff reduction levels and timeframes to reflect developing country needs (Mexico)
- APEC Accelerated Tariff Liberalization Initiatives to be examined by WTO Members; early commitment to liberalization and elimination of tariffs in accordance with framework agreed for 8 sectors and implementation of the package would provide significant impetus to trade liberalization at multilateral level /New Zealand for APEC)
- Talk about further tariff reduction negotiations premature, countries to be allowed opportunity to absorb and assimilate impact of tariff reduction commitments already undertaken (India); little attraction for new negotiations in this area following sacrifices of developing in Uruguay Round tariff negotiations (Cuba)

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**United States (1)**

**WT/GC/W/107**

**General Council Discussions on Implementation Issues**

... The following is an initial and preliminary review of implementation concerns as outlined in the various Agreements. We note that we will have further opportunity to supplement our views and that some issues which others may regard as implementation issues may be addressed in subsequent scheduled discussions of the General Council.

### Market Access Committee

**Loose Leaf Work Program:** The ongoing loose leaf exercise will consolidate into a single document all Uruguay Round (and earlier) tariff concessions, 1996 updates to the Harmonized System tariff nomenclature and bindings, and any other modifications to the WTO schedule (e.g., participation in the Information Technology Agreement (ITA)). These consolidated schedules will improve the transparency of existing WTO tariff obligations by eliminating the need to look in several documents to determine a tariff binding in current HS nomenclature, as is the current situation. The loose leaf schedule will be the basis for conducting future tariff negotiations in the WTO, such as the mandated negotiations on agriculture. A key ingredient in the loose leaf work program is how to best organize the resources available to the Secretariat and member countries to facilitate the timely preparation of the updated schedules.

**Integrated Data Base:** Considerable effort has been made in the past year to simplify the reporting formats and software so that all Members can comply more readily with the mandatory reporting requirements established by the General Council in July 1997. The simplified data base is known as the PC-IDB (or PC- Integrated Data Base). The Secretariat also is making software available to facilitate the preparation of the data electronically. Thus far, only a limited number of countries have complied. Further action is needed to facilitate the timely presentation of this information. The tariff data are needed to ensure that Uruguay Round obligations are in fact being met. The trade data also will be needed to develop a "base" to determine principal and substantial suppliers for future tariff negotiations. The Secretariat also is making software available to facilitate the preparation of the data electronically.

- The Committee needs to develop, on an urgent basis, procedures to assist Members in preparing an updated version of their respective tariff bindings so that all WTO tariff obligations are in a single, electronic document (the so-called "loose leaf" schedules).
- Every Member needs to fulfill its existing obligation to report annual trade and tariff data to the WTO.

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#### **United States (2)**

**WT/GC/W/139**

General Council Discussion of the Singapore Work Program Issues and Other Issues of Concern to Members Pursuant to Paragraphs 9(b) and (d)

#### **CONSIDERATION OF OTHER MATTERS TO BE AGREED – PARAGRAPH 9(D)**

The United States is prepared to work with other delegations to consider how further industrial tariff negotiations could be accommodated in the WTO's forward agenda and the appropriate modalities for undertaking further negotiations.<sup>1</sup> The United States supports the submission and presentation made by New Zealand, on behalf of APEC members, which challenges WTO members to finalize, by the time of the 1999 Ministerial, the liberalization initiatives in the areas of: chemicals, environmental goods, energy-related goods, fish, forest products, gems and jewellery, medical and scientific equipment, and toys. We look forward to consulting with other WTO Members on the details of these initiatives, and on a longer term negotiating program for tariffs, post-1999.

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<sup>1</sup>WT/GC/W/107 focused on the issues in the Market Access Committee related to the loose-leaf program and the development of the Integrated Data Base (IDB), both of which are essential to exploring various approaches to further broad-based tariff liberalization.

- The Committee on Market Access should advise the Council of its progress to date in preparing for further market access negotiations.
- WTO Members or accession applicants that are not APEC Members, should advise the Secretariat and the New Zealand Representative of their interests in the initiatives outlined in the APEC submission.

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## **Australia (1)**

**WT/GC/W/132**

### **Negotiations in Industrial Products**

## **II. MECHANISMS FOR TARIFF REDUCTIONS**

An essential aspect of any agreement on the objectives for a negotiating process will be the mechanisms set for establishing a programme of tariff reductions. During the Uruguay Round, negotiations for tariff reductions were conducted on the basis of request and offer; sectoral negotiations and formula cut. The final outcomes reflected the use of all three methods. The following factual description might be useful background for members.

### **A. REQUEST AND OFFER**

Request and offer negotiations were initially conducted on a bilateral basis, with individual participants submitting lists of products by tariff line. Each participant decided to merge its bilateral offer lists into one comprehensive list for comparison with prevailing trade flows, to permit adjustment of the list and thus minimise the free-rider effect. The longer the Uruguay Round progressed, the more complicated this approach became, particularly with differing versions of comprehensive offer lists being produced to cater for greater or lesser concessions by trading partners.

### **B. SECTORAL PROPOSALS**

Towards the latter stages of the Uruguay Round, a range of sectoral initiatives was proposed (pharmaceuticals, construction equipment, medical equipment, steel, beer, furniture, farm equipment and brown spirits). The majority of the sectoral proposals were for zero-for-zero agreements. Under these initiatives tariffs for the entire sector would be eliminated by the participants. The other type of sector was the tariff harmonisation model, under which specific tariff levels were set for agreed components of the sector, such as for the chemicals sector.

A range of sectoral proposals initiated during the Uruguay Round was not concluded, including fish, non-ferrous metals, paper, scientific equipment, textiles, musical instruments, toys and wood. Following the conclusion of the Uruguay Round, negotiations were conducted on a Multilateral Steel Agreement outside the WTO, but in addition to the successful zero-for-zero agreement, participants have been unable to reach agreement.

### **C. FORMULA CUT**

For tariff lines not included in the zero-for-zeros or harmonisation sectors, a formula approach was used. This formula sought to establish commitments to tariff reductions by up to 50% for tariffs not less than 15% at the time the Uruguay Round commenced; and an average trade-weighted tariff reduction of 33% for tariffs less than 15%. In the agricultural sector, all lines had to be bound, with a simple average tariff cut across the sector of 36% for developed countries (24% for developing countries and a minimum cut of 15% for each line for developed countries (10% for DCs). The

outcome in the non-agricultural sector was markedly different. In some cases, no offers were made on particular tariff lines or sectors, e.g. developed countries did not make offers on 7% of the lines in their tariff schedules. For developing countries, this proportion was 29%, and for economies in transition, 11%. On the other hand, some countries, such as Chile, Mexico and Uruguay bound their entire tariff schedules.

#### **D. POST URUGUAY ROUND NEGOTIATIONS**

Agreement by 29 participants in December 1996 at the first Ministerial Meeting of the WTO saw the conclusion of the Ministerial Declaration on Trade in Information Technology Products (ITA). Membership of this Agreement has since increased to 44. The ITA has now entered a second phase of negotiations which proposes to broaden product coverage, deepen the degree of participation and to commence work on the ultimate removal of non-tariff measures in this sector.

APEC economies in 1997 identified fifteen sectors for Early Voluntary Sectoral Liberalisation, nine for fast-track finalisation in 1998, and the remaining six sectors to be finalised by mid-1999. Each of the sectors containing tariff elimination components also included non-tariff measures, trade facilitation and economic and technical cooperation. In 1998, APEC decided to transfer the tariff components of each of the nine sectors to the WTO with a view to conclusion of the sectors in 1999.

### **III. A BASIS FOR A NEW ROUND OF COMPREHENSIVE INDUSTRIAL TARIFF NEGOTIATIONS**

Ministers should agree at the 1999 Ministerial on a broad mandate for comprehensive negotiations in industrial products as part of a comprehensive round of negotiations, including the mandated negotiations in services and agriculture.

The mandate must cover the interests of developed and developing countries in areas of traditional trading interest and new demands of trade in high technology products.

The mandate should offer scope for agreement on a framework of principles for national tariff regimes and parameters for tariff negotiations as described above in Section I. It should also allow for expanded rules to address non-tariff measures. (Australia will submit a separate paper highlighting some the issues on the non-tariff agenda.)

Negotiations should proceed on the basis of regular submissions of data from WTO members to the Integrated Data Base.

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#### **Australia (2)**

**WT/GC/W/182**

#### **A Framework for Negotiations on Industrial/Non-Agricultural Goods in a New Round**

##### **Proposal**

1. That a framework for comprehensive negotiations on industrial/non-agricultural tariffs comprise formula elements (including comprehensive bindings, minimum cuts/maximum average tariff, cuts in tariff peaks and escalation, elimination of nuisance tariffs and reliance on *ad valorem* tariffs), sectoral approaches (building on existing zero-for-zero and harmonization schemes and adding new ones, including Accelerated Tariff Liberalization) and bilateral request/offer negotiations.

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3. WTO Members will need to use the full range of formula, sectoral and request/offer approaches to achieve balanced benefits for all Members in comprehensive tariff negotiations.

**Formula elements should include:**

- a minimum percentage cut across all tariffs with minimum reductions for each tariff line;
- binding all industrial/non-agricultural tariffs to increase predictability in world trade;
- agreement on a maximum average tariff for developed and developing countries;
- a formula approach for tariff peaks and escalation;
- elimination of nuisance tariffs at 2.5 per cent and below;
- a move away from the use of specific or compound tariffs to a reliance on *ad valorem* tariffs alone to increase transparency and significantly reduce the tariffs applied to low-value, developing country exports; and
- simplification of tariff structures to facilitate the flow of trade and reduce the need for debate about tariff classification issues.

**Sectoral elements could go beyond formulas and allow reductions to zero in many sectors:**

- existing arrangements (chemicals, beer, medical equipment, pharmaceuticals, construction equipment, furniture, brown spirits and agricultural equipment) could be expanded and deepened with further participation by WTO Members;
- the Accelerated Tariff Liberalization package originally developed in APEC (chemicals, energy and energy equipment, environmental products, gems and jewellery, forestry products, fish and fish products, medical and scientific equipment and toys) could be agreed as an early harvest during the round, and the tariff elements of the remaining APEC sectors (civil aircraft, fertilizers and rubber) could be added later;
- other sectoral initiatives proposed during the Uruguay Round could be reconsidered, including steel, non-ferrous metals, paper, wood, leather products, ceramics, glassware, musical instruments and photographic film;
- other sectors could be proposed, including those of particular interest to developing countries, such as textiles and clothing; and
- the currently stalled Information Technology Agreement II, which sought the addition of new products to the Agreement, may be rolled over into the new round.

**Bilateral approaches**

4. The bilateral request and offer methodology helps Members obtain additional concessions from their major trading partners that meet their specific needs.

**Structure and time-frame**

5. Industrial tariff negotiations should aim to conclude within three years, as part of a single undertaking with the mandated negotiations in services and agriculture. It will be important to determine how negotiating credit for tariff reductions implemented during the course of the round should be calculated. Without such a mechanism, scope for early harvests of sectoral or other proposals is limited.

#### Non-tariff measures

6. Non-tariff measures (NTMs) remain a significant issue for exporters, and are not so simple to identify or quantify as their tariff-related counterparts. Further work on NTMs is necessary to ensure that benefits accruing from tariff reductions are not undermined by the use of existing or new NTMs. WTO Members should consider complementary work on NTMs that proceeds in parallel with and underpins negotiations on tariff reductions, within the same time-frame.

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#### **Japan (1)**

#### **WT/GC/W/145**

#### General Council Discussion on Paragraph 9(b) and (d) of the 1998 Ministerial Declaration

2. On this occasion of the last of a series of four intersessional meetings at the "first stage," we would like to take this opportunity to express Japan's views on the areas of its interests in rather comprehensive terms, in a way that, while focusing our attention on the work program initiated at Singapore (i.e. paragraph 9(b)), we might also touch upon other paragraphs of the Geneva Ministerial Declaration, thereby contributing to discussions in the "second phase" which start in February.

#### **Industrial tariffs**

23. International trade could be further expanded by the reduction of industrial tariffs through negotiations on a reciprocal and mutually advantageous basis, paying due attention to the objectives of the WTO Agreement and the varying needs of individual Members. As we have mentioned in the previous intersessional meeting, this is recognized by the WTO Members under Article XXVIII *bis* of the GATT.

24. For the purpose of achieving wide ranging benefits to all Members, whether developed or developing, the next tariff negotiations should proceed in a comprehensive manner, covering a wide range of products and without specifying negotiating sectors in advance. We should aim at achieving agreements in a relatively short period. In this regard, appropriate methods for reducing tariffs should be explored, taking into account the characteristics of individual sectors and the different situations each Member faces.

25. With regard to tariffs on forestry and fishery products, consideration should be given not only to import tariffs reductions, but also to how to deal with possible concessions and reductions in export taxes and non-tariff measures such as export restrictions in exporting countries. This must be also carried out from the viewpoint of achieving a balance between importing and exporting countries' rights and obligations as well as of dealing with the global environmental issues.

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**Japan (2)**

**WT/GC/W/243**  
**Industrial Tariffs**

**Proposal**

2. For the sound development of world trade, it is critically important to realize a predictable and credible trade environment.
3. From this viewpoint, industrial tariff negotiations should be commenced with the objectives of further reducing tariff rates, improving the coverage of bound products and simplifying and harmonizing the tariff structure among the Members.
4. A comprehensive approach, where no sector is excluded a priori from the negotiations, should be adopted so that all Members, whether developing, developed or a transition economy, can benefit from the negotiations.
5. As for modality, a "formula-cut" approach, where all Members should reduce their tariff rates by way of a formula to target rates, should be applied as a basis. Such target rates would be set in accordance with the scale of economic development, paying due attention to the situations of developing countries. This general reduction should be effectively supplemented by a "zero-for-zero" approach and a "harmonization" approach, etc. in some of the important trading sectors to be agreed among a certain number of Members, including major trading Members.

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**Hong Kong, China**

**WT/GC/W/175**  
**Negotiations on Industrial Tariffs**

**Proposal**

4. Hong Kong, China strongly supports and calls for the inclusion of industrial tariffs in the new round of broad-based and balanced multilateral trade negotiations. The negotiations on industrial tariffs should be comprehensive so as to provide room for trade-offs and bring about balanced benefits to all Members, including developing and least-developed country Members.
5. To achieve quick and meaningful results, an agreement on the approach to industrial tariff negotiations should be reached at the 1999 Ministerial Conference so that the negotiations can start once the new round of multilateral trade negotiations is launched. Hong Kong, China advocates a simple, transparent formula-cut approach, covering all industrial sectors with no a priori exclusions. The negotiations should also address tariff peaks, tariff escalation and nuisance tariffs.
6. In the light of the foregoing, Hong Kong, China recommends that the General Council, in its recommendations to the 1999 Ministerial Conference regarding the new round of multilateral trade negotiations, include the following:
  - Ministers agree to launch a new round of comprehensive tariff negotiations on industrial products with an ambitious target, with a view to achieving a level of tariff cut well above that agreed in the Uruguay Round.



- The negotiations should start immediately in the year 2000 and conclude by the end date of the new round of multilateral trade negotiations as agreed by Members, with the agreed tariff reduction/elimination to be implemented in a progressive manner within [three] years from the conclusion of the negotiations.
- The negotiations should adopt a simple, transparent formula-cut approach with no a priori exclusions, including appropriate methods to eliminate tariff peaks, tariff escalation and nuisance tariffs. There should also be an expansion of the scope of tariff bindings among all Members.
- The negotiations should include all Members, and the interests and needs of developing and least-developed country Members should be duly taken into account.

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### **European Community (1)**

#### **WT/GC/W/178**

#### **Market Access for Non-Agricultural Products**

2. It is time, after the sectoral harmonization attempts of the Uruguay Round and the post Uruguay negotiations, such as ITA, to envisage a comprehensive tariff negotiation aiming at harmonizing the tariff structures of all Members across all non-agricultural products, without any products being excluded. Such a result-oriented approach should be sufficiently flexible to allow Members at different stages of development to subscribe fully to the commitment. A tariff-band approach, defining a low, medium and high band within which all tariffs would have to fall, would allow offering such flexibility while leaving no sector in exception. Such an approach could be accompanied by average (simple/weighted) tariff objectives differentiated according to the level of development. It would obviously also allow for deeper reductions or indeed tariff elimination for specific products or product groupings.
3. A credible market access negotiation will have to be accompanied by a comprehensive non-tariff initiative, so as to make sure that non-tariff concerns do not counter the benefits of further tariff reductions. The non-tariff initiative may have to be based on a rules approach, looking at horizontal issues such as customs valuation, licensing, origin, product safety standards and certification procedures, but should also allow for discussions of specific non-tariff measures on a case-by-case basis.
4. An additional element of a market access negotiation should be a determined effort to simplify the tariff structure of all Members, by reducing the tariff differentiation to the six-digit HS level. This implies that there should no longer be ex-outs in the duty level of entire six digit positions. This would provide considerable gains for customs administrations as well as traders, as the level of classification differentiation today represents a considerable level of uncertainty, if not fraud.
5. A tariff initiative in the Round must take into account the concerns of the LDCs. The Community therefore calls for an up front commitment, at Seattle, from all developed countries to implement, no later than the end of the Round, a tariff and quota-free access for products from least-developed countries. We call on the more developed of our developing partners to seek to associate themselves with this special effort.
6. Tariff preferences in favour of the developing countries continue to offer real perspectives for better integration of developing countries into the multilateral trading system. We suggest that during the Round developed countries also seek to provide on an autonomous basis significant margins of

preference in favour of developing countries in product areas of particular export interest for these countries. We argue for non-reciprocal preferences, but consider that the willingness by developing countries to assume increased MFN tariff bindings, in line with the above outline approach, would greatly facilitate a real effort by GSP donor countries to expand the coverage of their present preferential system.

7. We hope that we will be able, in the lead-up to the Seattle Ministerial meeting, to reach a sufficient level of understanding on the objectives of the non-agricultural products initiative, so as to allow effective negotiations to begin immediately at the launch of a Round. We firmly believe that within a three-year Round, substantial results could be negotiated.

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## **European Community (2)**

**WT/GC/232**

### **EC Approach to Possible Decisions at Seattle**

#### **Tariff free treatment for products of least-developed countries**

5. The Community has proposed that Ministers, at Seattle, make a commitment to ensure duty free market access no later than the end of the next round of negotiations for essentially all products originating in the least-developed countries. Such a commitment should be made by industrialized countries, while the more advanced developing countries should also be invited to make a contribution. The EC itself has already made this commitment at the 1997 High-Level Meeting on the Least-Developed Countries, and renewed its invitation to others both at the High-Level Symposium on Development, held in the WTO in March this year, and in its proposal to the General Council Special Session in May.

6. Clearly, such a commitment at Seattle would be a major step in ensuring preferential access for least-developed countries and would constitute a practical demonstration of the WTO's desire to assist these countries' integration into the WTO system. In concrete terms, we envisage such a commitment being implemented through autonomous measures by different WTO Members, and progressively, but within a target date of the end of the round. The commitment would be based on the principle of special and differential treatment embodied in Part IV of the GATT.

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## **Norway**

**WT/GC/W/185**

### **Market Access for Industrial Goods, Including Fish and Fish Products**

1. Although tariff rates have been significantly reduced during previous negotiating rounds, there is still scope for substantial additional improvements. The upcoming round should therefore include traditional market access negotiations. These negotiations should comprise all tariff lines on industrial goods, including fish and fish products. To ensure that the negotiations lead to real market access, due consideration should also be given to non-tariff barriers and trade facilitation. As part of the negotiations, the effects on sustainability of further liberalization should be considered and/or reviewed.

2. The basis for the negotiations regarding further liberalization of trade in industrial goods, including fish and fish products, should be a global and comprehensive approach, involving significant market access improvements through substantial reductions of tariff rates as achieved during the

Uruguay Round. Furthermore, a broader product coverage of bound tariffs should be sought, and the problem of tariff escalation should be properly addressed. The need for special and differential treatment for developing countries, especially LDCs, should be taken into account.

In the Uruguay Round, peak tariffs were defined as rates above 15 per cent. Peak tariffs were significantly reduced as a result of the Uruguay Round. Further reductions should be sought.

Through previous rounds of negotiations, many tariff rates have been reduced to very low levels without being eliminated. A tariff around 2 per cent, or lower, is generally considered as a nuisance tariff. Nuisance tariffs may result in higher collection costs than actual revenues, and they should therefore be eliminated.

Due consideration should be given to the appropriate conversion of non-*ad valorem* duties to *ad valorem* tariff rates.

Tariffs have often been bound at higher levels than the level of the actual applied tariff rates. Due consideration should be given to the issue of spread between bound rates and applied rates.

3. Non-tariff barriers have been addressed in past negotiations and should be included also in the next round of market access negotiations, without undermining the legitimate domestic regulations regarding *inter alia* environmental, health and consumer protection. Special attention should be given to clarification and interpretation of existing WTO agreements. The goal should be to eliminate non-tariff measures which unduly prevent effective market access following from tariff reductions.

A wide range of barriers related to border control have been identified. Such procedural barriers have increased in number and have led to increased cost of international trade transactions. This underscores the necessity to evaluate the prevailing customs procedures with a view to harmonizing and simplifying documentation requirements and procedures in order to facilitate trade.

4. A wide range of sectoral agreements were proposed during the Uruguay Round. Where such agreements were concluded, they led to zero-for-zero agreements for the participants. Initiatives on similar arrangements in conjunction with the up-coming round have already been presented, and the negotiation should open up for such zero-for-zero sectoral agreements in specifically identified product areas.

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## **Singapore**

### **WT/GC/W/196** **Industrial Tariff**

#### **Basis for industrial tariffs negotiations**

9. It is therefore proposed that industrial tariffs be included in the future negotiations as provided for under Article XXVIII *bis* of the GATT 1994.

Article XXVIII *bis* of GATT states that "... customs duties often constitute serious obstacles to trade; thus negotiations on a reciprocal and mutually advantageous basis, directed to the substantial reduction of the general level of tariffs and other charges on imports and exports and in particular to the reduction of such high tariffs as discourage the importation even of minimum quantities, and conducted with due regard to the objectives of this Agreement and the varying needs of individual

contracting parties, are of great importance to the expansion of international trade. The CONTRACTING PARTIES may therefore sponsor such negotiations from time to time.”

Future work on tariff reduction is thus already provided for in Article XXVIII *bis* of GATT 1994. This would also come under paragraph 9(a)(iii) of the May 1998 Ministerial Declaration for commencing further negotiations on industrial tariffs.

### **Modalities**

Paragraph 2(a) of Article XXVIII *bis* provides that:

- (i) negotiations may be carried out on a selective product-by-product basis or by the application of such multilateral procedures as may be accepted by the contracting parties concerned ;
- (ii) negotiations may be directed towards the reduction of duties, the binding of duties at then existing levels or undertakings that individual duties or the average duties on specified categories of products shall not exceed specified levels; and
- (iii) that the binding against increase of low duties or duty-free treatment shall, in principle, be recognized as a concession in value to the reduction of high duties.

Paragraph 3 of Article XXVIII *bis* also provides that negotiations shall take into account:

- (a) the needs of individual contracting parties and individual industries;
- (b) the needs of less-developed countries for a more flexible use of tariff protection to assist their economic development and the special needs of these countries to maintain tariffs for revenue purposes; and
- (c) all other relevant circumstances, including the fiscal, developmental, strategic and other needs of the contracting parties concerned.

### **Proposal**

While the negotiations should aim to achieve a fair and balanced package, comprising products of interest to all Members, it is crucial that this be achieved within a short period of time, say three years.

The Uruguay Round tariff negotiations were conducted using three methods: (i) the “request and offer” approach, (ii) sectoral negotiations and (iii) formula cut. Under the sectoral approach, the majority of proposals suggested a zero-for-zero approach while others were premised on the tariff harmonization model. Whilst Members could select a combination of these methods or focus on a particular approach, the modality so chosen should aim at maximizing benefits to WTO Members across the board. It should aim to reduce distortions, be it tariff peaks, escalation or high tariffs. It could include a range of zero-for-zero sectoral proposals, and build upon work done in other fora such as the APEC Accelerated Tariff Liberalization Initiative (ATLI). This would avoid having to start from scratch in having to determine the negotiating modalities.

Thus, at the Seattle Ministerial Conference, Ministers should call for comprehensive negotiations on industrial tariffs without a priori exceptions and which are aimed at, *inter alia*:

- (a) tariff cuts well above that agreed in the Uruguay Round;
- (b) elimination of tariff escalation, tariff peaks and nuisance tariffs; and

- (c) expanding the scope of tariff bindings.

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## **New Zealand**

### **WT/GC/W/211**

#### **Negotiations on Industrial (Non-Agricultural) Tariffs**

#### **Proposal**

1. New Zealand, like many other WTO Members, proposes that the third Ministerial Conference in Seattle agree to initiate negotiations for industrial (i.e. non-agricultural) tariffs. New Zealand further proposes that the Ministerial Conference agree on negotiating modalities that would reflect the following principles:

- (a) All industrial tariff items should be the subject of liberalization negotiations with the objective of seeking reduction and, wherever possible, elimination of all tariffs on industrial products. At the end of the negotiations all industrial tariffs should be bound.
  - (b) It would be accepted at the outset that developed and developing Members would be negotiating towards the same end points, but that developing Members would be allowed a longer period of time to achieve these end points.
  - (c) The negotiations should seek, in addition, to tackle tariff peaks and, as a matter of priority, to deal with nuisance tariffs through the application of appropriate formulae.
  - (d) The negotiations should seek to build on the extensive work that has already been undertaken on initiatives such as ATL (Accelerated Tariff Liberalization). In the event it were not possible to achieve critical mass on ATL in advance of Seattle, New Zealand suggests that the conclusion of agreements on these eight sectors – initially as plurilaterals representing a critical mass of global trade – be achieved as a matter of priority within the post-Seattle trade negotiations. It might be possible to extend this approach to other sectors identified as potential zero-for-zero candidates. Members should aim to agree in 1999 that these sectors would form the basis for an early-harvest element of the new round.
  - (e) Additional to the early-harvest elements, zero-end points should also be sought for other sectors or across the board as the negotiations proceed.
2. The possible shape of an outcome of negotiations conducted on the above basis is set out in the attached annex.

#### **ANNEX**

#### **Industrial Tariffs: Possible Shape of the New Round**

#### **Early harvest**

Agreement would be reached in 2000 with implementation commencing in 2001 on a balanced package of zero-for-zero/substantial reduction initiatives. These outcomes could be reversed if agreement on a single undertaking was not achieved.

#### **Other zero-for-zero arrangements**

To be negotiated during the normal course of the round. Implementation to begin in 2003 at the earliest.

**The remainder**

Should a zero outcome not be possible these products would be subject to a formula cut or request/offer approach.