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ICTSD Project on Tropical Products



# Tropical and Diversification Products



## Strategic Options for Developing Countries

By **Santiago Perry**

Executive Director, Foundation for the Participatory and Sustainable Development of Small Farmers, Colombia



International Centre for Trade  
and Sustainable Development

Issue Paper No. 11

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Published by

International Centre for Trade and Sustainable Development (ICTSD)

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### Acknowledgements:

ICTSD is grateful for the generous support of the Department for International Development (DFID) of the United Kingdom, the Directorate-General for Development Cooperation (DGIS), Ministry of Foreign Affairs of the Netherlands, and the William and Flora Hewlett Foundation.

ICTSD would like to thank Duncan Green, Sitanon Jesdapipat, Riza Bernabe, Julio Paz and participants to ICTSD informal consultations for providing critical input into the productions of this issue paper. Thank you also to Ricardo Meléndez-Ortiz for taking the initiative, Marie Chamay for the preliminary research and the support of colleagues, including Christophe Bellmann, Caitlin Zaino and Tamara Asamoah at ICTSD.

This paper was produced with the co-operation of María Alejandra Botiva.

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ICTSD welcomes feedback and comments on this document. These can be forwarded to Marie Chamay, [mchamay@ictsd.ch](mailto:mchamay@ictsd.ch)

Citation: Perry, S. (2008). *Tropical and Diversification Products: Strategic Options for Developing Countries*. ICTSD Project on Tropical Products, Issue Paper No.11, International Centre for Trade and Sustainable Development, Geneva, Switzerland.

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The views expressed in this publication are those of the author and do not necessarily reflect the views of ICTSD or those of the funding institutions.

ISSN 1817 356X

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## LIST OF ACRONYMS

ACP	African, Caribbean and Pacific
FAO	UN Food and Agriculture Organization
FIPA	International Federation of Agricultural Producers
GATT	General Agreement on Tariffs and Trade
GSP	Generalised System of Preferences
HS	Harmonised System
LDC	Least-developed Country
MFN	Most-favoured Nation
NIC	Newly Industrialised Countries
OECD	Organisation for Economic Co-operation and Development
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
UNODC	United Nations Office on Drugs and Crime
WHO	World Health Organization
WTO	World Trade Organization



## FOREWORD

Agriculture remains the main source of livelihood for more than 2.6 billion people in the world, the majority of whom are located in developing countries. Rising incomes, urbanisation, and shifting consumption patterns have increased food consumption in most areas of the world. But despite spectacular increases in food production per capita, major distributional inequalities in access to food persist. In 2002, an estimated 852 million people remained undernourished and, according to the UN Millennium Development Goals 2007 report, if current trends continue, the target to halve the proportion of underweight children will be missed by 30 million children, largely because of slow progress in Southern Asia and sub-Saharan Africa.

At the same time, according to the Millennium Ecosystem Assessment, if the productivity of cultivated systems cannot keep pace with demand, there is a very real threat to global food security with the daunting challenge of providing sufficient food to sustain another 2 billion people by 2020. As agricultural systems are under increasing pressure to meet the growing need for cultivated products, it becomes vital from a sustainable development perspective to address environmental challenges associated with food production - such as water pollution, pesticide use, land degradation and greenhouse gas emissions.

The reform of the global agriculture trading system currently being negotiated in the context of the Doha Round - with the objective of establishing a "fair and market-oriented trading system" - will play a major role in this process. Over the last fifteen years, world agriculture trade has grown almost twice as fast as production. However, highly subsidised agricultural production and exports from Organisation for Economic Co-operation and Development (OECD) countries as well as the anti-competitive behaviour of trading firms are depressing world prices, thereby affecting development prospects in developing countries. Exports from developing countries, of tropical products in particular, continue to face a variety of specific challenges, including non-tariff barriers, technical barriers to trade (such as sanitary and phytosanitary requirements), tariff escalation, preference erosion, price volatility and the long-term trend towards low and declining prices for agricultural commodities.

The importance of tropical products for developing countries is undeniable. Their significance has been recognised in an array of studies, fora and organisations. As indicated in a document by the Common Fund for Commodities (2004): "The livelihoods of hundreds of millions of the world's poorest people in developing countries, and in particularly in the least developed countries, are heavily dependent on commodities. Commodities form the backbone of the economies and account for the bulk of the export earnings of these countries. The development of commodities is thus vitally important in the global struggle to alleviate poverty." However, there are no studies estimating the importance of tropical and other commodities using economic, social and foreign trade indicators. Nonetheless, the participation of such products in exports from developing countries is significant: the fifteen main tropical products account for 37 percent of developing countries' incoming foreign currency from agricultural exports. This proportion reaches 62 percent for low income developing countries.

Many of these products are grown primarily by small farmers in developing countries - as in the case of coffee, cocoa, tobacco and cotton. Others are vital in the generation of rural employment (i.e. sugar, rubber and rice). Therefore, besides their considerable contribution to foreign currency generation, they also play an important role from a social point of view.

There have been persistent differences between Members of the World Trade Organization (WTO), more specifically between a group of Latin American (LA) countries and the African, Caribbean and Pacific (ACP) countries, on how to liberalise trade in tropical products while also addressing the effects of trade preference erosion. The two mandates have placed them squarely in opposing camps: while some want developed countries to remove all tariffs and quotas on “tropical products” such as sugar and bananas, others have long benefited from trade preferences for these very commodities and thus stand to lose from across-the-board liberalisation. While the preference beneficiaries would like rich countries to be able to separate these products for lower tariff cuts, thus preserving more of their margin of preference, the others would like to prohibit the same products from being designated as “sensitive”.

There is still no agreed definition as to which agricultural commodities should be considered as tropical and diversification products in the agricultural negotiations at the WTO. In addition, WTO Members still have to agree on the way in which the long-standing commitment to achieve the fullest liberalisation of trade in tropical agricultural products contained in the 31 July 2004 Framework Agreement will be worked out.

The present Issue Paper (No. 11) by Santiago Perry represents a contribution to a knowledge-based discussion in this area. The purpose of the study is to provide strategic options for developing countries seeking “fullest liberalisation of trade in tropical and diversification products” under the WTO while taking into account the ACP countries that have expressed concerns that a multilateral elimination of tariffs might result in the loss of their preferential access to the markets of developed countries.

This paper was produced under an ICTSD dialogue and research project which seeks to address the opportunities and challenges of the full liberalisation of trade in tropical and diversification products, and explores possible areas of convergence between different groupings and interests in WTO negotiations. The project seeks to generate solutions-oriented analyses and possible policy responses from a sustainable development perspective.



Ricardo Meléndez-Ortiz  
Chief Executive, ICTSD

## EXECUTIVE SUMMARY

The purpose of this Issue Paper (No. 11) by Santiago Perry is to identify options for liberalising trade in tropical and diversification products. The paper seeks to balance the position of a group of Latin American countries that are seeking fullest liberalisation of trade in tropical and diversification products under the World Trade Organization (WTO) with that of the African, Caribbean and Pacific (ACP) countries that have expressed their concerns that a multilateral elimination of tariffs might result in their loss of preferential access to the markets of developed countries. A possible methodology to help developing countries identify the tropical and diversification products of major interest to national development is proposed.

The paper begins by highlighting the importance of tropical products for developing countries given that exports of twenty main tropical products represent approximately 46 percent of low income developing countries' share of agricultural exports. The livelihoods of the world's poorest people in developing countries are heavily dependent on commodities, a large part of which are tropical products. Many products such as coffee, cocoa or palm oil have a significant importance for the generation of rural employment and foreign currency earnings.

Section 2.2 reviews obstacles, such as high tariffs, peak tariffs and tariff escalation, affecting international trade in tropical products. Other problems affecting trade in tropical products include domestic support and export subsidies that developed countries grant to agricultural products that are substitutes and/or competitors to tropical products, sanitary barriers affecting these products in the markets of developed countries, deficient access to technology restraining developing countries from achieving a better export performance, compliance with quality standards and the increasing concentration of agricultural markets.

In section 2.3, the paper illustrates with examples the possible impacts of liberalising trade in tropical agricultural products. Most of the analyses agree that both developing and developed countries would obtain substantial benefits from worldwide agricultural trade liberalisation. Only a few net food importers - as well as oil exporters - may record a loss in welfare, while most countries and groups of countries would benefit if tariff barriers, subsidies and distorting trade support were reduced or eliminated.

Because of the many obstacles that tropical products face on international markets, trade liberalisation in those products will undoubtedly bring more benefits than costs. Developing countries may sell more of their tropical agricultural products and their semi-processed and processed products, at better prices. As a result farmers will benefit, more employment will be generated and more foreign currency will be obtained to support their development needs. At the same time, consumers in developed countries may gain access to a more diversified offer and better prices.

In section 3, the paper reviews the developments in past and current negotiations on tropical products in the General Agreement on Tariffs and Trade (GATT) and the WTO including the positions adopted by the main actors, i.e. the Latin American and ACP countries, the European Union and the Cairns Group. Already back in the 1950s, the topic of liberalising international trade in tropical products emerged in connection with the need to increase developing countries' export earnings; at the time, the focus was on the problems of cocoa, coffee and tea. Today there is still no agreed definition as to which agricultural commodities should be considered as tropical and diversification products. While the Uruguay negotiating group on tropical products focused on seven categories of products, they never constituted a definitive list. The paper presents the different proposals on products' lists submitted by WTO Members.

Today, the positions of the main actors still show significant differences. The areas of divergence can be summarised as:

- Product coverage: determining if the Uruguay Round guiding list should be extended or reduced, and how this should be done;
- Liberalisation process scope: extent of tariff reduction;
- Speed of the liberalisation process: determining if reductions must provide for shorter or longer terms (at least for some products) with respect to those set forth for other agricultural products;
- Treatment of tariff escalation;
- Treatment of existing customs preferences: how to manage “preference erosion”;
- Relation with other sensitive products: determining whether tropical and alternative products can be designated as sensitive products or not;
- Basis on which alternative product concessions must be made (MFN or bilateral);
- Whether there should be reciprocity and if the “fullest liberalisation of trade” mandate includes developing countries or only developed countries.

Before addressing the questions of the treatment of tropical and diversification products, WTO Members should agree on the scope of the product coverage. What types of indicators can realistically be envisaged for a definition and selection of tropical product in the context of the WTO? Section 4 proposes some criteria for developing countries to identify the tropical and diversification products whose trade liberalisation is of major interest for their national development. The proposed set of indicators should be multilaterally agreed. Based on these national lists, a general list could be agreed for the WTO negotiations.

In section 5, the paper presents a proposal aimed at achieving full tropical and diversification product trade liberalisation supported by the Latin American group of countries. It discusses the treatment that these products could have in the current Round of negotiations, the modalities that the deliberations may adopt and the support that developing countries that may be affected by the liberalisation should receive (particularly if their current preference margins are eroded).

The treatment should at least reflect the following aspects:

- Fast and full trade liberalisation of the tropical and diversification products;
- Fast and full trade liberalisation for their semi-processed and processed products;
- Elimination of subsidies in products competing with tropical and diversification products;
- Overcoming sanitary barriers making it difficult for tropical and diversification products to gain access to the main markets;
- Overcoming other technical barriers making it difficult for tropical and diversification products to gain access to the main markets;
- Technical support.

Taking into account the above, proposed negotiation modalities relate to product coverage, tariff relief, non-tariff barriers, exclusion from the list of sensitive products by developed countries, domestic support and export subsidies, sanitary and phytosanitary measures and technical assistance and co-operation. Finally, section 5 proposes support measures to potentially affected developing countries.

The existing differences in the negotiations indicate that the approach presented above is not realistic under the present circumstances and that it is necessary to seek a compromise solution. After analysing the situation of products for which Latin American countries are requesting the fullest trade liberalisation, and those for which ACP countries have stated their concern for

preference erosion, it was concluded that products for which the ACP and Latin American countries enjoy a different access to developed countries' markets are only banana, sugar, peanut oil, rum and other ethyl alcohol, particular starch products and preparations of cocoa and fruits including sugar (Bureau *et al.* 2007; Stevens and Kennan 2006).

Ultimately, the interests of both groups of developing countries seem to match, or at least, there are no significant divergences. It is very likely that the "compromise" solution implies the preparation and revision of this product list, based on the list proposed by the eight Latin American countries (WTO, 2006a) and gradually removing products that imply a significant conflict among the participants of both groups. To make sure that the products whose trade liberalisation is of major interest for developing countries' national development are included in the extended non-conflictive product list, these countries should produce their own list of products based on the methodology suggested in section 4 and incorporate them into the final list.

An alternative to build this non-conflictive products' list is to include all products established in the Uruguay Round, the eight Latin American countries and the Cairns Group, and to gradually remove conflictive products. The conflictive products are defined here as the products included in the proposals by the ACP countries. The complete list would include 128 tariff lines to four digits, and after reducing conflicts, we would have 93 tariff lines to four digits. If the inclusion of the Cairns list generates controversy, the items included in the Uruguay Round and the eight Latin American Countries' lists may be used to end up with a list of 124 tariff lines to four digits and 92 tariff lines to four digits excluding conflictive products. The paper proposes negotiation modalities to be applied to this extended list of non-conflictive products.

The paper concludes that trade liberalisation in tropical and diversification products would benefit an important number of developing countries, without significantly affecting any of them negatively. For those products that are conflictive (especially sugar and banana) it would be important to establish special groups that include major stakeholders in order to reach a compromise solution which should combine both trade and non-trade measures.

# 1. INTRODUCTION

The aim of this paper<sup>1</sup> is to provide strategic options for the Latin American countries seeking “fullest liberalisation of trade in tropical and diversification products” under the World Trade Organization (WTO) while taking into account the African, Caribbean and Pacific (ACP) countries that have expressed concerns that a multilateral elimination of tariffs might result in the loss of their preferential access to the markets of developed countries. Bearing these objectives in mind, the second section provides a description of the importance that tropical products have in developing countries and the problems they face on the international market. It estimates the importance that such goods have for developing countries, identifies the obstacles imposed for their entry to markets in developed countries, illustrates with examples the possible impacts that their liberalisation may have - both in developing and developed countries - and indicates other problems that these products face on the international markets.

The third section presents an outline of the background of trade negotiations that have been conducted in the GATT and the WTO up until September 2007. It briefly presents the current status of the negotiations, indicates the criteria and products that have been mentioned in the last negotiation rounds, makes reference to the products of interest for production diversification (alternative products) and summarises the positions adopted by the main actors to the negotiation, including the Latin American group of countries, the ACP countries, the European Union and the Cairns Group.

Section four and five present a proposal for the negotiations of the current WTO Round aimed at achieving full trade liberalisation of tropical and alternative products, which was made in the original document, when the negotiations were still at their incipient phase. The fourth section outlines the guidelines for what may be a methodology for developing countries to identify the tropical and diversification products whose trade liberalisation is of major interest for national development. Some general guidelines are first presented for a framework methodology for the selection of the products that may apply to each country according to their particular conditions and characteristics. The fifth section discusses: the treatment that these products could have in the current Doha Round, the desirable results of the negotiations (if the purpose is to achieve full trade liberalisation of these goods), the modalities that the deliberations may adopt and the support that developing countries that may be affected by the liberalisation should receive (especially if their current preference margins are eroded).

Finally, section six explores the possible means to achieve an agreement to benefit most of the developing countries - both those that promote full trade liberalisation of tropical and alternative products and their semi-processed and processed goods, and those concerned about the potential impact of such liberalisation on their economies, since the preferences they have enjoyed for such a long time in the main markets of industrialised countries will no longer be applicable.



## 2. CONTEXT

### 2.1. Importance of tropical products for developing countries

The importance of tropical products for developing countries is undeniable: diverse studies, fora and organisations have recognised this. As indicated by a document by the Common Fund for Commodities (2004): "The livelihoods of hundreds of millions of the world's poorest people in developing countries, and in particular in the least developed countries, are heavily dependent on commodities.<sup>2</sup> Commodities form the backbone of the economies and account for the bulk of the export earnings of these countries. The development of commodities is thus vitally important in the global struggle to alleviate poverty." Likewise, in accordance with the World Bank (2005), agriculture is the greatest employer in low-revenue countries and may become the main way out of poverty - which is a predominantly rural phenomenon - and agricultural trade is directly related to the reduction of poverty and accelerated economic

growth. While there are no studies estimating this importance, based on economic, social and foreign trade indicators, tropical products' share of developing countries' agricultural exports is very significant: exports of twenty main tropical products represent 39.09 percent of tropical developing countries' share of agricultural exports. This percentage reaches 45.88 percent for low income developing countries (see Table 1).

Many of these products are grown mostly by small farmers in developing countries - as is the case with coffee, cocoa, tobacco and cotton.<sup>3</sup> Others have a significant importance in the generation of rural employment (i.e. sugar, palm oil, rubber and rice). Therefore, besides their considerable contribution to foreign currency generation, they also have a material importance from a social viewpoint.

**Table 1. Twenty Main Tropical Products' Share of Developing Countries' Agricultural Exports**

Tropical Countries		Low Income Developing Countries	
Product	%	Product	%
1 Palm, Oil	4.22	1 Cocoa in grains	6.00
2 Coffee, green	3.16	2 Vegetable fiber	5.39
3 Fruits	2.91	3 Elaborated Rice	4.73
4 Dry Rubber	2.80	4 Coffee, green	3.94
5 Sugar Nep	2.18	5 Tea	3.70
6 Sugar	2.18	6 Raw Tobacco	3.65
7 Br Organic Matter	1.89	7 Tobacco	3.65
8 Alcoholic Beverages	1.88	8 Br Organic Matter	3.00
9 Elaborated Rice	1.77	9 Cashew Nuts Shelled	2.01
10 Bananas	1.70	10 Species	1.73
11 Food preparations	1.47	11 Fruits	1.42
12 Vegetable fiber	1.43	12 Sugar, refined	1.02
13 Raw Tobacco	1.40	13 Sugar Nep	1.00
14 Tobacco	1.39	14 Sugar	1.00
15 Sugar, refined	1.18	15 Cocoa Paste	0.76
16 Cocoa in grains	1.14	16 Dry Rubber	0.63
17 Tea	0.96	17 Bananas	0.61
18 Other beverages	0.89	18 Cashew Nuts, with shell	0.58
19 Grease wool	0.81	19 Coffee, extract	0.56
20 Species	0.73	20 Food preparations	0.50
Total 20 products	36.09	Total 20 products	45.88

Source: Author's estimates based on FAO (FAOSTAT) and World Bank Indicators.

## 2.2. Obstacles to the trade in tropical products

Numerous studies have shown that the obstacles to the trade in agricultural products are much higher than those existing for other sectors of production. A World Bank document, for instance, indicates that the “protection facing developing country exporters in agriculture is four to seven times higher than in manufactures in the North ... Tariff peaks are particularly high in rich countries against products from poor countries ... Tariff peaks as high as 500 percent confront imports from developing countries. Tariffs also increase by degree of processing creating a highly escalating tariff structure that limits access for processed foods”.<sup>4</sup> A more recent study by the same entity (World Bank, 2006) affirmed that agriculture protection and subsidies account for nearly two thirds of the world’s trade distortions. In general terms, tariffs faced by agricultural products are higher<sup>5</sup> than manufactured products (Table 2), tariff peaks are particularly high (Table 3), tariff escalation<sup>6</sup> continues to be substantial (Table 4) and technical obstacles - including sanitary ones - are very frequent and restrictive.

**Table 2. Average Tariffs Applied**

	Agriculture	Manufacture
Canada	22.4	3.8
European Union	18.6	4.0
Japan	18.8	3.6
United States	9.7	4.0
Average (4)	10.7	4.0
High Income	26.6	13.1
Medium Income	35.4	12.7
Low Income	16.6	13.2

Source: World Bank (2004) and analysis of trade policies of WTO (2006 for Canada, EU and Japan and 2004 for United States)

**Table 3. Agriculture Products Tariff Peaks**

	Average Tariff	Maximum Tariff	Standard Deviation
Canada	22.4	532.3	—
European Union	18.6	427.9	27.1
Japan	18.8	902.3	44.8
United States	9.7	350.0	26.2
Korean Republic	42.2	917.0	119.2

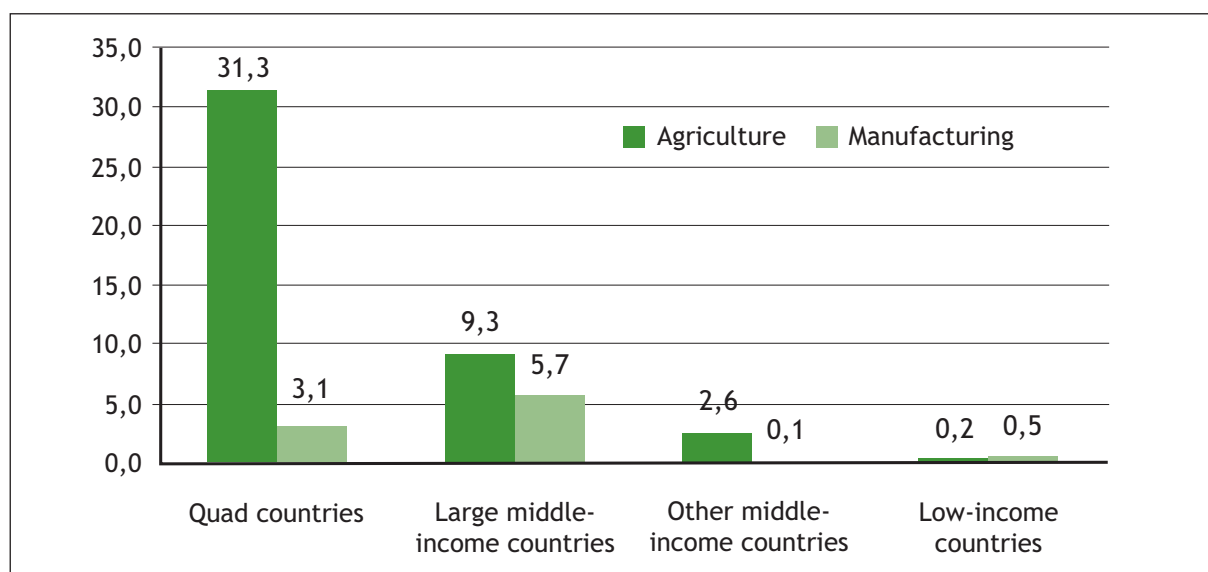
Source: World Bank (2004) and analysis of trade policies of WTO (2006 for Canada, EU and Japan and 2004 for United States)

Furthermore, the use of specific customs duties in the agricultural sector in developed countries is very common, which results in less transparency and predictability and in even higher customs duties when prices are lower. To make analyses and comparisons easier, it is very common to turn these customs duties into *ad valorem* tariffs; however, conversion methods lead to equivalent figures that do not necessarily reflect the actual protection granted to these goods.

According to Bureau *et al* (2007), in the European Union, for example, tropical products for which the ACP and Latin American groups of countries (seeking fullest liberalisation of trade in tropical and diversification products) have to pay the highest customs duties are: tomatoes, citric products, flour from some cereals, all products made from milk and sugar, including those with cocoa, margarine and oil blends, tropical fruit juices, among others. In the United States, these products include peanuts, tobacco and sugar, and processed products containing milk and sugar. Finally, in Japan and Canada, the products faced by a high tariff are fruits, vegetables, citric products and - the common element - products based on sugar.

Several of tropical products are subject to peak tariffs, specific prohibitive tariffs, and tariff escalation (see Tables 4 and 5) in developed countries. For instance, the European Union taxes banana and/or plantain imports at 118.1 percent; mandioca roots at 117.9 percent; sugar at 114.4 percent and semi-whitened or whitened rice at 101.1 percent.<sup>7</sup> In the United States tariff peaks are usually in the extra-quota tariffs of such products forming part of the import quotas, for instance, as in tobacco and sugar. Some tropical products continue to form part of the agriculture and farming chains, with a higher tariff escalation.<sup>8</sup> Moreover, it seems to be higher than for the average agricultural product, according to FAO (2004): “It is worth noting that while tropical products largely face lower tariffs compared with basic food products, the difference between tariffs in the initial phases and the elaboration



**Graph 1. Custom Tariff Lines with Specific Tariffs (As % of the Total)**

Source: *Global Agricultural Trade and Developing Countries (Chapter 3)*. World Bank, 2005.

phases seems to be higher than in the basic food products. In the case of cocoa, while the medium tariffs applied to grain cocoa are equal to zero, in the Quadilateral countries (United States, European Union, Japan and Canada),

the consolidated tariffs applied to chocolate are considerably higher (over 20 percent) in the EU, Japan and Canada. Coffee, animal skin and leather, plus cotton show a similarly high tariff escalation.”

**Table 4. Tariff Escalation in Agriculture**

Product	European Union	United States	Korea	Japan
<b>Tropical Products</b>				
Coffee				
Raw Material	7.3	0.1	5.2	6.0
Processed	12.1	10.1	8.0	18.8
Cocoa				
Raw Material	0.5	0.0	5.0	0.0
Intermediate	9.7	0.2	5.0	7.0
Final	30.6	15.3	12.3	21.7
Sugar				
Raw Material	18.9	2.0	n.a	25.5
Intermediate	30.4	13.8	19.3	11.6
Final	36.4	20.1	50.0	n.d
<b>Other Products</b>				
Fruit				
Raw Material	9.2	4.6	49.6	8.7
Intermediate	13.3	5.5	30.0	13.2
Final	22.5	10.2	41.9	16.7
Vegetables				
Raw Material	9.9	4.4	135.4	5.0
Intermediate	18.5	4.4	52.2	10.6
Final	18.0	6.5	34.1	11.6
Seafood				
Raw Material	11.5	0.6	15.6	4.9
Intermediate	5.1	3.2	5.8	4.3
Final	16.2	3.5	20.0	9.1

Note: some tariffs are specific (such as sugar in the US) therefore the table does not reflect the actual situation. Source: World Bank, 2004.

**Table 5. Tariff Peaks in Tropical Products**

Products	Arithmetic Average Tariff (%)				Interval (%)			
	Canada	European Union	Japan	United States	Canada	European Union	Japan	United States
<b>Total</b>	<b>6.5</b>	<b>6.9</b>	<b>6.5</b>	<b>4.9</b>	<b>0 - 532.3</b>	<b>0 - 427.9</b>	<b>0 - 902.3</b>	<b>0 - 350</b>
Agricultural products	22.4	18.6	n.a	4.2	0 - 532.3	0 - 427.9	n.a	0 - 100
Coffee, tea, cocoa, sugar, etc.	19.6	18.8	n.a	1.5	0 - 287.4	0 - 163.8	n.a	0 - 6.8
Cut flowers & plants	2.0	4.3	n.a	6.3	0 - 16	0 - 19.2	n.a	0 - 131.8
Fruit & vegetables	4.7	16.2	n.a	1.5	0 - 19	0 - 300.8	n.a	0 - 11.2
Oil seeds, lards and oils	6.7	7.4	n.a	6.1	0 - 218	0 - 137.2	n.a	0 - 106.6
Tobacco	7.1	19.7	n.a	1.9	0 - 13	5.2 - 74.9	n.a	0 - 62.3
Leather, rubber, footwear, travelling objects	5.4	4.8	n.a	0.7	0 - 20	0 - 17	n.a	0 - 14
	Per elaboration phase							
Raw material	4.8	8.9	9.0	3.7	0 - 295.5	0 - 167.2	0 - 902.3	0 - 350
Semi-processed products	3.2	5.0	4.8	4.3	0 - 92.5	0 - 207.2	0 - 245.5	0 - 159.3
Finished products	8.7	7.5	7.0	5.4	0 - 532.3	0 - 427.9	0 - 495.1	0 - 350

Source: Trade Policy Analyses, WTO Secretariat Reports.

According to Bureau *et al* (2007), tariff escalation is explained by the introduction of components such as sugar or dairy which are

highly protected, or the concentration of fruit juice that increase the sugar content which is therefore taxed according in the EU.

### 2.3. Possible impacts of full trade liberalisation of tropical and diversification products

Several studies have estimated the benefits that would be provided by a full worldwide trade liberalisation of agriculture and farming products. Freeman *et al* (2000) indicate that a reduction of 50 percent in the levels of protection and support to agriculture would generate an increase of USD 53 billion in global GDP by 2010, out of which 14 billion correspond to developing countries, without taking into consideration “the dynamic earnings arising from greater competitiveness, innovation, better administration and leading edge technology that will surely derive from a larger aperture.”<sup>9</sup> Diao *et al* (2001) estimated the earnings due to the global elimination of distorting policies (tariffs and internal support) at 56 billion dollars, while Van Meijl and Van Tongeren (2001) put this figure at 44.4 billion dollars. Anderson *et al* (2000) estimated that full agricultural liberalisation would generate earnings of 164 billion dollars. On the other hand, Scollay and Gilbert (2001) estimated that the elimination of agricultural tariffs would

increase global welfare by 69.4 billion dollars, while Brown *et al* (2001) estimated this figure at 33 billion dollars.

The UNCTAD (2003) estimated that a 50 percent decrease in agricultural tariffs would generate an improvement of welfare quantified at 21.5 billion dollars and would benefit all regions. The greater benefits would be received by Japan, North America, the NICs (Newly Industrialised Countries), North Africa and the Middle East, and Oceania. In percentage terms, the regions earning more would be Oceania, the Asian NICs and North Africa. Although it is true that Sub-Saharan Africa and Latin America would also gain, the estimated earnings for these regions are lower than in other studies due to the fact that UNCTAD takes into account the effect of the erosion of current preferences, which mainly benefit some countries in these regions. This study furthermore, estimated the earnings that would be obtained if the processed agricultural

goods were reduced by 50 percent, in an effort to analyse the importance of tariff escalation. The study concludes that the earnings in this case would continue to be substantial (over 12 billion dollars) and would benefit all regions, including Japan, North America and Western Europe.

Hoekman, Ng and Olarreaga (2002a) estimated that if the rates of 158 tariff lines were reduced by 50 percent to six digits, the improvement in welfare would be 16.7 billion dollars for all countries and 2.2 billion for developing countries. The latter, would increase their exports by 4.2 million dollars or 6.7 percent in the analysed products, while the improvement in least-developed countries (LDCs) would total 116 billion (or 3.7 percent). These countries seem to be disproportionately affected by the policies for protection and support to agriculture in developed countries,<sup>10</sup> which is why worldwide agricultural trade liberalisation would benefit them considerably.

A recent study financed by the World Bank established that a reform of agricultural policies in developed countries would end poverty levels for a significant number of producers in developing countries. In fact, they state that,

“although the Doha agenda has to do with various non-agricultural sectors, most earnings must be obtained from agricultural customs reforms undertaken within the context of a global reform program.” Selected consumption goods studies indicate that agricultural production would change radically from the North to the South and that world prices would increase. Several of these studies are certain to affirm that world price volatility would be reduced for the benefit of producers and consumers of least-developed countries especially vulnerable to this type of volatility. Some estimates indicate that “global goods trade would increase by approximately 10 percent (more than USD 800,000 million), but exports in developing countries would increase by 20 percent, that is to say, USD 540,000 million approximately. The maximum trade increase percentage (nearly 50 percent) would take place in the processed food sector.”<sup>11</sup>

Another recent World Bank study estimated earnings from full trade liberalisation in goods both in developing countries and in high-revenue countries. For such a purpose, a series of scenarios were used to forecast earnings by the year 2015 (simulations of the LINKAGE model). Table 6 below shows possible earnings.

**Table 6. World Trade Reform Sources of Regional and Sector Earnings**

	Earnings per region (USD billion)				Percentage of Regional Earnings			
	Developing	High revenue	World	Developing	Mid-revenue	Sub-Saharan Africa	High revenue	World
<b>Developing countries liberalise:</b>								
Agriculture and food	28	19	47	33	34	35	9	17
Textiles and clothes manufacturing	9	14	23	10	12	11	7	8
Other goods	6	52	58	7	1	14	26	20
All sectors	43	85	128	50	47	60	42	45
<b>High revenue countries liberalise:</b>								
Agriculture and food	26	109	135	30	31	43	54	47
Textiles and clothes manufacturing	13	2	15	15	15	0	1	5
Other goods	4	5	9	5	7	-3	2	3
All sectors	43	116	159	50	53	40	57	55
<b>All countries liberalise:</b>								
Agriculture and food	54	128	182	63	65	78	64	63
Textiles and clothes manufacturing	22	16	38	25	27	11	8	14
Other goods	10	57	67	12	8	11	28	23
All sectors	86	201	287	100	100	100	100	100

Source: *Global Impacts of the Doha Scenarios Poverty*. World Bank, 2005.

The substantial benefits in welfare that developed countries would obtain - a topic on which the different studies agree - reflect their high tariffs which impose substantial costs on consumers, taxpayers and economic efficiency in general.

Regardless of the estimates, and the models and methodologies used, the truth is that most of the analyses agree that both developing and developed countries would obtain substantial benefits from worldwide agricultural trade liberalisation.<sup>12</sup> Just a few net food importers - as well as oil exporters - may record a loss in welfare, while most countries and groups of countries would benefit if tariff barriers, subsidies and distorting trade support were reduced or eliminated.

Although it is true that there is no similar analysis for tropical agricultural products, existing information allows us to conclude that earnings would also be important. Many such products also face tariff barriers, tariff peaks, tariff escalation, sanitary barriers and other obstacles to enter developed country markets - as well as some developing countries, especially those with high income. They must also face competition from subsidised products that depress prices and make it difficult for them to enter markets. Agricultural trade liberalisation, in consequence, will undoubtedly bring more benefits than costs. Developing countries may sell more of their tropical agricultural products and their semi-processed and processed products, at better prices. As a result farmers will benefit, more employment will be generated and more foreign currency will be obtained to support their development needs. At the same time, consumers in developed countries may gain access to a more diversified offer and better prices.

Available evidence for some tropical products corroborates these statements. In the case of sugar, several studies have estimated the positive impacts of market liberalisation. Borell<sup>13</sup> (1999), for instance, estimated that the international price would increase by 38 percent, global welfare earnings would total USD 5 billion, US imports would increase by 5 million metric tonnes and US consumers would earn approximately 1,200 dollars (thanks to a

25 percent decrease in the internal price of sugar). Although surpluses of US producers would decrease by approximately USD 0.7 billion, the US' net gain would be approximately USD 0.5 billion. Freeman *et al* (2000), on the other hand, estimated that the economies of developing countries that are currently supplying sugar to the European Union and the US would together receive benefits totalling approximately USD 1.1 billion thanks to sugar trade liberalisation.

In the case of cotton, the decline in prices by close to 40 percent between last century and the beginning of the present century is attributed - at least partially - to US subsidies. This has reduced the general welfare in rural areas of Benin by 6-7 percent and for cotton growers by approximately 19 percent, according to estimates by Minot and Daniels (2002). Therefore, this sole change in price was able to increase the rate of poverty in Benin between 8 and 12 percentage points, launching another 250,000 people under the national poverty line. Likewise, the International Cotton Advisory Committee estimated that the mentioned support to cotton growers depressed international prices of the fibre by one fourth which, for countries like Burkina Faso, Benin and Mali, where cotton contributes to a third of exports, meant that the cost was approximately 200 million dollars in 2001.<sup>14</sup>

The reduction by approximately 30 percent in the international price of tobacco, reduced the income of small farmers in Malawi by 8 percent on average, and that of the poorest quintile by 13 percent. The net annual earnings of a typical small tobacco grower decreased from 108 to 26 dollars. The severity of this situation is better understood when considering that tobacco represents 80 percent of Malawi's exports and is the most profitable crop in this country.<sup>15</sup>

FAO (2004) estimated by how much exports of some tropical products and their processed and semi-processed products would increase if a moderate reduction of the tariffs were to occur (as established in Harbinson's proposal), and found that the increases would be significant in all products - especially in chocolate, vegetable oils and oil seeds - for developing countries and especially for LDCs (Table 7).

**Table 7. Repercussions of Harbinson's Proposal on the Export Values of Some Tropical Products and Their Processed Products**

	Percentage variation of the export values			
	World	Developed countries	Developing countries	LDCs
Un-roasted coffee	1.0	0.9	1.0	1.1
Roasted coffee	0.4	0.3	0.6	0.4
Grain cocoa	0.3	0.3	0.3	0.3
Powder cocoa	1.4	1.2	1.6	7.3
Cocoa butter	1.1	0.6	1.3	n.a.
Chocolate	6.5	6.3	6.8	6.7
Oil seeds	1.8	1.2	2.4	28.1
Vegetable oils	4.6	2.2	5.0	6.1

Source: FAO, 2004.

Therefore, the available information corroborates that market liberalisation of tropical products and their processed and semi-processed

products would result in important benefits to all countries (developed and developing) and especially to LDCs.

## 2.4. Other problems affecting tropical products

Without doubt, tariff barriers to access developed country markets are not the only problems affecting tropical products. The following facts also make it difficult for producing countries to achieve a better export performance and obtain higher foreign currency income:

- i) *Domestic subsidies and export subsidies* that developed countries grant to agricultural products that are substitutes and/or competitors of the tropical products (e.g. subsidies to soy bean that harm African palm or subsidies to beets that harm cane sugar). These subsidies depress international prices of the mentioned products and generate unfair competition in the markets.
- ii) *Sanitary barriers* affecting several tropical products in the market of developed countries.<sup>16</sup> Such as the cases, for instance, of tropical fruit and some vegetables and tropical nuts. Although it is true that the text on this topic agreed in the Uruguay Round, as part of the "Agreement on Agriculture", establishes the obligation to base any sanitary and phytosanitary (SPS) measure on scientific evidence (paragraph 2, Article 2) and a risk evaluation (paragraph 1, Article 5), there are still serious problems to prevent these measures from becoming an obstacle to the trade in agricultural products, and in particular of tropical

products. At least precisions and decisions are required on what exactly is meant by transparency, harmonisation, equivalence,<sup>17</sup> free zones and technical/financial support, so that developing countries may comply with the standards demanded by importers of their tropical products.

- iii) *Deficient access to technology*, whether it is for productive activities, transformation and trading or to comply with the standards demanded by developed country markets, poor technology restrains developing countries from achieving a better export performance in tropical and diversification products.
- iv) *Compliance with quality standards*, makes it more difficult for developing countries to access some more dynamic and/or better paid markets, especially in developed countries. Establishment of standards regarding the conditions of developing countries, and the support required so that they may comply with these standards, is fundamental to enable them to benefit from trade liberalisation. In this sense, the "Standards and Trade Development Facility" - an initiative for collaboration among the World Bank, WTO, FAO and WHO - may play an important role in providing technical assistance and support to developing countries.

- v) *The increasing concentration of agricultural markets:* several studies have shown the increasing concentration that is occurring in international agricultural markets, in particular in the trade and processing phases of raw materials (agricultural industry), and the negative material effects caused thereby.<sup>18</sup> Major firms are the main beneficiaries of the subsidies that are granted to farmers in developed countries; they carry out the main lobbying efforts to defend the distorting agricultural policies that provide them with income and benefits; they exert their oligopoly power in the market with which they depress the prices that farmers receive in developed and developing countries and frequently impede the benefits of trade liberalisation from reaching the hands of consumers, because instead of lower prices they increase their margins.

In consequence, the reduction of their market power must be a priority in agricultural reform. For this to happen, existing competition and anti-trust standards in the WTO countries must be reinforced and made applicable to the agricultural, farming and agro-industrial areas.<sup>19</sup> They must also be applied in the strictest way possible to these conglomerates. Likewise, transparency standards ruling state trading enterprises must be applied comprehensively. Such measures would benefit producers and consumers both in developing and developed countries, and would therefore have their full support.



### 3. THE NEGOTIATIONS ON TROPICAL AND DIVERSIFICATION PRODUCTS

#### 3.1. Background – GATT and WTO

During the negotiations on the General Agreement on Tariffs and Trade (GATT), the topic of liberalising international trade in tropical products emerged in connection with the need to increase developing countries' export earnings. Already back in the 1950s, discussions began on the problems of cocoa, coffee and tea, usually called "primary products" of interest to developing countries (and known as "tropical beverages").

In 1958, the GATT Contracting Parties decided to draw up a programme of action to speed up the liberalisation of world trade, in connection with which special priority was to be given to increasing LDCs' export earnings. The body set up to move ahead in this area, Committee III, analysed barriers to trade in tropical products between 1959 and 1961, underscoring the negative impact on developing countries' exports of the customs duties and domestic taxes levied on these products. The Committee focused on 11 products of particular importance to developing countries, nine of which were agricultural: vegetable oils and oilseeds, cocoa, tobacco, jute goods, cotton goods, cotton, tea, wood and coffee.

The decision adopted at the close of the November 1961 ministerial meeting referred to the need to set dates for gradually reducing and eliminating barriers to exports from developing countries. In February 1962, in accordance with a recommendation by Committee III, the GATT's Council set up the "Special Group on Trade in Tropical Products", a body with a mandate to seek relevant means of overcoming the difficulties which LDCs encounter when exporting these products.<sup>20</sup>

It was not until the Kennedy Round (1964-1967) that tropical products were first considered as a special negotiating sector, yet no list of products covered by this protected designation was drawn up. The final report which the Committee

on Trade and Development submitted to the Contracting Parties summed up the results of the negotiations in this area, noting that even though many contracting parties had made concessions on a great many tropical products in the Kennedy Round, they had failed to achieve the goal of eliminating import duties and taxes for all these products. The most general reasons for maintaining duties and taxes on tropical products were the need to maintain the preference margins corresponding to specific preferred suppliers; protection of national agriculture against direct competition from imported tropical products; the replacement risk they represented and fiscal considerations.

The Special Group on Trade in Tropical Products continued working in between the Kennedy and Tokyo Rounds and decided in 1968 to give special priority to certain products, initially tea, coffee, cocoa, bananas, oilseeds and vegetable oils, and spices. The Declaration launching the Multilateral Trade Negotiations of the Tokyo Round (1973-1979) stated that tropical products had to be handled "as a special priority sector" and that negotiations had to include tariffs, non-tariff barriers and other measures affecting trade in tropical products in primary form or at any stage of processing. Again, no list of tropical products was drawn up in the Tokyo Round and negotiations ran into the same difficulties as mentioned in the final report of the previous Round. However, significant progress was made in liberalising trade in tropical products - albeit on the basis of the most-favoured nations (MFNs) or the Generalised System of Preferences (GSP) - particularly with regard to coffee, cocoa and tea.<sup>21</sup>

During the Uruguay Round (1986-1994) it was decided that tropical products were so important for developing countries that they should be given "special attention", including in relation to the timing of negotiations and the entry into force of its results.<sup>22</sup> In the negotiating group on

this topic, discussions began on seven groups of tropical products: (i) tropical beverages (cocoa, coffee and tea); (ii) spices, flowers and plants; (iii) some oilseeds, vegetable oils and oilcakes (for example palm and coconut oil); (iv) tropical roots, rice and tobacco; (v) tropical fruits and nuts (e.g. plantains, pineapples and peanuts); (vi) tropical wood and rubber and (vii) jute and hard fibres. However, the point was made that this was neither a definitive nor an exhaustive list of tropical products and could include other products.

In the run-up to the mid-term review that took place in Montreal in December 1988, a preliminary agreement was reached on concessions in tropical products with input from all developing countries and a number of developed countries. These concessions were to be applied from 1989 onwards, in what was known as an “early crop”. However, the entry into force of this package, the first one agreed in the Round, was delayed owing to complications which arose in the remaining areas of negotiation, particularly in agriculture. Subsequently, in 1991, the group of tropical products was broken up into other negotiating groups.

Finally, the priority attached to these products was reflected in the preamble of the Agreement on Agriculture: “having agreed that in implementing

their commitments on market access, developed country Members would take fully into account the particular needs and conditions of developing country Members by providing for a greater improvement of opportunities and terms of access for agricultural products of particular interest to these Members, including the fullest liberalization of trade in tropical agricultural products as agreed at the Mid-Term Review - ...”. Substantial concessions were made for some products but significant access barriers remained for others, based on the same arguments which developed countries had been putting forward ever since the Kennedy Round.

In any event, a new topic of importance to developing countries emerged during the Uruguay Round: products of interest for the diversification of production from the growing of illicit narcotic crops. The above-mentioned paragraph of the preamble of the Agreement on Agriculture went on to say the following “... and for products of particular importance to the diversification of production from the growing of illicit narcotic crops”. Likewise, the Agreement stipulated that all support “to producers in developing country Members to encourage diversification from growing illicit narcotic crops” was to be exempt from domestic support reduction commitments.

### 3.2. Present status of negotiations

Since the close of the Uruguay Round, there has not been any specific group or committee in charge of handling negotiations on tropical products; such negotiations are simply covered by the WTO’s Committee on Agriculture.

The revised first draft of modalities for the new commitments in agriculture (TN/AG/W/1/Rev.1 18 March 2003)<sup>23</sup> refers to tropical products and diversification products, mentioning under number 10 (special and differential treatment): “In implementing their market access commitments, developed country Members shall take fully into account the particular needs and conditions of developing country Members by providing for greater improvement of opportunities and terms of

access for agricultural products of particular interest to these Members, including the fullest liberalization of trade in tropical products, whether in primary or in processed form, and for products of particular importance to the diversification of production from the growing of illicit narcotic crops...”. Likewise, it notes that “There shall be no requirement to reduce in-quota tariffs, except that (i) in-quota duty free access shall be provided for tropical products, whether in primary or in processed form, and for products of particular importance to the diversification of production from the growing of illicit narcotic crops...”

On 1 August 2004, the General Council adopted a decision (Framework Agreement) constituting



the Doha Work Programme, in which tropical products and diversification products were once again singled out as fundamental components of the special and differential treatment of developing countries: "Full implementation of the long-standing commitment to achieve the fullest liberalization of trade in tropical agricultural products and for products of particular importance to the diversification of production from the growing of illicit narcotic crops is overdue and will be addressed effectively in the market access negotiations."

Up until April 2006, when the first version of this document was completed, the tropical product negotiations had not been fully initiated, the related documents and references were relatively scarce, and various aspects still required clarification, such as:

- (i) Neither the way in which this commitment was to be implemented nor the way in which tariffs were to be reduced for these products had been worked out;
- (ii) No list of tropical products or diversification products had been drawn up;
- (iii) No decision had been taken as to how to tackle the issue of preference erosion which hamstrings many countries' efforts to secure access to the markets of various developed nations.

### 3.3. Positions of the main actors

During the past months, the positions of the main actors to the negotiation have become clearer. Generally speaking, we could say that there are two clearly opposite positions - or "extremes" - which can be summarised as follows:

- i) those who expect the tropical and alternative product list to be the most comprehensive possible and the obstacles to trade in these goods - and their semi-elaborated and elaborated products - to be fully eliminated in the shortest timeframe possible;
- ii) those who wish to reduce the list of tropical and alternative products and seek a gradual reduction of obstacles to trade, trying to

Concerns over the replacement of some tropical products by others from temperate zones also appeared to remain.

However, in February 2006, the chairman of the Committee on Agriculture formulated questions intended to oblige the main actors to set their positions with respect to some of these topics (JOB(06)/26). On 28 April 2006, eight Latin American countries - Bolivia, Colombia, Costa Rica, Ecuador, Guatemala, Nicaragua, Panama and Peru - issued a note whereby they responded to the chairman's questions and established their position on some of the key topics of the negotiations: they explained their understanding of "**fullest liberalisation of trade**" for tropical products and products of particular importance to the diversification of production from the growing of illicit narcotic crops, referred to what should be understood with respect to these products and developed what should be the base list for negotiation.

Since this communication, the positions of the main actors regarding the negotiation have been gradually established and the chairman of the Committee on Agriculture has intensified his efforts to move forward in the negotiations.

refrain from affecting the preferences that some developing countries have had.

The main exponents of the first position include a group of eleven Latin American countries in the tropical zone - Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru and Venezuela - which in November 2004 presented a proposal to eliminate custom duties, custom duty peaks and import quotas for tropical and alternative products and elimination of non-custom duty related obstacles. This proposal indicated that concessions should be made on an MFN basis and that they should be permanent and unconditional.

Then, eight of them - Bolivia, Colombia, Costa Rica, Ecuador, Guatemala, Nicaragua, Panama and Peru - suggested to use the six groups of the Uruguay Round guiding list as the basis for the negotiation. These countries, in their proposal dated 28 April 2006 (JOB(06)/129)<sup>24</sup>, indicated that, in order to achieve the **"fullest liberalisation of trade"** for tropical and alternative products, developed countries' market access commitments needed to be granted the following treatment:

- Elimination of all customs duties and quantitative restrictions on an MFN basis for unprocessed, semi-processed and processed tropical and alternative products;
- Shorter implementation periods;
- Sensitive products should not include tropical and alternative products.

However, in a note dated 8 June 2006 (TN/AG/GEN/19), four of these countries - Colombia, Costa Rica, Guatemala and Panama - toned down their position. Instead of defending the total elimination of customs duties, they suggested that for tropical and alternative products developed countries should establish substantially more ambitious tariff reductions than those adopted in each of the general formula bands, as the result of the agricultural negotiation. They also emphasised that they should be subjected to the maximum reductions foreseen in the formula finally agreed upon. They proposed that "the modalities for tropical and alternative products subject to tariff escalation should provide for deeper tariff cuts for processed and semi-processed products than for primary tropical and alternative products", specifically 10 percent greater than the maximum reductions foreseen in the formula. They also said that "tropical and alternative products cannot be included in the list of sensitive products".

Recently (JOB(07)/168, 2 November 2007), Latin American countries stressed the necessity for the "fullest liberalization of trade in tropical and alternative products" and highlighted that: "Improving access to markets in developed countries for tropical and alternative products, as laid down in the mandate, cannot be made

subject to longer periods of implementation by developed countries. The solution for the phasing-out of longstanding preferences should not affect other developing countries whose economies are highly dependent on exports of tropical and alternative products and which in some cases have higher levels of poverty and lower levels of development than countries to which such preferences are given." Moreover, they clearly emphasised the fact that developed countries intend to avoid the mentioned mandate: "It is an extremely serious matter that developed countries are using criteria based on their own tariff protection in order to select or identify tropical and alternative products with the intention of continuing to restrict trade in value-added tropical and alternative products. This position prevents compliance with the mandate in paragraph 43 of the July 2004 Framework, is contrary to the development dimension of the Doha Round and represents a step backwards in the negotiations."

In a proposal dated 14 October 2005, the G-20 supported the Latin American countries that promoted trade liberalisation of tropical and alternative products. The Group stated that:

- "2. Developed Members shall provide to Developing Members duty-free and quota free access on primary tropical products and eliminate tariff escalation on processed tropical products.
3. This treatment shall include the elimination of non-tariff barriers affecting tropical products.
4. Developed Members will assure the access to the products of interest of developing countries not including such products in their sensitive product lists.
5. Designation of products of particular importance to the diversification of production from the growing of illicit narcotic crops should be based on diversification production programs. Treatment mentioned in paragraphs 2 to 4 will apply."

The Cairns Group has a similar position, with some slight differences. In its proposal dated 16 March 2007 (JOB(07)/31)<sup>25</sup>, it stated that reductions in customs tariffs for tropical and alternative products must be made by developed countries on an MFN basis, which

must be equivalent to 100 percent for "Band Tariff Thresholds" lower than 25 percent and 85 percent for those exceeding such a percentage, and must have an implementation period lower than that agreed upon for developed countries. It also highlighted that these countries must not designate tropical and alternative products as "sensitive products".

In the second position, the main exponents are the European Union and a group of ACP countries. The EU, in its proposals dated 16 June 2006 (JOB(06)/190)<sup>26</sup> and 29 June 2007 (JOB(07)/116)<sup>27</sup>, indicated that it was willing to treat some 150 tariff lines (six digits) as tropical products, out of the 192 items of the guiding list of the Uruguay Round, that no goods produced in significant quantities in "non-tropical countries" should be included in a list of tropical products, that these products "may be declared as sensitive or as special products and be treated as such", and that when making concessions in tropical products, the topic of possible preference effect should be considered. With respect to this last issue, it was proposed that in cases of preference erosion, there should be greater periods to implement customs tariff reduction commitments and a "dead" period (that is to say, it should start after the date set to initiate customs tariff reductions in other agricultural goods). Furthermore, the EU separated the tropical product issue from the diversification issue when indicating that while for the first ones, concessions must be reciprocal and must be made on an MFN basis, such parameters should not apply to the second issue.

African, Caribbean and Pacific countries, in their proposal dated 19 June 2006 (JOB(06)/195), after stating their willingness "to adopt a pragmatic and realistic approach", indicated that "Products concerned by longstanding preferences cannot be included in the list for fullest liberalization". Likewise, they indicated that a lower percentage reduction should be applied to these products for a longer period of time, right after the remainder of the reform, maintaining the preference margin to the extent possible. They also added that the countries granting the preference should increase the possibility for non-preferential products to

access their markets, as these products could be essential for the interests of the countries affected by the preference erosion. At any rate, they stressed the importance of financial and technical aid to address supply problems and to support production diversification.

Recently - on 11 October 2007 - the ACP countries issued a new proposal, where they reiterated the former arguments and made even more suggestions: "Tariff reductions by preference-granting Members with respect to the products on the ACP list shall be implemented in equal instalments **over a period of 15 years**, with the first instalment being deferred **to the end on the tenth year** of the implementation period".<sup>28</sup> Perhaps the only novel issue was the suggestion made regarding the non-trading support measures, whereby the countries that grant preferences should establish "binding commitments to provide targeted technical assistance to address supply-side constraints, ease adjustment burden and promote the diversification of production in preference-receiving Members", and that a "Monitoring Body" should be appointed to ensure that "the commitments will be fully implemented; and it shall report to the General Council on an annual basis".

In its proposal dated 16 June 2006 (JOB(06)/192)<sup>29</sup>, the G-10 (Iceland, Israel, Japan, Korea, Liechtenstein, Mauritius, Norway, Switzerland and Chinese Taipei) said that "a more realistic approach should be taken to narrow down the scope of products" and that "the principle of self-designation of sensitive products will also apply to tropical products".

In summary, the positions presented still show significant differences in this regard, as acknowledged by the agriculture negotiation committee chairman in the most recent Draft Modalities for Agriculture - dated 17 July and reviewed on 1 August 2007 (TN/AG/W/4) - although he pointed out that "latterly, there has been some genuine engagement." These differences can be summarised as:

- Product coverage: determining if the Uruguay Round guiding list should be extended or reduced, and how this should be done;

- Liberalisation process scope: extent of customs tariff reduction;
- Speed of the liberalisation process: determining if reductions must provide for shorter or longer terms (at least for some products) with respect to those set forth for other agricultural products;
- Treatment of tariff escalation;
- Treatment of existing customs preferences: how to manage “preference erosion”;
- Relation with other sensitive products: determining whether tropical and alternative products can be designated as sensitive products or not;
- Basis on which alternative product concessions must be made (MFN or bi-lateral);
- Whether there should be reciprocity and if the “fullest liberalisation of trade” mandate includes developing countries or only developed countries.

Many of these topics have been raised by the chairman of the Negotiation Committee on Agriculture and the first one - product coverage - has already been addressed. However, it is worth recalling that ever since the Reference Document dated 17 May 2006, the chairman has insisted that the most realistic approach is not to try and make a comprehensive list of tropical products and diversification to be officially adopted in the negotiation (which has never been achieved in the history of the GATT), but to make a basic list agreed upon by everyone, and establish a mechanism to expand it, on the basis that each country could negotiate its own list.

As regards the scope of the mandate of “fullest liberalisation of trade” for tropical and alternative products, the chairman indicated, based on the reference document mentioned, that it is not realistic to think that this Round will eliminate all trade distortions, nor that all customs tariffs and entry restrictions into developed countries for these products will be eliminated.<sup>30</sup> However, he has insisted that the mandate should imply “a liberalisation of tropical and alternative products, greater than the one demanded by any “general” tariff

reduction formula.” Consequently, he has proposed that delegations consider “if they are willing to abstain from sticking strictly” to the formula.

The draft on Possible Modalities on Agriculture, dated 22 June 2006 (JOB(06)/199) included a section (3) devoted to the *Fullest liberalization of trade in tropical and diversification products*, where the chairman included in brackets the different positions of Member countries. He suggested that the reductions of Member countries should be greater than those of the general formula, at least for some of the tropical products, and indicated that if such products were to be subjected to tariff escalation, an additional 10 percent reduction should be made and that any consolidated duty within the customs tariff quotas should be eliminated (any bound in-quota duty shall be eliminated).

Recently, in his proposal dated 25 May 2007, he insisted that: “At a minimum, that suggests that the tariff reduction applied to the top tariff band (which, under a tiered formula, can normally be presumed to be the “fullest” liberalisation cut) should at least apply to all tropical and diversification products.” And mentioned that in his opinion, it was logical to establish that lower rates should be eliminated. This standpoint was reaffirmed in the most recent Draft Modalities for Agriculture - dated 17 July and reviewed on 1 August 2007. In this document, he pointed out that, in agricultural products, the reduction for higher sectors in developed countries will range between 66 and 73 percent and “that once that is established, we are looking generally at tariff cuts for tropical and diversification products that may be more, but are no less, than that.” And that “an appropriate multiple” of the items “moved to duty-free” in the Uruguay Round should be changed to zero customs tariffs.

With respect to preference erosion, the mentioned president’s draft dated 22 June 2006 included, in brackets, some of the Member country positions, such as granting less reduction to products with older preferences, applying tax exemptions for longer periods, granting reductions in other products of interest for those Members that already had preferences.



It also indicated the need to provide focalised technical assistance - including additional financial aid and assistance for building up capacities - to promote the diversification of production in the countries that are the object of preferences.

However, in a subsequent proposal dated 25 May 2007, and in the most recent Draft Modalities for Agriculture (17 July and reviewed on 1 August 2007)<sup>31</sup>, he highlighted that in a few products - mainly banana and sugar<sup>32</sup> - there was a risk of "preference erosion for agricultural products". With respect to bananas, he mentioned that it was very difficult to include this fruit in the general reduction formula to be agreed upon and that it required reaching a specific and

particular agreement among all the parties involved. And, in the case of sugar, he indicated that the impact of customs tariff reductions would be marginal and that the problem would not be solved in the Round: "In other words the real effects on preferential suppliers are way outside what might conceivably happen pursuant to the Round."

He finally highlighted the importance of taking into account non-trade-based solutions in this regard: "indeed non-trade-based solutions, or combinations of trade-based and non-trade-based solutions, may present the most appropriate means of addressing preference erosion of any kind and indeed have value in their own right."

### 3.4. Products and criteria mentioned to date

Throughout the negotiations, participants have brought up and discussed various criteria relating to tropical products and products of particular importance to the diversification of production from the growing of illicit narcotic crops. Moreover, as already mentioned, lists of products or groups of products have been submitted. Initially, tropical beverages - cocoa, coffee and tea - were mentioned and since then, vegetable oils and oilseeds were added, along with tobacco, jute articles, cotton articles, cotton and wood. Subsequently, six groups were established: (i) tropical beverages (cocoa, coffee and tea), (ii) spices, flowers and plants; (iii) some oilseeds, vegetable oils and oilcakes (e.g. palm and coconut oil); (iv) tropical roots, tobacco and rice; (v) tropical fruits and nuts (e.g. plantains, pineapples and peanuts); and (vi) tropical wood and rubber. Later, a seventh group was added, composed of jute and hard fibres, and products manufactured using tropical plants and vegetable matter were included in the existing sub-group relating to plants, vegetable matter, lacquer, etc.

However, there is no list of products that can be considered as "tropical" for negotiating purposes, let alone a list of products of particular importance to the diversification of production from the growing of illicit narcotic crops. The

main reasons why no official list has been drawn to date are:

1. Various developing countries wish to keep the option open of including new products;
2. Some developed and developing countries are concerned about the disappearance of current preference margins and the potential impact on beneficiaries' exports and economies;
3. Some developed countries are worried about the existing replaceability between some tropical products and some products from temperate zones and the possible impact that liberalising trade in tropical products would have on these.

These concerns will surely also affect efforts to prepare a list of products of particular importance to the diversification of production from the growing of illicit narcotic crops.

In any event, it is worth noting that the main reason why these products took on a relevance and identity of their own in the multilateral negotiations of the GATT then the WTO, was their importance to exports from developing countries - hence their role in contributing to development and economic growth. This criterion should without any doubt be borne in mind when attempting to define the products in question.

The debate on this topic has gained momentum recently. In the mentioned proposal dated 28 April 2006, the eight Latin American countries - Bolivia, Colombia, Costa Rica, Ecuador, Guatemala, Nicaragua, Panama and Peru - indicated that tropical products included those cultivated between the Tropics of Cancer and of Capricorn and proposed that in order to establish the list of tropical products, the six groups from the Uruguay Round could be used as a basis, namely: tropical beverages (0901, 0902, 1701, 1801, 1802, 1703, 1803-06, 2101, 2103 and 2208); spices, flowers and plants, planting products, etc. (0904-10, 0602-04, 1211, 1212, 1301, 1401-04, 1302, 1521, 3203, 3301); certain oilseeds, vegetable oils, and products thereof (1202, 1203, 1207, 2305, 2306, 1208, 1502, 1504, 1505, 1507, 1508, 1511-13, 1515-18 and 1520-22); tropical roots, rice and tobacco (0701, 0702, 0709, 0711, 0713, 0714, 2401, 1106, 1108, 1903, 2402 and 2403); tropical nuts and fruits (0801-05, 0807, 0810-14, 2001 and 2004-09), and jute and hard fibres (5001 and 5201).

The European Union and some ACP countries manifested their disagreement with this list. The EU even stated that it could cover more than half the agricultural products.

The ACP countries, in their proposal dated 21 June 2006 (JOB(06)/204), which complemented that sent two days earlier, submitted a list of products of "long standing preferences", which covered 43 tariff lines to 4 digits, which included, in addition to a series of tropical products (e.g. bananas, processed products of coffee, cocoa, tobacco, flowers, rice, palm oil, yucca, sugar cane), other agricultural goods of outstanding importance (e.g. meat, wheat, various fruits).

On 9 March 2007, the Cairns Group, on its side, presented an informal paper regarding tropical and alternative products during the meeting of the agriculture negotiating committee. This document included a list of 134 tariff lines to 6 digits, which, in addition to a significant part of the products contained in the Uruguay Round list, included other polemic products, such as sugar.<sup>33</sup>

The European Union's response came soon after. During the special session of the agriculture

negotiating committee held on 29 June, a document was delivered, which criticised the list of the Cairns Group, did not acknowledge its status and indicated that out of the 192 tariff lines to 6 digits contained in the list of the Uruguay Round, the Cairns list only took 79 and added others that were not included. For example, it disapproved of the inclusion of the following products: sugar, rice, flowers, tobacco, cigarettes, potatoes, onions, certain other fruit and vegetables (fresh, prepared or preserved), sauces, oils for industrialised use and ethyl alcohol. However, it is worth remembering that some of these **were actually** included in the Uruguay Round list (such as flowers, tobacco and rice). Finally, the European Union indicated that from this last list, it could consider 150 tariff lines to 6 digits "as genuine "tropical products", to be addressed as such"; and also mentioned that goods produced in significant quantities in "non-tropical countries" should not be included.

Therefore, although during the past months, the discussion on tropical and diversification (or alternative) products list has been revisited, the positions in this regard are still far too distant. Except for the list presented by the Cairns Group, apparently most of the participants would agree to use the Uruguay Round list as the basis for negotiation.<sup>34</sup> However, the point of discussion is focused on deciding if the list should be reduced, as suggested by the European Union, or increased, as proposed by the Latin American countries.

This topic was addressed by the chairman of the agriculture negotiating committee in his proposal dated 25 May 2007 in which he indicated that a small number of tariff lines in this list could not be considered as tropical products by any Member, and that a "payment" should be made in that regard, including various tariff lines (of those included in a more comprehensive list of JOB(07)/31). Likewise, for purposes of expanding the list, he suggested to include all products proposed, in addition to those in the list of the Uruguay Round, except in those Member countries that oppose some of them, because they do not consider them a tropical and / or alternative product. At any

rate, he emphasised that the Uruguay Round must move forward by adding one third or 50 percent of tariff lines on the Uruguay Round's list. This is a topic that was revisited in the most recent Draft Modalities for Agriculture (of 17 July and reviewed on 1 August 2007): "as regards the "list", that list will be Uruguay Round list "plus".

In this way, we would not expect to have a unique and identical list of tropical and alternative products for all Member countries (which, according to the chairman, is very difficult, as it has never been achieved in the history of the GATT and the WTO), but there will be a basic list, equal for all (most of the items contained in the Uruguay Round list) to which will be added new rate lines that may differ.

### **3.5. The case of products of interest for production diversification allowing to abandon crops used to obtain illegal substances (hallucinogenic drugs)**

At the Uruguay Round, a new theme of special importance arose for developing countries: the products of interest for product diversification thus allowing the abandonment of crops for illegal substances. The following was mentioned in the preamble of the Agreement on Agriculture: "... Member developed countries must fully take into account the needs and particular conditions of Member developing countries and must foresee a major improvement in the opportunities and access conditions for agriculture products of special interest for these Members - including the fullest trade liberalization of tropical agricultural products, as agreed in the Half of Period Balance - and especially for important diversification products allowing to abandon the crops used to obtain illegal substances."<sup>35</sup> Likewise, the Agreement stipulated that all the aids provided to "producers in Member developing countries to stimulate diversification aiming at abandoning the crops where illegal substances are obtained" are exempt from internal aid reduction commitments.

In the current Round of negotiations special importance has continued to be granted to products of interest for diversification allowing the abandonment of crops used to obtain illegal substances. As mentioned in number 2 herein, in the paragraph corresponding to the special and differential treatment for developing countries in the reviewed ante-project of modalities for new agriculture commitment, these products are mentioned side by side with tropical products, due to the importance that they have for developing countries. Likewise, the Doha Work

Programme adopted as a decision on 1 August 2004 (by the Framework Agreement) refers to "achieving the fullest liberalization of trade" for those two groups of products. Therefore, the products of interest for the diversification of production allowing to abandon crops used to obtain illegal substances currently occupy an outstanding place in the negotiations, as well as tropical products, because it is considered that the fullest trade liberalisation - both in the primary state and in the prepared and semi-prepared state - is fundamental to the interests of developing countries.

However, at no time during the negotiations - neither during the Uruguay Round, subsequent to it, nor in the current Round - has there been an attempt to define a list of products of interest for the diversification of the production that allows abandoning crops used to obtain illegal substances. It is expected that the concerns that affect the establishment of such a list for tropical products will arise when attempting to prepare a list for these products.

Bolivia, Colombia, Costa Rica, Ecuador, Guatemala, Nicaragua, Panama and Peru, in their proposal dated 28 April 2006, mentioned what they consider as products of interest for the diversification of the production that allows abandoning crops used to obtain illegal substances: "Alternative products are those products growing in tropical zones under the potential of growing illicit crops that threaten human and social development. These products are vital for the diversification of production

of illicit crops and are part of national and international development efforts targeted through ongoing programs.”

The European Union, in its proposal dated 29 June 2007, indicated that diversification products must be “selected products” that should be part of a “clearly defined Government diversification programme”. It also noted that these products cannot be treated on an MFN

basis, but “concessions made by members should be available only for countries engaged in effective diversification programmes”; finished off by noting that some developed countries, like the EU, “already offer preferential treatment for these countries” and suggested that “other developed countries and developing countries in a position to do so should also offer preferential treatment for these products.”



## 4. GUIDELINES FOR A NATIONAL IDENTIFICATION OF TROPICAL AND DIVERSIFICATION PRODUCTS IN DEVELOPING COUNTRIES

### 4.1. Some general criteria

The best means of determining tropical products is one based on agro-ecological criteria.<sup>36</sup> When defined in this way, tropical products would mean all products grown on the strip of the globe located between the Tropic of Cancer (latitude 23.5 degrees north) and the Tropic of Capricorn (latitude 23.5 degrees south). In accordance with the FAO classification, four agro-ecological zones can be distinguished in the tropical belt: warm arid and semi-arid tropics; warm sub-humid tropics; warm humid tropics and cool tropics. The main products grown in the first zone are sorghum, millet, cowpea, pigeon pea, soybean, groundnut and sweet potato. In the second zone we find rice, maize, sorghum, soybean, cowpea, cotton, cassava and sweet potato. The third zone is good for root crops (cassava and yam), maize, banana and plantain, rice, pineapple and tree crops (coconut, cocoa and palm oil), while in the fourth zone maize, beans, sorghum, tea, coffee, potato, wheat and barley are grown. Yet the problem with this definition lies in determining how *to classify tropical species also grown in temperate zones*. One way of tackling the problem would be to classify as tropical only products that are primarily exported by countries located in the tropical zone. This would eliminate from the list products that are grown in more than one region (e.g. tropical and temperate zones) but which are primarily exported by countries from non-tropical regions. One example is sorghum, which, although it is also grown in tropical countries, is primarily exported by countries with temperate climates.

The broad list of products generated by such a classification could be cross-checked against one criterion that has been instrumental in enhancing the importance of tropical products in negotiations: namely, that they must be

of particular importance to developing countries. Probably the best means of doing this would be *to identify all agricultural products that are part of the main exports of those developing countries*<sup>37</sup> with annual per capita income below a given figure and to compare them with the list of products already obtained. This would yield a list of tropical products of particular importance to developing countries' exports.

For purposes of negotiation within the WTO and the priorities established therein, it would also be useful to order the resulting list according to the access barriers that developed countries impose on agricultural products, and their semi-processed and processed forms. There is no doubt that *higher priority should be given to products which face the greatest restrictions and access barriers to the main markets* and which can clearly become a significant source of hard currency export earnings for developing countries.

In short, the criteria which should be envisaged and appropriately combined with a view to defining, selecting and prioritising those tropical products and diversification products which should be liberalised as fully as possible on a priority basis, in their primary, semi-finished and finished forms, are the following:

- (i) Agricultural products primarily exported by countries in the tropical belt;
- (ii) Agricultural products which account for a significant share of developing countries' exports;
- (iii) Access barriers to these products - in their primary, semi-finished and finished forms - on the markets of developed countries.

The results of such a preliminary but incomplete exercise are presented in Annex 1.

## 4.2. Methodological guidelines for the definition of tropical products by each developing country

Each developing country must identify the tropical and diversification products whose full trade liberalisation they are especially interested in. Based on the national lists that will be prepared, a general list may be agreed for the WTO negotiations. For this purpose it is necessary to take into account the general criteria in the above paragraph and some others mentioned below. This list of indicators should be multilaterally agreed by WTO Members. The following guidelines should be considered:

- i) *Products must be grown in the tropical zone:* as mentioned before, there is an FAO grading system that indicates four predominant agro-ecological zones in the tropics (arid and semi-arid warm tropical area, tropical warm and sub-humid area, humid warm tropical and cold tropical areas). Products grown by each developing country must include in their list of tropical products plants grown in one of these zones.
- ii) *Make a significant contribution to their GDP:* undoubtedly, products included in each country's list, besides being grown in one of the four tropical agro-ecological zones, must have a significant economic and social importance. One of the variables that must be taken into account in this sense is the contribution of the respective crop to the national agricultural GDP or otherwise, to the value of the sector's production. There are two possibilities to analyse this importance: that the crop contribution must exceed a given GDP percentage or the sector's production value or that it is among those most contributing to it. In any case, it would be essential to define a figure, whether a floor contribution percentage or the number of crops to include. Alternatively, each crop may be awarded a rating according to its importance (for instance, five for high importance and one for low importance).
- iii) *Generating considerable amounts of employment or else largely grown by small farmers:* however, contribution to the sector's GDP is not necessarily a measure of the social importance of the crop, although it is so for economic importance. Crops of higher social importance generally are those contributing most to the generation of rural employment or those typically belonging to the peasant or indigenous economy. To form part of the list it would be necessary to specify a floor percentage contribution to national agricultural employment generation or to determine a number for the crops that generate most employment or have a greater number of peasant or indigenous families obtaining from them a substantial part of their income. Again, it would be better to grant a rating to each crop.
- iv) *Representing significant entry of foreign currency (or having the potential to do so):* taking into account that a fundamental part of the negotiation must be the international trade liberalisation of these products, to prepare the list, variables related to the country's foreign trade must be considered. In this sense, the product's contribution to the generation of foreign currency is considered fundamental. As in former cases, a percentage must be defined as the starting point to consider that the product is an important generator of foreign currencies or a given number of products to include due to their higher contribution to foreign currency generation, or a rating must be assigned to each crop. However, it must be taken into account that the export potential of a product may not have been fully expressed due to the obstacles confronted in the access to the main consumer markets, and therefore, it would also be necessary to have an indicator for that potential.
- v) *Having significant access barriers in the developed countries' markets - or barriers against their access to introduce their semi-processed and processed products:* the convergence of the variables mentioned in numbers i) to iv) allows the consideration

of environmental, economic, social and foreign trade aspects so each developing country may prepare their list of high interest tropical products. However, it is fundamental to analyse these products (or their subproducts) if they face obstacles to access to the main markets, so as to justify their inclusion in the WTO negotiation list.

Methodologically, the way forward would be as follows: firstly, the list of tropical products must be identified out of the products grown by the country (that is, out of those produced in the planet's tropical zone). The variables mentioned in ii) to iv) must be included, rating them according to their importance (five for highly important and one for not important). The ratings should be added subsequently, to obtain the final rating which shall not exceed a maximum of 15 points (see table below). With this rating the products can be sorted from higher to no importance. However, products may appear to be very important for the country

but do not have tariffs in the main destination markets, and therefore cannot be included as a priority for the negotiation - according to criterion v). For this last analysis it is very useful to consider the information contained in the first section of this paper.

This methodology may be more or less complex, according to the country's wish and according to available information. To make it more complex, for instance, a different weighting may be given to each variable or it may include additional variables. However, if the country does not have the information on one or two of the mentioned variables, the rating may be done only according to the variable or variables corresponding to the available information. This way, the country may define its list of tropical products, taking into account economic, social and foreign trade variables (if it has sufficient information) or with a lower number of variables if the information is scarce.

Product	Agricultural GDP Contribution	Employment Contribution	Foreign Currency Contribution	Rating

Note: Rate the importance of the product according to the following table:

Very important	5
Important	4
Medium importance	3
Low importance	2
Not important	1

#### 4.3. The definition of diversification products by developing countries where the crops are grown to obtain illegal drugs

The main countries where crops are grown to obtain illegal drugs must also prepare a list of products they consider important for the diversification of the mentioned crops. According to the United Nations Office on Drugs and Crime

(UNODC) the main poppy flower growers are Afghanistan with 79 percent of the production and Myanmar with 15 percent. As to coca, Bolivia, Colombia and Peru are accountable for 98 percent of the worldwide offer.<sup>38</sup>

Although it is true that there is no list of the crops that are important for these countries in their diversification plans, UNODC mentions the following for the Andean Countries: "With all the foregoing specifications, the range of products which can be worked with is not very wide and is the same, with some exceptions, in all tropical forest areas: stock-raising for milk and meat, palm trees for palm hearts, palm oil,

citrus and other fruits, bananas, annatto trees, pepper, pineapples, rubber trees, etc."<sup>39</sup>

Nevertheless, as in the case of tropical products, the best way forward is for the countries concerned to prepare a list of the products that are important for their diversification, based on their official plans in this respect, so it can be negotiated in the framework of the WTO.

## 5. NEGOTIATION IN THE WTO ENVIRONMENT: A PROPOSAL AIMED AT ACHIEVING FULL TROPICAL AND ALTERNATIVE PRODUCT TRADE LIBERALISATION

### 5.1. Treatment of tropical and diversification products in the current negotiations

As indicated above, tropical and diversification products are fundamentally important to many developing countries. In consequence, to comply with the purpose of the current round of negotiations, for it to be a *truly development* Round, and for developing countries to obtain from it a satisfactory result, it is essential for such products to have priority treatment. This treatment should at least reflect the following aspects:

- i) *Fast and full trade liberalisation of the tropical and diversification products:* as stated in different documents, the full liberalisation of tropical and diversification products (including semi-processed and processed products) must not suffer more delays or postponements. The importance these have for developing countries and the need to achieve a balanced result in the current round of negotiations make this a priority.
- ii) *Fast and full trade liberalisation for their semi-processed and processed products:* the progression or escalation of tariffs currently existing in some developed countries in the tropical product productive chain limit the growth and social welfare of developing countries by making it difficult for them to compete with processed products that are recording faster growth in international markets. The elimination of these tariffs is therefore a priority so the development objectives may be agreed to in the current WTO Round.
- iii) *Elimination of subsidies in products competing with tropical and diversification products:* some crops competing with tropical products are highly subsidised in developed countries, thus depressing international prices and generating unfair competition in international markets. Priority must be given to the elimination of subsidies and support to the crops that are affecting the export performance of developing countries.
- iv) *Overcoming sanitary barriers making it difficult for tropical and diversification products to gain access to the main markets:* In many cases the access for tropical products to developed countries' markets is more limited by sanitary restrictions than by tariff barriers. The strict regulations that those countries have in this respect, the lack of harmonisation and the lack of equivalency recognition, the lack of adjustment of such standards to the conditions inherent in the export developing countries and their lack of technical and financial capabilities, all make it difficult for them to leverage on the advantages existing in the markets having low or no tariffs. Therefore, the solution to these problems for tropical and diversification products must occupy preferential attention at the negotiations regarding sanitary and phytosanitary topics.
- v) *Overcoming other technical barriers making it difficult for tropical and diversification products to gain access to the main markets:* likewise, overcoming the access difficulties lying in the technical barriers - such as those related to labelling - must be approached in the negotiations so that access may be agreed.
- vi) *Technical support:* compliance with the norms and standards facilitating the access to markets, regard for dynamic market segments and niches, development of new products and new packages, higher efficiency of the production and trade processes and higher competitive performance are equally fundamental for tropical and diversification

products of developing countries to be able to take advantage of market opportunities and contribute decisively to the economic progress of these countries. In this respect,

the technical support that developed countries and international organizations may provide them is highly important.

## 5.2. Negotiation modalities

Taking into account what was mentioned above, proposed negotiation modalities are:

- i) *Coverage*: the idea would be to take as a basis the seven groups of products that have been worked on - tropical beverages (cocoa, coffee and tea); spices, flowers, plants, etc.; certain oilseeds, vegetable oils and oilcakes (for instance, palm and coconut oil); tobacco, rice and tropical roots; tropical fruits and nuts (for instance: bananas, pineapple and peanuts); tropical wood and rubber, jute and hard fibres - and, using them as a starting point, to prepare and negotiate a list of products based on the lists prepared by the interested developing countries. The methodology described above may be used in order to prepare such a list in each country. This list will be supplemented with the diversification products from the main countries planting crops to obtain illegal drugs.
- ii) *Tariff relief*: tariffs of products not part of the LDCs' preferences shall be immediately eliminated. Those forming part of the mentioned preferences shall be eliminated in a maximum 5-year term, in a linear way (equal levels each year). Equal treatment shall be given to the semi-processed and processed products using these products as raw material.
- iii) *Non-tariff barriers*: non-tariff barriers still existing in tropical and diversification products, as well as in their semi-processed and processed products, shall be immediately eliminated.
- iv) *Exclusion from the list of sensitive products*: tropical and diversification products as well as their semi-processed and processed products may not form part of the developed countries' sensitive products.
- v) *Export subsidies and domestic support*: products competing and/or substituting tropical and diversification products, as well as their semi-processed and processed products, shall be a priority when it comes to eliminating subsidies to exports and eliminating or reducing distorting domestic support.
- vi) *Sanitary and phytosanitary measures*: Tropical and diversification products, as well as their semi-processed and processed products, shall be a priority to establish equivalence, free areas, technical co-operation and other measures facilitating their compliance with developed countries' sanitary standards.
- vii) *Technical assistance and co-operation*: technical assistance and co-operation granted by developed countries to developing countries to comply with norms and standards for technological development will have as their priority targets tropical and diversification products, as well as their semi-processed and processed products.

## 5.3. Support measures to potentially affected developing countries

Support measures to potentially affected developing countries are generally granted to LDCs or small or very poor countries and seek to facilitate their social and economic development by providing preferential access to their exports. For this reason, the erosion of their preference margins has constituted an ongoing concern in the negotiations.

However, before dealing with this issue it is worth highlighting some considerations:

- i) The problem of countries benefiting from these preferences<sup>40</sup> is structural and its solution requires a set of support measures transcending purely trade preferences. This point has been increasingly acknowledged in the negotiations, and the chairman of



the agriculture negotiating committee even mentions it in his recent documents, as already indicated. Likewise, the European Union already has experience in this matter, especially with the ACP countries that are highly dependent on banana and sugar exports.<sup>41</sup>

- ii) Moreover, several studies have indicated that preferences are a very inefficient way of supporting those countries as in many cases they reinforce their product dependence with products that are not competitive while the advantages that may be obtained from trade liberalisation of the products would provide them with a more integral and legitimate assistance for their development.<sup>42</sup>
- iii) It is necessary to measure properly this issue in order to identify a correct solution. It seems that the benefits of the preferences are not as high as has sometimes been argued.<sup>43</sup> Several studies have illustrated how the restrictive origin rules and other non tariff barriers limit them significantly.<sup>44</sup> The World Bank, for instance, indicates that "rich countries grant preferences voluntarily rather than as part of a binding multilateral negotiation. Those preferences often come laden with restrictions, product exclusions, and administrative rules that prevent beneficiaries from taking full advantage of them. For example, only 39 percent of potentially preferred imports under the Generalized System of Preferences (GSP) into the Quad countries—Canada, the EU, Japan, and the United States – actually took advantage of preferential access – and usage rates are declining."<sup>45</sup>
- iv) It is foreseen that some of these preferential regimes will soon expire or will be modified by economic association agreements.<sup>46</sup> Likewise, preference erosion has become evident as a result of the reforms underway in the countries that are implementing them, especially in the European Union.<sup>47</sup>

that the Doha Work Programme - or Framework Agreement - that was approved, recognises the importance of these preferences and states that the document used for their examination will be the revised first draft of modalities, which in turn speaks of maintaining, to the maximum extent technically feasible, the nominal margins of tariff preferences and of gradually implementing tariff reductions "affecting long-standing preferences in respect of products which are of vital importance for developing countries beneficiaries of such schemes". If applied literally, the above would delay the desired complete liberalisation of trade in tropical products and products of particular importance to diversification.

Consequently, not only should preference-granting countries provide technical support to help beneficiary countries diversify their economies and their exports (there appears to be full agreement on this point), but alternatives must be found in order to reduce tariffs on these products while minimising the impact on beneficiaries. Two options should probably be examined in this respect:

- (i) Apply the arrangements foreseen in paragraph 16 of the revised first draft of modalities for further commitments on agriculture (TN/AG/W/1/Rev.1 dated on 18 March 2003), in which case it would be necessary to shorten as much as possible the deadlines for tariff reductions (both the overall deadline for this type of product and the deadline for products with preferences);
- (ii) Rapidly reduce tariffs on all these products - including those with preferences - and have the countries granting preferences provide the beneficiary countries with cash support for a period to be determined (part of the sum could come from the tariff revenue generated by these products during the tariff reduction period).

In any case, it is necessary to tackle the question of the erosion of existing tariff preferences, which is perhaps the main obstacle to an agreement in this field. It is worth recalling

## 6. A “REALISTIC” PROPOSAL UNDER THE PRESENT CIRCUMSTANCES OF THE NEGOTIATIONS

The existing differences in the negotiations indicate that the approach presented in the previous section is not realistic under the present circumstances, and that it is necessary to seek a compromise solution. This solution must take into account that a significant “tropical and alternative products” result is fundamental in order for the Doha Round to be truly a *development Round* that properly contemplates the interests of developing countries and establishes a package to benefit them. In other words, the result must address the interests of developing countries as a whole and not the interests of a few sectors in industrialised countries. Along these lines, the proposal outlined below maintains the elements of the proposal described in the previous section, but seeks to establish a compromise solution between the positions adopted by ACP and Latin American countries.

A first element for such a solution may be the identification of a product list, in which most of the developing countries - both ACP and Latin American countries - will have common interests of customs tariff reductions, or at least have no objections to trade liberalisation. In a recent study<sup>48</sup>, a list of products for which both groups of countries are facing high tariffs, or for which one of the groups is facing high tariffs and the other has no significant export capacity, was prepared. It found that “both groups face high tariffs for a rather similar list of products” and that several of the alleged conflictive cases were included therein (e.g. cassava, tobacco, groundnuts, citrus and margarine). Likewise, after analysing the situation of products for which Latin American countries are requesting the fullest trade liberalisation, and those for which ACP countries have stated their concern for “preference erosion”, it was concluded that products for which the ACP and Latin American countries enjoy a different access to developed countries’ markets are as follows:

- Significant divergence in the banana sector (access to EU market);
- Some divergence in the sugar sector and in peanut oil (in the first case, divergences may be less important due to the opening of the promising European market of ethanol to both groups of countries);
- Minor divergence in interest regarding rum and other ethyl alcohol, particular starch products and preparations of cocoa and fruits including sugar.

Another recent study (Stevens and Kennan, 2006) reached similar conclusions. Comparing the product list proposed by the 11 Latin American countries (LA 11) for the “fullest liberalisation of trade” and the list of products with preferences that date back many years, presented by the ACP countries, if we leave in the second list only those products exported in significant quantities (Euro 100,000 as a group) and which have MFN customs tariffs equal to, or greater than 10 percent, and if we remove from the first list the products in which the 11 Latin American countries have free access thanks to the GSP+, we are left with a small group of “hard cases”, for which agreement would not be as easy. In fact, these cases would focus on six tariff lines to four digits (seven percent of those included in the LA11 list), among which we highlight banana and sugar.

Therefore, in most tropical and alternative products, the interests of both groups of developing countries seem to match, or at least, there are no significant divergences. It is very likely that the “compromise” solution implies the preparation and revision of this product list, based on the list proposed by the eight Latin American countries (JOB(06)/129) and gradually removing products that imply a significant conflict among the participants of both groups. To make sure that the products of interest are included in the extended non-conflictive product list, the different developing countries may follow an exercise, such as the one suggested in Section 4. Once all tropical and alternative products of interest to all developing countries



are identified, all non-conflictive products would be included in the previously mentioned list.

An alternative to build this list is to include all products established in the Uruguay Round, the eight Latin American countries and the Cairns Group, and to gradually remove conflictive products. The conflictive products are defined here as the products included in the proposals by the ACP countries (JOB(06)/204 dated on 21 June 2006, and the document entitled "ACP Proposal for Addressing Long-Standing Preferences and Preference Erosion" dated on October 2007), but it is possible to have a more restricted list of conflictive products as the ones built by Bureau *et al* (2007) or by Stevens and Kennan (2006). The complete list would include 128 tariff lines to four digits, and after reducing conflicts, we would have 93 tariff lines to four digits (see Annex III). If the inclusion of the Cairns list generates controversy, the items included in the Uruguay Round and the eight Latin American Countries' lists may be used to end up with a list of 124 tariff lines to four digits and 92 tariff lines to four digits excluding conflictive products (see Annex IV).

The negotiation modalities described in the previous section should be applied to this extended list of non-conflictive products, that is:

- i) *Tariff relief*
- ii) *Non-tariff barriers*
- iii) *Exclusion from the list of sensitive products*
- iv) *Export subsidies and domestic support*
- v) *Sanitary and phytosanitary measures*
- vi) *Technical assistance and co-operation.*

Should this "extreme" solution not be reached for this extended non-conflictive list of products, the following modalities could be applied as a "second best" option, with respect to tariff exemption:

- *Reduction to zero:* industrialised countries would have to grant duty-free access to five times as much the number of tariff lines for tropical and alternative products that were reduced to zero tariffs in the Uruguay Round;<sup>49</sup>
- *Tariff reduction:* tropical and alternative products whose tariff is not reduced to zero will be subjected to the maximum tariff reduction finally approved for agricultural goods;
- *Tariff escalation:* processed and semi-processed tropical and alternative products will have 10 percent tariff reductions in addition to the maximum tariff reduction approved for agricultural goods.

The modalities established in sections ii to vi would be maintained.

Furthermore, it would be indispensable to face the issue of products that are significantly conflictive, which were gradually removed from the former list, to which will be applied the modalities described. Differences should be established for these products, based on their level of importance and their conflictive nature. It is very likely that special groups will be established to seek a compromise solution, with the participation of the main stakeholders. As mentioned in various studies, and repeated in the negotiations, the most difficult cases include banana and sugar.<sup>50</sup> However, these cases are different and certainly require different approaches.

Banana is probably the most conflictive case. The establishment of a special group, with the participation of all stakeholders, to seek a solution to the problem has already been suggested in the negotiations. This group should seek a solution that, while supporting the countries that hold the preferences<sup>51</sup>, allows a reduction in banana tariffs and prices in the European market, which will lead to an increase in demand, thus contributing to solving the problem.

Although sugar represents 60 percent of the European market preferences and also constitutes a problem in the US market, its solution could be associated with the recent ethanol boom. Sugar cane is one of the two main raw materials used to produce ethanol, used by the greatest producer and exporter worldwide (Brazil) and, seemingly, the most competitive for this purpose. The main industrialised countries

are major ethanol importers and have no, or very low, tariffs for imports. Therefore, if they support developing countries that presently have tariff preferences to develop their ethanol industry to supply their internal markets and for export to markets in industrialised countries (with technical and financial co-operation and by promoting foreign investment in this item), it is very likely that the preference topic loses importance. In this case, a rather short tariff exemption schedule could be established, which could run in parallel to technical and financial assistance to develop this industry.

Similar solutions could be explored for other conflictive products which may combine trade and non-trade measures, and which allow the elimination of distortions. Special importance must be granted to the establishment of adequate non-trade measures to contribute to the effective solution of problems and limitations implied by the offer, and the diversification in countries that are presently beneficiaries of the preferences.<sup>52</sup>

For those products, as well as for the non-conflictive ones, the other negotiation modalities would be observed, especially those

described in the above sections iv to vi, so as to achieve their actual access to more dynamic international markets and to improve their competitiveness. It is obvious that developed countries could not expect reciprocity based on the measures taken in either of these two groups - conflictive and non-conflictive - as they would be part of the special and differential treatment that the GATT proclaimed from the beginning, which gave rise to the inclusion of tropical and alternative products as a special category in the deliberations of several years ago.

This is how a quick tariff exemption could be obtained and the timely elimination of distortions and obstacles to trade for a significant group of tropical and alternative products group (as well as their semi-processed and processed goods) which will benefit the group of developing countries, while addressing the controversial or conflictive product issue, so that in a near future, their situation can be solved. With this solution, the Round may truly offer beneficial and tangible results to developing countries.

## 7. CONCLUSION

Tropical products are of outmost importance for the economic and social development of developing countries. However, their international trade - and the trade of their semi-processed and processed goods - has reportedly faced significant obstacles and distortions, greater than the ones faced by other non-agricultural goods. Their elimination would generate significant earnings to most of these countries, and would contribute to improving the revenues of their producers and economies. Therefore, this elimination has been the objective of international negotiations for several decades, as part of the special, differentiated treatment of developing countries, first with the GATT, and presently with the WTO.

However, although certain progress has been made, this purpose has not been met yet. There are two reasons for this: i) the impact that trade liberalisation could have on the economy of some developing countries, due to the tariff preference erosion they have enjoyed for several years in some markets of developed countries, and ii) the defence of the interests of agricultural sectors of developed countries that produce similar or substitute goods, and of agro-industrial sectors that process imported tropical raw material.

Although the first reason is justified, from the standpoint of the interests of some developing countries, the second one is not justified, based on the perspective of the

special and differential treatment that the WTO and the Doha Round intend to achieve for these countries. Therefore, the elimination of obstacles and distortions to international trade in these goods - and of the products of interest for product diversification which allows the abandonment of crops to obtain illegal substances - must be made taking into account the interests of developing countries that have enjoyed trade preferences for several years.

Fortunately, there are not that many products that could negatively affect these countries in the event of a liberalisation. On the contrary, for most of the tropical and alternative goods, as well as for their semi-processed and processed products, trade liberalisation would benefit an important number of developing countries, without significantly affecting any of them negatively. For these goods, the group of developing countries should merge together to advocate a quicker and full trade liberalisation. "And, for those products that could potentially affect some developing countries, work groups should be established to look for a comprehensive solution, which must consider the interests of countries that wish a full liberalisation, as well as those that retain their preferences. For the latter, it is important to adequately address non-trade-related measures that can help them overcome the supply limitations and/or achieve economic diversification into sectors where they may be more successful and competitive.

## ANNEX I      PRELIMINARY EXERCISE FOR A GLOBAL IDENTIFICATION OF TROPICAL AND DIVERSIFICATION PRODUCTS

The results of a preliminary, incomplete exercise to help identify tropical and diversification products may be found here. Box 1 contains the list of products for which tropical countries account for 50 percent or more of exports.<sup>53</sup> Box 2 contains the products from the previous list that account for 80 percent of the value of agricultural exports from tropical countries. Box 3 gives the list of agricultural products that are major exports for low-income countries, classified according to the World Bank (average annual per capita income of less than USD 825). Box 4 details the products from the previous list that account for 80 percent of the value of agricultural exports from low-income countries. Box 5 takes up products that form part of boxes 1 and 3. Yet this list is preliminary and incomplete: for example it fails to include products of particular importance to the diversification of production from the growing of illicit narcotic crops in the main producing countries. Moreover, the criterion of selecting low-income countries rather than all developing countries is open to debate.

Equivalents should be sought for the products on the list under the harmonised tariff entries. Furthermore, it must be checked to see if they form part of the seven groups on which the negotiations are based. This exercise is based on Box 6, where it may be verified that most

products are part of these seven groups: out of 84 identified products just 27 do not comply with this condition, the main ones being sugar, cotton and some livestock (buffalo, goat meat, etc.).

Generally speaking, a four-digit classification is sufficient for establishing a list of products based on the harmonised system. It usually allows us to incorporate all products and sub-products of a productive chain, thereby fulfilling the mandate of working towards the fullest liberalisation of tropical products, in their primary, semi-finished and finished forms. In some cases, however, six-digit classification is necessary to differentiate tropical products from products from temperate zones. One example is sugar, where a distinction must be made between cane sugar (a tropical product) and beet sugar (a product of temperate zones).

The list obtained should therefore be supplemented by a list of crops which *the main producing countries deem of particular importance to the diversification* of their governmental policies. In order to do so, it will be necessary to finalise the list of the main growing and producing countries and to revise the list of agricultural products they are promoting with a view to diversifying production from the growing of illicit narcotic crops.

**Box 1. Products Exported by Tropical Countries (Market Share of 50 Percent or More)**

1 Palm oil	37 Carded/combed cotton	73 Rice bran oil
2 Green coffee	38 Cinnamon	74 Tea, nep
3 Raw centrifuged sugar	39 Jute	75 Castor-oil plants
4 Dry natural rubber	40 Cocoa beans+residue	76 Buffalo
5 Processed rice	41 Goat products	77 Squabs and other birds
6 Coffee grains	42 Fruit pulp for animals	78 Degras
7 Bananas	43 Copra cakes	79 Tuber flour
8 Tea	44 Rice flour	80 Coffee husks and shells
9 Greasy wool	45 Food supplements	81 Fresh fruit with egg, nep
10 Orange juice concentrate	46 Roots and tubers, nep	82 Quinoa
11 Shelled cashew nuts	47 Coconuts	83 Burros
12 Copra oil	48 Coconut fibre	84 Spermaceti
13 Palm almond oil	49 Dry-salted skins, nep	85 Sugar cane
14 Natural rubber	50 Shelled brazil nuts	86 Kola nuts
15 Tinned pineapples	51 Copra	87 Wet-salted buffalo hides
16 Black and white pepper	52 Vegetable wax	88 Alfalfa
17 Mangoes	53 Food scraps and animal food	89 Sesame cakes
18 Sesame seeds	54 Sisal	90 Ocro
19 Pineapples	55 Peanut cakes	91 Millet bran
20 Dried cassava	56 Areca nuts (betel)	92 Lamb butter, ghee
21 Buffalo meat	57 Ducks	93 Kapok oil
22 Cashew nuts	58 Mate	94 Rice bran cakes
23 Parboiled rice	59 Yams	95 Guandúes
24 Nutmeg	60 Abaca	96 Millet flour
25 Dried coconuts	61 Cassava flour+tapioca	97 Dry-salted buffalo hides
26 Lupin	62 Palm almonds	98 Dried roots and tubers
27 Fresh onions and shallots	63 Yogurt	99 Compound foods for pigs
28 Vanilla	64 Other concentrates, nep	100 Goat's cheese
29 Used leather scraps	65 Cassava tapioca	101 Leaves and rings
30 Cloves	66 Karita nuts	102 Non-centrifuged sugar
31 Tropical fresh fruit, nep	67 Tropical dried fruits	103 Vitamins
32 Castor oil	68 Brazil nuts	104 Kapok cakes
33 Palm almond cakes	69 Mustard oil	105 Edible buffalo offal
34 Pineapple juice concentrate	70 Yautia/malanga	106 Cassava (tapioca)
35 Papayas	71 Melon seeds	107 Buckwheat flour
36 Plantains	72 Mango pulp	108 Tung nuts

**Box 2. Main Products Exported by Tropical Countries (80 Percent of Exports)**

1 Palm oil	7 Bananas	13 Palm almond oil
2 Green coffee	8 Tea	14 Natural rubber
3 Raw centrifuged sugar	9 Greasy wool	15 Tinned pineapples
4 Dry natural rubber	10 Orange juice concentrate	16 Black and white pepper
5 Processed rice	11 Shelled cashew nuts	
6 Cocoa beans	12 Copra oil	

**Box 3. Products Exported by Low-Income Countries**

1 Cocoa beans	32 Fresh vegetables, nep	61 Soybeans
2 Processed rice	33 Wheat flour	62 Perishable vegetables
3 Green coffee	34 Maize	63 Dried cassava
4 Cotton fibre	35 Prepared fruit	64 Distilled alcoholic beverages
5 Raw tobacco	36 Peanut oil	65 Peanut cakes
6 Tea	37 Pineapples	66 Honey
7 Organic and raw materials	38 Spices, nep	67 Wet-salted cattle hides
8 Shelled cashew nuts	39 Jute	68 Hydrogenated oil
9 Dry natural rubber	40 Paprika, thick pepper	69 Beef and veal
10 Soybean cakes	41 Mangoes	70 Fatty acids/oily acids
11 Wheat	42 Boned beef	71 Colza cakes
12 Refined sugar	43 Cocoa powder	72 Hen's eggs
13 Cocoa paste	44 Pastries	73 Ram's and lamb's meat
14 Sesame seeds	45 Cocoa husks and residue	74 Copra oil
15 Buffalo meat	46 Cloves	75 Wheat bran
16 Raw centrifuged sugar	47 Green beans	76 Treacle
17 Dried beans	48 Tinned pineapples	77 Frozen vegetables
18 Palm oil	49 Fresh fruit, nep	78 Dried powdered cow's milk
19 Cashew nuts	50 Carded/combed cotton	79 Dried fruit
20 Cocoa butter	51 Manufactured tobacco, nep	80 Meat, nep
21 Livestock	52 Sweets	81 Cotton seeds
22 Prepared food, nep	53 Lentils	82 Shelled nuts
23 Bananas	54 Oilseeds, nep	83 Peanuts
24 Black and white pepper	55 Pork	84 Dehydrated vegetable
25 Shelled peanuts	56 Aniseed, star anise, fennel	85 Other preserved vegetables
26 Vanilla	57 Vegetables in vinegar	86 Cotton cakes
27 Coffee extracts	58 Chocolates and other prep.	87 Natural rubber
28 Dried onions	59 Dried vegetables, nep	88 Dried fruit, nep
29 Sheep	60 Goat products	89 Barley beer
30 Cigarettes		
31 Castor oil		



90 Grapes	127 Margarine	167 Wet-salted calfskins
91 Oranges	128 Cornflour	168 Fresh capsicums
92 Tea extracts, mate prep.	129 Palm almonds	169 Wafers
93 Prepared flour, malt extracts	130 Unhulled rice	170 Buffaloes
94 Fresh/dried vegetable products	131 Ginger	171 Dry-salted calfskins
95 Chickpeas	132 Processed cheese	172 Coffee substitutes
96 Sisal	133 Millet	173 Watermelon
97 Other vegetable oils	134 Fruit juice, nep	174 Dry-salted cowhides
98 Nutmeg	135 Toasted coffee	175 Apples
99 Macaroons	136 Potatoes	176 Evaporated full-cream milk
100 Dried cow's full-cream milk	137 Cinnamon	177 Frozen preserved vegetables
101 Dried peas	138 Glucose and dextrose	178 Castor-oil plants
102 Tropical fresh fruit, nep	139 Dry-salted sheepskins	179 Yams
103 Green peas	140 Food scraps	180 Yogurt
104 Children's food	141 Copra	181 Copra cakes
105 Palm almond oil	142 Other oil cakes	182 Safflower seeds
106 Liquid hen's eggs	143 Chicken meat	183 Fruit flour
107 Cereals, nep	144 Dehydrated oxide cooking oil	184 Cereal flour
108 Condensed full-cream milk	145 Cotton scraps	185 Other vegetable fibre, nep
109 Karite nuts	146 Barley malt	186 Silk basting and scraps
110 Breakfast cereals	147 Tomatoes	187 Fresh fruit with egg, nep
111 Tinned mushrooms	148 Oleaginous flours	188 Hens and roosters
112 Compound foods, nep	149 Cotton oil	189 Wine
113 Cigars	150 Tea, nep	190 Ice cream and edible ices
114 Palm almond cakes	151 Sorghum	191 Rapeseed
115 Soy oil	152 Sesame oil	192 Burros
116 Non-alcoholic beverages	153 Melon seeds	193 Papayas
117 Cheese (full-cream cow's milk)	154 Dry-salted goat skins	194 Cereal bran
118 Sheepskins with wool	155 Live animals, nep	195 Goat's meat
119 Mushrooms	156 Melted butter, cow's milk	196 Carded or combed fibres
120 Bonote	157 Prepared peanuts	197 Water, ice, etc.
121 Coconuts	158 Camels	198 Young broad beans
122 Parboiled rice	159 Dried mushrooms	199 Coffee husks and shells
123 Pineapple juice	160 Roots and tubers, nep	200 Lemons and limes
124 Skins, nep	161 Edible livestock offal	201 Dried broad beans
125 Cucumbers and gherkins	162 Unwound cocoons	202 Turkey meat
126 Powdered egg yolks	163 Dry-salted skins, nep	203 Rice bran
	164 Cotton down	204 Greasy wool
	165 Prepared fats	
	166 Mustard seeds	

205 Rapeseed oil	242 Tomato juice	281 Almonds
206 Rice flour	243 Lactose	282 Avocado pears
207 Walnuts	244 Mango juice	283 Dry-salted beef
208 Tomato paste	245 Areca nuts (betel)	284 Eggs, excluding hen's eggs
209 Wet-salted goat's skins	246 Horses	285 Bread
210 Fresh full-cream cow's milk	247 Prepared cereals	286 Stearine oil & mance
211 Orange juice	248 Other garlic-related pulses	287 Apple juice non-concentrate
212 Processed nuts (exc. peanuts)	249 Linseed oil	288 Frozen sweet corn
213 Yogurt concentrate/non-conc	250 Dates	289 Meat extracts
214 Frozen potatoes	251 Lettuce	290 Vermouths and similar
215 Garlic	252 Aubergine	291 Corn oil
216 Prepared pork	253 Citrus fruit	292 Sweet potatoes
217 Raisins	254 Millet bran	293 Squabs & other birds
218 Spermaceti	255 Butter, cow's milk	294 Tuber flour
219 Pet food	256 Dried apricots	295 Suet
220 Pork sausages	257 Wild meat	296 Butcher's pork
221 Sugar and syrups, nep	258 Cream/fresh cream	297 Potato tapioca
222 Dehydrated coconut	259 Cowhides, nep	298 Pineapple juice concentrate
223 Wet-salted buffalo hides	260 Sunflower cakes	299 Pistachios
224 Ground oats	261 Candied fruits, rinds	300 Prepared liver
225 Rye flour	262 Ducks	301 Potato flour
226 Malt extracts	263 Plantains	302 Skimmed cow's milk
227 Kola nuts	264 Meat flour	303 Poppy seeds
228 Sunflower seeds	265 Cassava tapioca	304 Vegetable wax
229 Tropical dried fruits	266 Calfskins, nep	305 Sugar cane
230 Whey/milk/curd	267 Fodder, nep	306 Tinned chicken
231 Grapefruits and pomelos	268 Cabbage	307 Soy sauce
232 Sunflower oil	269 Plant fodder	308 Unwound cocoons
233 Prepared beef	270 Corn oil cakes	309 Duck meat
234 Bacon and ham	271 Prepared meat, nep	310 Peeled tomatoes
235 Cantaloupes & other melons	272 Dried meat, nep	311 Cassava flour+manioc
236 Sesame cakes	273 Rye	312 Artichokes
237 Tang.mand.clement. satsuma	274 Wool scraps	313 Asparagus
238 Beeswax	275 Califlower	314 Beehives
239 Hulled rice	276 Citric juices, nep	315 Lard
240 Corn bran	277 Barley	316 Goat skins, nep
241 Fine furs, fur trade	278 Bread dough mixes	317 Pigs
	279 Wool grease/lanoline	318 Powdered cheese serum
	280 Prod.bas.reconst. natural milk	

319 Wet-salted horsehides	356 Compound food for birds	396 Horsehair
320 Fatty residue	357 Strawberries	397 Natural rubber
321 Fresh onions+shallots	358 Brazil nuts	398 Birdseed
322 Degras	359 Linseed cakes	399 Pumpkins, all classes
323 Approved prep. cooked fruit	360 Prunes	400 Buckwheat
324 Vegetable+tuber fodder, nep	361 Rabbits	401 Triticale
325 Hemp fibre and burlap	362 Dried vegetable bran	402 Grapefruit juice
326 Wet-salted sheepskins	363 Dried figs	403 Goose offal/liver
327 Hops	364 Used leather scraps	404 Bagasse
328 Mate	365 Mustard flour	405 Maple sugar and syrup
329 Food scraps and animal food	366 Sugar beets	406 Edible pig offal
330 Wet-salted skins, nep	367 Edible sheep offal	407 Tung oil
331 Carrots	368 Grape marc	408 Horse meat
332 Gluten for animals	369 Raw flax	409 Abaca
333 Shelled hazelnuts	370 Cherries	410 Vegetable juice
334 Clean wool	371 Prepared sweet corn	411 Shelled brazil nuts
335 Peaches and nectarines	372 Pearl barley	412 Spinach
336 Tinned olives	373 Wet-salted pigskins	413 Hay, unspecified
337 Shelled almonds	374 Peanut butter	414 Figs
338 Pomace olive oil/olives	375 Olive oil	415 Fine animal furs
339 Redcurrants	376 Guandúes	416 Apple juice concentrate
340 Ferm. beverages excl. wine	377 Flax tow and scraps	417 Jute-like fibres
341 Plums	378 Berries, nep	418 Bilberry
342 Prepared homogenized meats	379 Homogenized vegetables	419 Edible buffalo offal
343 Loose wool threads	380 Corn germ	420 Hulled barley
344 Pulse flour	381 Apricots	421 Alfalfa flour and seeds
345 Barley flour/semolina	382 Must	422 Raspberries
346 Straw and husks	383 Turkeys	423 Horse offal
347 Millet flour	384 Linseed	424 Lard
348 Oats	385 Residue (beer+dist.)	425 Lemon juice non-concentrate
349 Pears	386 Mixed cereal flour	426 Kiwis
350 Ordinary furs	387 Wheat germ	427 Cassava (manioc)
351 Carob beans	388 Condensed cheese serum	428 Duck offal and liver
352 Chestnuts	389 Flax fibre and tow	429 Rabbit meat
353 Chicory roots	390 Edible offal, nep	430 Dry-salted buffalo hides
354 Animal oil and fats	391 Other fructose and syrup	431 Rabbit skins
355 Dry-salted horsehide	392 Grapefruit juice concentrate	
	393 Taro (colocasia)	
	394 Hazelnuts	
	395 Grape juice	

**Box 4. Main Products Exported by Low-Income Countries (80 Percent of Exports)**

1 Cocoa beans	11 Wheat	21 Livestock
2 Processed rice	12 Refined sugar	22 Prepared food, nep
3 Green coffee	13 Cocoa paste	23 Bananas
4 Cotton fibre	14 Sesame seeds	24 Black and white pepper
5 Raw tobacco	15 Buffalo meat	25 Shelled peanuts
6 Tea	16 Raw centrifuged sugar	26 Vanilla
7 Organic raw materials	17 Dried beans	27 Coffee extracts
8 Shelled cashew nuts	18 Palm oil	28 Dried onions
9 Dry natural rubber	19 Cashew nuts	
10 Soy cakes	20 Cocoa butter	

**Box 5. Products Exported by Tropical Countries and by Low-Income Countries**

1 Cocoa beans	29 Nutmeg	57 Wet-salted buffalo hides
2 Processed rice	30 Tropical fresh fruit, nep	58 Kola nuts
3 Green coffee	31 Palm almond oil	59 Tropical dried fruits
4 Tea	32 Karite nuts	60 Sesame cakes
5 Shelled cashew nuts	33 Palm almond cakes	61 Areca nuts (betel)
6 Dry natural rubber	34 Bonote	62 Millet bran
7 Sesame seeds	35 Coconuts	63 Ducks
8 Buffalo meat	36 Parboiled rice	64 Plantains
9 Raw centrifuged sugar	37 Palm almonds	65 Cassava tapioca
10 Palm oil	38 Cinnamon	66 Squabs and other birds
11 Cashew nuts	39 Copra	67 Tuber flour
12 Bananas	40 Tea, nep	68 Pineapple juice conc.
13 Black and white pepper	41 Melon seeds	69 Vegetable wax
14 Vanilla	42 Roots and tubers, nep	70 Sugar cane
15 Castor oil	43 Dry-salted skins, nep	71 Cassava flour+manioc
16 Pineapples	44 Buffaloes	72 Fresh onions+shallots
17 Jute	45 Castor-oil plant	73 Degras
18 Mangoes	46 Yams	74 Mate
19 Cocoa husks+resid	47 Yogurt	75 Food scraps+animal food
20 Cloves	48 Copra cakes	76 Millet flour
21 Tinned pineapples	49 Fresh fruit with egg, nep	77 Brazil nuts
22 Carded/combed cotton	50 Burros	78 Used leather scraps
23 Goat products	51 Papayas	79 Guandúes
24 Dried cassava	52 Coffee husks and shells	80 Abaca
25 Peanut cakes	53 Greasy wool	81 Shelled brazil nuts
26 Copra oil	54 Rice flour	82 Edible buffalo offal
27 Natural rubber	55 Spermaceti	83 Cassava (manioc)
28 Sisal	56 Dehydrafted coconuts	84 Dry-salted buffalo hides

## ANNEX II COMPARISON OF TROPICAL AND ALTERNATIVE PRODUCT LISTS FROM THE URUGUAY ROUND, EIGHT LATIN AMERICAN COUNTRIES, CAIRNS GROUP AND LONG STANDING PREFERENCES OF ACP COUNTRIES

Tariff line to 4 digits harmonised system (HS) <sup>1</sup>	DESCRIPTION	Uruguay Round <sup>2</sup>	8 LA	CAIRNS <sup>3</sup>		ACP
					6 digits HS	
0201	Meat of bovine animals, fresh or frozen.					●
0202	Meat of bovine animals, frozen.					●
0207	Meat and edible offal, of the poultry of heading No 0105, fresh, chilled or frozen.					●
0602	Other live plants (including their roots), cuttings and slips; mushroom spawn.	●	●	●	060240, 060290	●
0603	Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared. 0603.	●	●	●	060310, 060390	●
0604	Foliage, branches and other parts of plants, without flowers or flower buds, and grasses, mosses and lichens, being goods of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared. 0604.		●	●	060491, 060499	
0701	Potatoes, fresh or chilled.		●	●	070190	
0702	Tomatoes, fresh or chilled.		●			
0703	Onions, shallots, garlic, leeks and other alliacious vegetables, fresh or chilled.			●	070310	●
0708	Leguminous vegetables, shelled or unshelled, fresh or chilled.					●
0709	Other vegetables, fresh or chilled.		●	●	070960, 070990	●
0710	Vegetables (uncooked or cooked by steaming or boiling in water), frozen.					●
0711	Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.		●	●	071190	
0713	Dried leguminous vegetables, shelled, whether or not skinned or split.		●	●	071390	
0714	Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar roots and tubers with high starch or inulin content, fresh, chilled, frozen or dried, whether or not sliced or in the form of pellets; sago pith.	●	●	●	071410, 071420, 071490	●
0801	Coconuts, Brazil nuts and cashew nuts, fresh or dried, whether or not shelled or peeled.	●	●	●	080111, 080119	
0802	Other nuts, fresh or dried, whether or not shelled or peeled.		●	●	080290	●
0803	Bananas, including plantains, fresh or dried.	●	●	●	080300	●

Tariff line to 4 digits harmonised system (HS) <sup>1</sup>	DESCRIPTION	Uruguay Round <sup>2</sup>	8 LA	CAIRNS <sup>3</sup>		ACP
					6 digits HS	
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried.	●	●	●	080420, 080430, 080440, 080450	●
0805	Citrus fruit, fresh or dried.		●	●	080510, 080520, 080530, 080590	
0806	Grapes, fresh or dried, including raisins.					●
0807	Melons (including watermelons) and papaws (papayas), fresh.	●	●	●	080711, 080719, 080720	●
0808	Apples, pears and quinces, fresh.					●
0810	Other fruit, fresh.		●	●	081090	●
0811	Fruit and nuts, uncooked or cooked by steaming or boiling in water, frozen, whether or not containing added sugar or other sweetening matter.		●	●	081190	
0812	Fruit and nuts, provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.		●	●	081290	
0813	Fruit, dried, other than that of headings Nos. 08.01 to 08.06; mixtures of nuts or dried fruits of this Chapter.		●	●	081340, 081350	●
0814	Peel of citrus fruit or melons (including watermelons), fresh, frozen, dried or provisionally preserved in brine, in sulphur water or in other preservative solutions.		●	●	081400	
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion.	●	●	●	090112, 090121, 090122, 090190	
0902	Tea, whether or not flavoured.	●	●	●	090210	
0904	Pepper of the genus Piper; dried or crushed or ground fruits of the genus Capsicum or of the genus Pimenta.	●	●	●	090412, 090420	
0905	Vanilla.	●	●			●
0906	Cinnamon and cinnamon-tree flowers.	●	●			
0907	Cloves (whole fruit, cloves and stems).	●	●	●	090700	
0908	Nutmeg, mace and cardamoms.	●	●			
0909	Seeds of anise, badian, fennel, coriander, cumin or caraway; juniper berries.	●	●			
0910	Ginger, saffron, turmeric (curcuma), thyme, bay leaves, curry and other spices.	●	●	●	091010	
1001	Wheat and meslin.					●
1002	Rye.					●
1006	Rice.	●		●	100610, 100620, 100630, 100640	●
1102	Cereal flours other than of wheat or meslin.			●	110230	●
1103	Cereal groats, meal and pellets.					●
1106	Flour, meal and powder of the dried leguminous vegetables of heading No. 07.13, of sago or of roots or tubers of heading No. 07.14 or of the products of Chapter 8.	●	●	●	120210, 120220	



Tariff line to 4 digits harmonised system (HS) <sup>1</sup>	DESCRIPTION	Uruguay Round <sup>2</sup>	8 LA	CAIRNS <sup>3</sup>		ACP
					6 digits HS	
1108	Starches; inulin.	●	●	●	110814	
1202	Ground-nuts, not roasted or otherwise cooked, whether or not shelled or broken.	●	●	●	120210, 120220	
1203	Copra.	●	●			
1207	Other oil seeds and oleaginous fruits, whether or not broken.	●	●			
1208	Flours and meals of oil seeds or oleaginous fruits, other than those of mustard.	●	●	●	120890	
1211	Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh or dried, whether or not cut, crushed or powdered.	●	●	●	121190	
1212	Locust beans, seaweeds and other algae, sugar beet and sugar cane, fresh, chilled, frozen or dried, whether or not ground; fruit stones and kernels and other vegetable products (including unroasted chicory roots of the variety <i>Cichorium intybus sativum</i> ) of a kind used primarily for human consumption, not elsewhere specified or included.		●	●	121210, 121299	
1301	Lac; natural gums, resins, gum-resins and oleoresins (for example, balsams).	●	●			
1302	Vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar and other mucilages and thickeners, whether or not modified, derived from vegetable products.	●	●	●	130219	
1401	Vegetable materials of a kind used primarily for plaiting (for example, bamboos, rattans, reeds, rushes, osier, raffia, cleaned, bleached or dyed cereal straw, and lime bark).	●	●	●	140190	
1404	Vegetable products not elsewhere specified or included.	●	●			
1502	Fats of bovine animals, sheep or goats, other than those of heading No. 15.03.		●			
1504	Fats and oils and their fractions, of fish or marine mammals, whether or not refined, but not chemically modified.		●			
1505	Wool grease and fatty substances derived therefrom (including lanolin).		●			
1507	Soya-bean oil and its fractions, whether or not refined, but not chemically modified.		●	●	150710, 150790	
1508	Ground-nut oil and its fractions, whether or not refined, but not chemically modified.	●	●	●	150810	●
1511	Palm oil and its fractions, whether or not refined, but not chemically modified.	●	●	●	151110, 151190	●
1512	Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified.		●	●	151211, 151219	
1513	Coconut (copra), palm kernel or babassu oil and fractions thereof, whether or not refined, but not chemically modified.	●	●	●	151311, 151319, 151321, 151329	●

Tariff line to 4 digits harmonised system (HS) <sup>1</sup>	DESCRIPTION	Uruguay Round <sup>2</sup>	8 LA	CAIRNS <sup>3</sup>		ACP
					6 digits HS	
1514	Turnip oils, coleseed or mustard, and the fractions thereof, even refined, but with no chemical modification.			●	151410, 151490	
1515	Other fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified.	●	●	●	151530, 151550	
1516	Animal or vegetable fats and oils and their fractions, partly or wholly hydrogenated, interesterified, re-esterified or elaidinised, whether or not refined, but not further prepared.	●	●	●	151620	
1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, other than edible fats or oils or their fractions of heading No. 15.16.		●	●	151710	
1518	Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, blown, polymerised by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of heading No. 15.16; inedible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, not elsewhere specified or included.	●	●			
1520	Glycerol, crude; glycerol waters and glycerol lyes.	●	●			
1521	Vegetable waxes (other than triglycerides), beeswax, other insect waxes and spermaceti, whether or not refined or coloured.	●	●	●	152190	
1522	Degras; residues resulting from the treatment of fatty substances or animal or vegetable waxes.		●			
1701	Cane or beet sugar and chemically pure sucrose, in solid form.		●	●	170111, 170191, 170199	●
1703	Molasses resulting from the extraction or refining of sugar.		●	●	170310	●
1801	Cocoa beans, whole or broken, raw or roasted.	●	●			
1802	Cocoa shells, husks, skins and other cocoa waste.	●	●			
1803	Cocoa paste, whether or not defatted.	●	●	●	180310, 180320	
1804	Cocoa butter, fat and oil.	●	●	●	180400	●
1805	Cocoa powder, not containing added sugar or other sweetening matter.	●	●	●	180500	
1806	Chocolate and other food preparations containing cocoa.		●	●	180610, 180620 <sup>4</sup> , 180631, 180632, 180690 <sup>4</sup>	
1903	Tapioca and substitutes therefor prepared from starch, in the form of flakes, grains, pearls, siftings or in similar forms.	●	●			

Tariff line to 4 digits harmonised system (HS) <sup>1</sup>	DESCRIPTION	Uruguay Round <sup>2</sup>	8 LA	CAIRNS <sup>3</sup>		ACP
					6 digits HS	
1904	Prepared foods obtained by the swelling or roasting of cereals or cereal products (for example, corn flakes); cereals (other than maize (corn)) in grain form or in the form of flakes or other worked grains (except flour, groats and meal), pre-cooked or not, which have not been contemplated elsewhere.					●
2001	Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid.		●	●	200190	
2002	Tomatoes prepared or preserved otherwise than by vinegar or acetic acid.					●
2004	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading No. 20.06.		●	●	200410	
2005	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading No. 20.06.		●	●	200520, 200590	●
2006	Vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar (drained, glacés or crystallised).	●	●	●	200600	
2007	Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, being cooked preparations, whether or not containing added sugar or other sweetening matter.	●	●	●	200710, 200791, 200799	
2008	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included.	●	●	●	200811, 200819, 200820, 200830, 200870, 200891, 200892, 200899	●
2009	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter.		●	●	200911, 200919, 200920, 200930, 200940, 200980, 200990	●
2101	Extracts, essences and concentrates, of coffee, tea or maté and preparations with a basis of these products or with a basis of coffee, tea or maté; roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates thereof.	●	●	●	210111, 210112, 210120	●
2103	Sauces and preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard.		●	●	210390	●
2204	Wine of fresh grapes, including fortified wines; grape must other than that of heading No 2009.					●
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % vol or higher; ethyl alcohol and other spirits, denatured, of any strength.			●	220720	●
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol; spirits, liqueurs and other spirituous beverages.		●	●	220840	●

Tariff line to 4 digits harmonised system (HS) <sup>1</sup>	DESCRIPTION	Uruguay Round <sup>2</sup>	8 LA	CAIRNS <sup>3</sup>		ACP
					6 digits HS	
2305	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of ground-nut oil.	●	●			
2306	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetable fats or oils, other than those of heading No. 23.04 or 23.05.	●	●	●	230610, 230660	
2309	Preparations of a kind used in animal feeding.					●
2401	Unmanufactured tobacco; tobacco refuse.	●	●	●	240110, 240120, 240130	●
2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.	●	●	●	240210, 240220, 240290	●
2403	Other manufactured tobacco and manufactured tobacco substitutes; "homogenised" or "reconstituted" tobacco; tobacco extracts and essences.		●	●	240310, 240391, 240399	
3203	Colouring matter of vegetable or animal origin (including dyeing extracts but excluding animal black), whether or not chemically defined; preparations as specified in Note 3 to this Chapter based on colouring matter of vegetable or animal origin.	●	●			
3301	Essential oils (terpeneless or not), including concretes and absolutes; resinoids; extracted oleoresins; concentrates of essential oils in fats, in fixed oils, in waxes or the like, obtained by enfleurage or maceration; terpenic by-products of the deterpenation of essential oils; aqueous distillates and aqueous solutions of essential oils.	●	●	●	330112, 330113	
4001	Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary forms or in plates, sheets or strip.	●				
4005	Compounded rubber, unvulcanized, in primary forms or in plates, sheets or strip.	●				
4006	Other forms (for example, rods, tubes and profile shapes) and articles (for example, discs and rings), of unvulcanized rubber.	●				
4007	Vulcanized rubber thread and cord.	●				
4008	Plates, sheets, strip, rods and profile shapes, of vulcanized rubber other than hard rubber	●				
4009	Tubes, pipes and hoses, of vulcanized rubber other than hard rubber, with or without their fittings (for example, joints, elbows, flanges).	●				
4011	New pneumatic tires, of rubber.	●				
4013	Inner tubes, of rubber.	●				
4014	Hygienic or pharmaceutical articles (including nursing nipples), of vulcanized rubber other than hard rubber, with or without fittings of hard rubber.	●				

Tariff line to 4 digits harmonised system (HS) <sup>1</sup>	DESCRIPTION	Uruguay Round <sup>2</sup>	8 LA	CAIRNS <sup>3</sup>		ACP
					6 digits HS	
4015	Articles of apparel and clothing accessories (including gloves, mittens and mitts), for all purposes, of vulcanized rubber other than hard rubber.	●				
4016	Other articles of vulcanized rubber other than hard rubber.	●				
4017	Hard rubber (for example, ebonite) in all forms, including waste and scrap; articles of hard rubber.					
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared.	●				
4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm.	●				
4408	Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm.	●				
4409	Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, molded, rounded or the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed.	●				
4410	Particle board, oriented strand board (OSB) and similar board (for example, waferboard) of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances.	●				
4412	Plywood, veneered panels and similar laminated wood.	●				
4414	Wooden frames for paintings, photographs, mirrors or similar objects.	●				
4418	Builders' joinery and carpentry of wood, including cellular wood panels and assembled flooring panels; shingles and shakes.	●				
4419	Tableware and kitchenware, of wood.	●				
4420	Wood marquetry and inlaid wood; caskets and cases for jewellery or cutlery and similar articles, of wood; statuettes and other ornaments, of wood; wooden articles of furniture not falling within chapter 94.	●				
4421	Other articles of wood.	●				
4601	Plaits and similar products of plaiting materials, whether or not assembled into strips; plaiting materials, plaits and similar products of plaiting materials, bound together in parallel strands or woven, in sheet form, whether or not being finished articles (for example, mats, matting, screens).	●				

Tariff line to 4 digits harmonised system (HS) <sup>1</sup>	DESCRIPTION	Uruguay Round <sup>2</sup>	8 LA	CAIRNS <sup>3</sup>		ACP
					6 digits HS	
4602	Basketwork, wickerwork and other articles, made directly to shape from plaiting materials or made up from articles of heading 4601; articles of loofah.	●				
5001	Silkworm cocoons suitable for reeling.		●			
5201	Cotton, not carded or combed.		●			
5303	Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and waste of these fibres (including yarn waste and garneted stock).	●				
5305	Coconut, abaca (Manila hemp or Musa textiles Nee), ramie and other vegetable textile fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres (including yarn waste and garneted stock).	●				
5307	Yarn of jute or of other textile bast fibres of heading 5303.	●				
5308	Yarn of other vegetable textile fibres; paper yarn.	●				
5310	Woven fabrics of jute or of other textile bast fibres of heading 5303.	●				
5311	Woven fabrics of other vegetable textile fibres; woven fabrics of paper yarn.	●				
5607	Twine, cordage, ropes and cables, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics.	●				
5608	Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials.	●				
5609	Articles of yarn, strip or the like of heading 5404 or 5405, twine, cordage, rope or cables, not elsewhere specified or included.	●				
5905	Textile wall coverings.	●				
6305	Sacks and bags, of a kind used for the packing of goods.	●				
9401	Seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof.	●				
9403	Other furniture and parts thereof.	●				
9601	Worked ivory, bone, tortoise-shell, horn, antlers, coral, mother-of-pearl and other animal carving material, and articles of these materials (including articles obtained by moulding).	●				
	TOTAL ITEMS	91	84	67	134	43

1. The comparison exercise was made at 4 digits in the Harmonized System, because from the four lists compared, three of them were available at that level of disaggregation. The list of the Cairns Group was the only list disaggregated at 6 digits and, therefore it was compressed to 4, to make it comparable.
2. Based on OMC information, the Uruguay Round list contains 192 tariff lines at 6 digits of the Harmonized System.
3. The list of the Cairns Group is disaggregated at 6 digits of the Harmonized System, and contains 134 tariff lines.
4. Excluding more disaggregated lines which have a majority of their ingredients which are not tropical or alternative products.



### ANNEX III EXTENDED LIST WITH THE TARIFF LINES INCLUDED IN THE LISTS OF THE URUGUAY ROUND, THE EIGHT LATIN AMERICAN COUNTRIES AND THE CAIRNS GROUP AND CONFLICTIVE PRODUCTS INCLUDED THEREIN

Tariff Line 4 digits HS	DESCRIPTION	Sub-tariff lines 6 digits HS	Number	Conflictive Products
0602	Other live plants (including their roots), cuttings and slips; mushroom spawn.	060210, 060220, 060230, 060240, 060290	5	●
0603	Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared.	060311, 060312, 060613, 060314, 060319, 060390	6	●
0604	Foliage, branches and other parts of plants, without flowers or flower buds, and grasses, mosses and lichens, being goods of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared.	060410, 060491, 060499	3	
0701	Potatoes, fresh or chilled.	070110, 070190	2	
0702	Tomatoes, fresh or chilled.	70200	1	●
0703	Onions, shallots, garlic, leeks and other alliacious vegetables, fresh or chilled.	70310	1	●
0709	Other vegetables, fresh or chilled.	070920, 070930, 070940, 070951, 070959, 070960, 070970, 070990	8	●
0711	Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.	071120, 071140, 071151, 071159, 071190	5	
0713	Dried leguminous vegetables, shelled, whether or not skinned or split.	071310, 071320, 071331, 071232, 071333, 071339, 071340, 071350, 071390	9	
0714	Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar roots and tubers with high starch or inulin content, fresh, chilled, frozen or dried, whether or not sliced or in the form of pellets; sago pith.	071410, 071420, 071490	3	●
0801	Coconuts, Brazil nuts and cashew nuts, fresh or dried, whether or not shelled or peeled.	080111, 080119, 080121, 080122, 080131, 080132	6	
0802	Other nuts, fresh or dried, whether or not shelled or peeled.	080211, 080212, 080221, 080222, 080231, 080232, 080240, 080250, 080260, 080290	10	●
0803	Bananas, including plantains, fresh or dried.	80300	1	●
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried.	080410, 080420, 080430, 080440, 080450	5	●

Tariff Line 4 digits HS	DESCRIPTION	Sub-tariff lines 6 digits HS	Number	Conflictive Products
0805	Citrus fruit, fresh or dried.	080510, 080520, 080540, 080550, 080590	5	
0807	Melons (including watermelons) and papaws (papayas), fresh.	080711, 080719, 080720	3	●
0810	Other fruit, fresh.	081010, 081020, 081040, 081050, 081060, 081090	6	●
0811	Fruit and nuts, uncooked or cooked by steaming or boiling in water, frozen, whether or not containing added sugar or other sweetening matter.	081110, 081120, 081190	3	
0812	Fruit and nuts, provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.	081210, 081290	2	
0813	Fruit, dried, other than that of headings Nos. 08.01 to 08.06; mixtures of nuts or dried fruits of this Chapter.	081310, 081320, 081330, 081340, 081350	5	●
0814	Peel of citrus fruit or melons (including watermelons), fresh, frozen, dried or provisionally preserved in brine, in sulphur water or in other preservative solutions.	81400	1	
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion.	090111, 090112, 090121, 090122, 090190	5	●
0902	Tea, whether or not flavoured.	090210, 090220, 090230, 090240	4	
0904	Pepper of the genus Piper; dried or crushed or ground fruits of the genus Capsicum or of the genus Pimenta.	090411, 090412, 090420	3	
0905	Vanilla.	90500	1	●
0906	Cinnamon and cinnamon-tree flowers.	090611, 090619, 090620	3	
0907	Cloves (whole fruit, cloves and stems).	90700	1	●
0908	Nutmeg, mace and cardamoms.	090810, 090820, 090830	3	
0909	Seeds of anise, badian, fennel, coriander, cumin or caraway; juniper berries.	090910, 090920, 090930, 090940, 090950	5	
0910	Ginger, saffron, turmeric (curcuma), thyme, bay leaves, curry and other spices.	091010, 091020, 091030, 091091, 091099	5	
1006	Rice.	100610, 100620, 100630, 100640	4	●
1102	Cereal flours other than of wheat or meslin.	110290	1	●
1106	Flour, meal and powder of the dried leguminous vegetables of heading No. 07.13, of sago or of roots or tubers of heading No. 07.14 or of the products of Chapter 8.	110610, 110620, 110630	3	
1108	Starches; inulin.	110811, 110812, 110813, 110814, 110819, 110820	6	

Tariff Line 4 digits HS	DESCRIPTION	Sub-tariff lines 6 digits HS	Number	Conflictive Products
1202	Ground-nuts, not roasted or otherwise cooked, whether or not shelled or broken.	120210, 120220	2	
1203	Copra.	120300	1	
1207	Other oil seeds and oleaginous fruits, whether or not broken.	120720, 120740, 120750, 120791, 120799	5	
1208	Flours and meals of oil seeds or oleaginous fruits, other than those of mustard.	120810, 120890	2	
1211	Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh or dried, whether or not cut, crushed or powdered.	121120, 121130, 121140, 121190	4	
1212	Locust beans, seaweeds and other algae, sugar beet and sugar cane, fresh, chilled, frozen or dried, whether or not ground; fruit stones and kernels and other vegetable products (including unroasted chicory roots of the variety <i>Cichorium intybus sativum</i> ) of a kind used primarily for human consumption, not elsewhere specified or included.	121220, 121291, 121299	3	●
1301	Lac; natural gums, resins, gum-resins and oleoresins (for example, balsams).	130120, 130190	2	
1302	Vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar and other mucilages and thickeners, whether or not modified, derived from vegetable products.	130211, 130212, 130213, 130219, 130220, 130231, 130232, 130239	8	
1401	Vegetable materials of a kind used primarily for plaiting (for example, bamboos, rattans, reeds, rushes, osier, raffia, cleaned, bleached or dyed cereal straw, and lime bark).	140110, 140120, 140190	3	
1404	Vegetable products not elsewhere specified or included.	140420, 140490	2	
1502	Fats of bovine animals, sheep or goats, other than those of heading No. 15.03.	150200	1	
1504	Fats and oils and their fractions, of fish or marine mammals, whether or not refined, but not chemically modified.	150410, 150420, 150430	3	
1505	Wool grease and fatty substances derived therefrom (including lanolin).	150500	1	
1507	Soya-bean oil and its fractions, whether or not refined, but not chemically modified.	150710, 150790	2	
1508	Ground-nut oil and its fractions, whether or not refined, but not chemically modified.	150810, 150890	2	●
1511	Palm oil and its fractions, whether or not refined, but not chemically modified.	151110, 151190	2	●
1512	Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified.	151211, 151219, 151221, 151229	4	
1513	Coconut (copra), palm kernel or babassu oil and fractions thereof, whether or not refined, but not chemically modified.	151311, 151319, 151321, 151329	4	●
1514	Turnip oils, coleseed or mustard, and the fractions thereof, even refined, but with no chemical modification.	151411, 151419, 151491, 151499	4	

Tariff Line 4 digits HS	DESCRIPTION	Sub-tariff lines 6 digits HS	Number	Conflictive Products
1515	Other fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified.	151511, 151519, 151521, 151529, 151530, 151550, 151590	7	●
1516	Animal or vegetable fats and oils and their fractions, partly or wholly hydrogenated, interesterified, re-esterified or elaidinised, whether or not refined, but not further prepared.	151610, 151620	2	
1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, other than edible fats or oils or their fractions of heading No. 15.16.	151710, 151790	2	
1518	Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, blown, polymerised by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of heading No. 15.16; inedible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, not elsewhere specified or included.	151800	1	
1520	Glycerol, crude; glycerol waters and glycerol lyes.	152000	1	
1521	Vegetable waxes (other than triglycerides), beeswax, other insect waxes and spermaceti, whether or not refined or coloured.	152110, 152190	2	
1522	Degras; residues resulting from the treatment of fatty substances or animal or vegetable waxes.	152200	1	
1701	Cane or beet sugar and chemically pure sucrose, in solid form.	170111, 170112, 170191, 170199	4	●
1703	Molasses resulting from the extraction or refining of sugar.	170310, 170390	2	●
1801	Cocoa beans, whole or broken, raw or roasted.	180100	1	
1802	Cocoa shells, husks, skins and other cocoa waste.	180200	1	
1803	Cocoa paste, whether or not defatted.	180310, 180320	2	●
1804	Cocoa butter, fat and oil.	180400	1	●
1805	Cocoa powder, not containing added sugar or other sweetening matter.	180500	1	
1806	Chocolate and other food preparations containing cocoa.	180610, 180620, 180631, 180632, 180690	5	
1903	Tapioca and substitutes therefor prepared from starch, in the form of flakes, grains, pearls, siftings or in similar forms.	190300	1	
2001	Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid.	200110, 200190	2	
2004	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading No. 20.06.	200410, 200490	2	

Tariff Line 4 digits HS	DESCRIPTION	Sub-tariff lines 6 digits HS	Number	Conflictive Products
2005	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading No. 20.06.	200510, 200520, 200540, 200551, 200559, 200560, 200570, 200580, 200591, 200599	10	●
2006	Vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar (drained, glacés or crystallised).	200600	1	
2007	Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, being cooked preparations, whether or not containing added sugar or other sweetening matter.	200710, 200791, 200799	3	
2008	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included.	200811, 200819, 200820, 200830, 200840, 200850, 200860, 200870, 200880, 200891, 200892, 200899	12	●
2009	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter.	200911, 200912, 200919, 200921, 200929, 200931, 200939, 200941, 200949, 200950, 200961, 200969, 200971, 200979, 200980, 200990	16	●
2101	Extracts, essences and concentrates, of coffee, tea or maté and preparations with a basis of these products or with a basis of coffee, tea or maté; roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates thereof.	210111, 210112, 210120, 210130	4	●
2103	Sauces and preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard.	210310, 210320, 210330, 210390	4	●
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % vol or higher; ethyl alcohol and other spirits, denatured, of any strength.	220710, 220720	2	●
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol; spirits, liqueurs and other spirituous beverages.	220820, 220830, 220840, 220850, 220860, 220870, 220890	7	●
2305	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of ground-nut oil.	230500	1	
2306	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetable fats or oils, other than those of heading No. 23.04 or 23.05.	230610, 230620, 230630, 230641, 230649, 230650, 230660, 230690	8	
2401	Unmanufactured tobacco; tobacco refuse.	240110, 240120, 240130	3	●
2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.	240210, 240220, 240290	3	●
2403	Other manufactured tobacco and manufactured tobacco substitutes; "homogenised" or "reconstituted" tobacco; tobacco extracts and essences.	240310, 240391, 240399	3	

Tariff Line 4 digits HS	DESCRIPTION	Sub-tariff lines 6 digits HS	Number	Confictive Products
3203	Colouring matter of vegetable or animal origin (including dyeing extracts but excluding animal black), whether or not chemically defined; preparations as specified in Note 3 to this Chapter based on colouring matter of vegetable or animal origin.	320300	1	
3301	Essential oils (terpeneless or not), including concretes and absolutes; resinoids; extracted oleoresins; concentrates of essential oils in fats, in fixed oils, in waxes or the like, obtained by enfleurage or maceration; terpenic by-products of the deterpenation of essential oils; aqueous distillates and aqueous solutions of essential oils.	330112, 330113, 330119, 330124, 330125, 330129, 330130, 330190	8	
4001	Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary forms or in plates, sheets or strip.	400110, 400121, 400122, 400129, 400130	5	
4005	Compounded rubber, unvulcanized, in primary forms or in plates, sheets or strip.	400510, 400520, 400591, 400599	4	
4006	Other forms (for example, rods, tubes and profile shapes) and articles (for example, discs and rings), of unvulcanized rubber.	400610, 400690	2	
4007	Vulcanized rubber thread and cord.	400700	1	
4008	Plates, sheets, strip, rods and profile shapes, of vulcanized rubber other than hard rubber.	400811, 400819, 400821, 400829	4	
4009	Tubes, pipes and hoses, of vulcanized rubber other than hard rubber, with or without their fittings (for example, joints, elbows, flanges).	400911, 400912, 400921, 400922, 400931, 400932, 400941, 400942	8	
4011	New pneumatic tires, of rubber.	401110, 401120, 401130, 401140, 401150, 401161, 401162, 401163, 401169, 401192, 401193, 401194, 401199	13	
4013	Inner tubes, of rubber.	401310, 401320, 401390	3	
4014	Hygienic or pharmaceutical articles (including nursing nipples), of vulcanized rubber other than hard rubber, with or without fittings of hard rubber.	401410, 401490	2	
4015	Articles of apparel and clothing accessories (including gloves, mittens and mitts), for all purposes, of vulcanized rubber other than hard rubber.	401511, 401519, 401590	3	
4016	Other articles of vulcanized rubber other than hard rubber.	401610, 401691, 401692, 401693, 401694, 401695, 401699	7	
4017	Hard rubber (for example, ebonite) in all forms, including waste and scrap; articles of hard rubber.	401700	1	
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared.	440310, 440320, 440341, 440349, 440391, 440392, 440399	7	



Tariff Line 4 digits HS	DESCRIPTION	Sub-tariff lines 6 digits HS	Number	Conflictive Products
4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm.	440710, 440721, 440722, 440725, 440726, 440727, 440728, 440729, 440791, 440792, 440793, 440794, 440795, 440799	14	
4408	Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm.	440810, 440831, 440839, 440890	4	
4409	Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, molded, rounded or the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed.	440910, 440921, 440929	3	
4410	Particle board, oriented strand board (OSB) and similar board (for example, waferboard) of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances.	441011, 441012, 441019, 441090	4	
4412	Plywood, veneered panels and similar laminated wood.	441210, 441231, 441232, 441239, 441294, 441299	6	
4414	Wooden frames for paintings, photographs, mirrors or similar objects.	441400	1	
4418	Builders' joinery and carpentry of wood, including cellular wood panels and assembled flooring panels; shingles and shakes.	441810, 441820, 441840, 441850, 441860, 441871, 441872, 441879, 441890	9	
4419	Tableware and kitchenware, of wood.	441900	1	
4420	Wood marquetry and inlaid wood; caskets and cases for jewellery or cutlery and similar articles, of wood; statuettes and other ornaments, of wood; wooden articles of furniture not falling within chapter 94.	442010, 442090	2	
4421	Other articles of wood.	442110, 442190	2	
4601	Plaits and similar products of plaiting materials, whether or not assembled into strips; plaiting materials, plaits and similar products of plaiting materials, bound together in parallel strands or woven, in sheet form, whether or not being finished articles (for example, mats, matting, screens).	460121, 460122, 460129, 460192, 460193, 460194, 460199	7	
4602	Basketwork, wickerwork and other articles, made directly to shape from plaiting materials or made up from articles of heading 4601; articles of loofah.	460211, 460212, 460219, 460290	4	
5001	Silkworm cocoons suitable for reeling.	500100	1	
5201	Cotton, not carded or combed.	520100	1	
5303	Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and waste of these fibres (including yarn waste and garneted stock).	530310, 530390	2	

Tariff Line 4 digits HS	DESCRIPTION	Sub-tariff lines 6 digits HS	Number	Confictive Products
5305	Coconut, abaca (Manila hemp or Musa textiles Nee), ramie and other vegetable textile fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres (including yarn waste and garneted stock).	530500	1	
5307	Yarn of jute or of other textile bast fibres of heading 5303.	530710, 530720	2	
5308	Yarn of other vegetable textile fibres; paper yarn.	530810, 530820, 530890	3	
5310	Woven fabrics of jute or of other textile bast fibres of heading 5303.	531010, 531090	2	
5311	Woven fabrics of other vegetable textile fibres; woven fabrics of paper yarn.	531100	1	
5607	Twine, cordage, ropes and cables, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics.	560721, 560729, 560741, 560749, 560750, 560790	6	
5608	Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials.	560811, 560819, 560890	3	
5609	Articles of yarn, strip or the like of heading 5404 or 5405, twine, cordage, rope or cables, not elsewhere specified or included.	560900	1	
5905	Textile wall coverings.	590500	1	
6305	Sacks and bags, of a kind used for the packing of goods.	630510, 630520, 630532, 630533, 630539, 630590	6	
9401	Seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof.	940110, 940120, 940130, 940140, 940151, 940159, 940161, 940169, 940171, 940179, 940180, 940190	12	
9403	Other furniture and parts thereof.	940310, 940320, 940330, 940340, 940350, 940360, 940370, 940381, 940389, 940390	10	
9601	Worked ivory, bone, tortoise-shell, horn, antlers, coral, mother-of-pearl and other animal carving material, and articles of these materials (including articles obtained by moulding).	960110, 960190	2	
TOTAL	128 (4 digit HS)	484 (6 digit HS)	484 (6 digit HS)	
TOTAL W/O CONFLICT	93 (4 digit HS)	330 (6 digit HS)	330 (6 digit HS)	

# **ANNEX IV      EXTENDED LIST WITH THE TARIFF LINES INCLUDED IN THE LISTS OF THE URUGUAY ROUND AND THE EIGHT LATIN AMERICAN COUNTRIES AND CONFLICTIVE PRODUCTS INCLUDED THEREIN**

Tariff Line 4 digits HS	DESCRIPTION	Sub-tariff lines 6 digits HS	Number	Conflictive Products
0602	Other live plants (including their roots), cuttings and slips; mushroom spawn.	060210, 060220, 060230, 060240, 060290	5	●
0603	Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared.	060311, 060312, 060613, 060314, 060319, 060390	6	●
0604	Foliage, branches and other parts of plants, without flowers or flower buds, and grasses, mosses and lichens, being goods of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared.	060410, 060491, 060499	3	
0701	Potatoes, fresh or chilled.	070110, 070190	2	
0702	Tomatoes, fresh or chilled.	70200	1	●
0709	Other vegetables, fresh or chilled.	070920, 070930, 070940, 070951, 070959, 070960, 070970, 070990	8	●
0711	Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.	071120, 071140, 071151, 071159, 071190	5	
0713	Dried leguminous vegetables, shelled, whether or not skinned or split.	071310, 071320, 071331, 071232, 071333, 071339, 071340, 071350, 071390	9	
0714	Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar roots and tubers with high starch or inulin content, fresh, chilled, frozen or dried, whether or not sliced or in the form of pellets; sago pith.	071410, 071420, 071490	3	●
0801	Coconuts, Brazil nuts and cashew nuts, fresh or dried, whether or not shelled or peeled.	080111, 080119, 080121, 080122, 080131, 080132	6	
0802	Other nuts, fresh or dried, whether or not shelled or peeled.	080211, 080212, 080221, 080222, 080231, 080232, 080240, 080250, 080260, 080290	10	●
0803	Bananas, including plantains, fresh or dried.	80300	1	●
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried.	080410, 080420, 080430, 080440, 080450	5	●
0805	Citrus fruit, fresh or dried.	080510, 080520, 080540, 080550, 080590	5	

Tariff Line 4 digits HS	DESCRIPTION	Sub-tariff lines 6 digits HS	Number	Conflictive Products
0807	Melons (including watermelons) and papaws (papayas), fresh.	080711, 080719, 080720	3	●
0810	Other fruit, fresh.	081010, 081020, 081040, 081050, 081060, 081090	6	●
0811	Fruit and nuts, uncooked or cooked by steaming or boiling in water, frozen, whether or not containing added sugar or other sweetening matter.	081110, 081120, 081190	3	
0812	Fruit and nuts, provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.	081210, 081290	2	
0813	Fruit, dried, other than that of headings Nos. 08.01 to 08.06; mixtures of nuts or dried fruits of this Chapter.	081310, 081320, 081330, 081340, 081350	5	●
0814	Peel of citrus fruit or melons (including watermelons), fresh, frozen, dried or provisionally preserved in brine, in sulphur water or in other preservative solutions.	81400	1	
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion.	090111, 090112, 090121, 090122, 090190	5	●
0902	Tea, whether or not flavoured.	090210, 090220, 090230, 090240	4	
0904	Pepper of the genus Piper; dried or crushed or ground fruits of the genus Capsicum or of the genus Pimenta.	090411, 090412, 090420	3	
0905	Vanilla.	90500	1	●
0906	Cinnamon and cinnamon-tree flowers.	090611, 090619, 090620	3	
0907	Cloves (whole fruit, cloves and stems).	90700	1	●
0908	Nutmeg, mace and cardamoms.	090810, 090820, 090830	3	
0909	Seeds of anise, badian, fennel, coriander, cumin or caraway; juniper berries.	090910, 090920, 090930, 090940, 090950	5	
0910	Ginger, saffron, turmeric (curcuma), thyme, bay leaves, curry and other spices.	091010, 091020, 091030, 091091, 091099	5	
1006	Rice.	100610, 100620, 100630, 100640	4	●
1106	Flour, meal and powder of the dried leguminous vegetables of heading No. 07.13, of sago or of roots or tubers of heading No. 07.14 or of the products of Chapter 8.	110610, 110620, 110630	3	
1108	Starches; inulin.	110811, 110812, 110813, 110814, 110819, 110820	6	
1202	Ground-nuts, not roasted or otherwise cooked, whether or not shelled or broken.	120210, 120220	2	
1203	Copra.	120300	1	

Tariff Line 4 digits HS	DESCRIPTION	Sub-tariff lines 6 digits HS	Number	Conflictive Products
1207	Other oil seeds and oleaginous fruits, whether or not broken.	120720, 120740, 120750, 120791, 120799	5	
1208	Flours and meals of oil seeds or oleaginous fruits, other than those of mustard.	120810, 120890	2	
1211	Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh or dried, whether or not cut, crushed or powdered.	121120, 121130, 121140, 121190	4	
1212	Locust beans, seaweeds and other algae, sugar beet and sugar cane, fresh, chilled, frozen or dried, whether or not ground; fruit stones and kernels and other vegetable products (including unroasted chicory roots of the variety <i>Cichorium intybus sativum</i> ) of a kind used primarily for human consumption, not elsewhere specified or included.	121220, 121291, 121299	3	●
1301	Lac; natural gums, resins, gum-resins and oleoresins (for example, balsams).	130120, 130190	2	
1302	Vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar and other mucilages and thickeners, whether or not modified, derived from vegetable products.	130211, 130212, 130213, 130219, 130220, 130231, 130232, 130239	8	
1401	Vegetable materials of a kind used primarily for plaiting (for example, bamboos, rattans, reeds, rushes, osier, raffia, cleaned, bleached or dyed cereal straw, and lime bark).	140110, 140120, 140190	3	
1404	Vegetable products not elsewhere specified or included.	140420, 140490	2	
1502	Fats of bovine animals, sheep or goats, other than those of heading No. 15.03.	150200	1	
1504	Fats and oils and their fractions, of fish or marine mammals, whether or not refined, but not chemically modified.	150410, 150420, 150430	3	
1505	Wool grease and fatty substances derived therefrom (including lanolin).	150500	1	
1507	Soya-bean oil and its fractions, whether or not refined, but not chemically modified.	150710, 150790	2	
1508	Ground-nut oil and its fractions, whether or not refined, but not chemically modified.	150810, 150890	2	●
1511	Palm oil and its fractions, whether or not refined, but not chemically modified.	151110, 151190	2	●
1512	Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified.	151211, 151219, 151221, 151229	4	
1513	Coconut (copra), palm kernel or babassu oil and fractions thereof, whether or not refined, but not chemically modified.	151311, 151319, 151321, 151329	4	●
1515	Other fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified.	151511, 151519, 151521, 151529, 151530, 151550, 151590	7	●

Tariff Line 4 digits HS	DESCRIPTION	Sub-tariff lines 6 digits HS	Number	Conflictive Products
1516	Animal or vegetable fats and oils and their fractions, partly or wholly hydrogenated, interesterified, re-esterified or elaidinised, whether or not refined, but not further prepared.	151610, 151620	2	
1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, other than edible fats or oils or their fractions of heading No. 15.16.	151710, 151790	2	
1518	Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, blown, polymerised by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of heading No. 15.16; inedible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, not elsewhere specified or included.	151800	1	
1520	Glycerol, crude; glycerol waters and glycerol lyes.	152000	1	
1521	Vegetable waxes (other than triglycerides), beeswax, other insect waxes and spermaceti, whether or not refined or coloured.	152110, 152190	2	
1522	Degras; residues resulting from the treatment of fatty substances or animal or vegetable waxes.	152200	1	
1701	Cane or beet sugar and chemically pure sucrose, in solid form.	170111, 170112, 170191, 170199	4	●
1703	Molasses resulting from the extraction or refining of sugar.	170310, 170390	2	●
1801	Cocoa beans, whole or broken, raw or roasted.	180100	1	
1802	Cocoa shells, husks, skins and other cocoa waste.	180200	1	
1803	Cocoa paste, whether or not defatted.	180310, 180320	2	●
1804	Cocoa butter, fat and oil.	180400	1	●
1805	Cocoa powder, not containing added sugar or other sweetening matter.	180500	1	
1806	Chocolate and other food preparations containing cocoa.	180610, 180620, 180631, 180632, 180690	5	
1903	Tapioca and substitutes therefor prepared from starch, in the form of flakes, grains, pearls, siftings or in similar forms.	190300	1	
2001	Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid.	200110, 200190	2	
2004	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading No. 20.06.	200410, 200490	2	
2005	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading No. 20.06.	200510, 200520, 200540, 200551, 200559, 200560, 200570, 200580, 200591, 200599	10	●



Tariff Line 4 digits HS	DESCRIPTION	Sub-tariff lines 6 digits HS	Number	Conflictive Products
2006	Vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar (drained, glacés or crystallised).	200600	1	
2007	Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, being cooked preparations, whether or not containing added sugar or other sweetening matter.	200710, 200791, 200799	3	
2008	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included.	200811, 200819, 200820, 200830, 200840, 200850, 200860, 200870, 200880, 200891, 200892, 200899	12	●
2009	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter.	200911, 200912, 200919, 200921, 200929, 200931, 200939, 200941, 200949, 200950, 200961, 200969, 200971, 200979, 200980, 200990	16	●
2101	Extracts, essences and concentrates, of coffee, tea or maté and preparations with a basis of these products or with a basis of coffee, tea or maté; roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates thereof.	210111, 210112, 210120, 210130	4	●
2103	Sauces and preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard.	210310, 210320, 210330, 210390	4	●
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol; spirits, liqueurs and other spirituous beverages.	220820, 220830, 220840, 220850, 220860, 220870, 220890	7	
2305	Any grade.	230500	1	
2306	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetable fats or oils, other than those of heading No. 23.04 or 23.05.	230610, 230620, 230630, 230641, 230649, 230650, 230660, 230690	8	
2401	Unmanufactured tobacco; tobacco refuse.	240110, 240120, 240130	3	●
2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.	240210, 240220, 240290	3	●
2403	Other manufactured tobacco and manufactured tobacco substitutes; "homogenised" or "reconstituted" tobacco; tobacco extracts and essences.	240310, 240391, 240399	3	
3203	Colouring matter of vegetable or animal origin (including dyeing extracts but excluding animal black), whether or not chemically defined; preparations as specified in Note 3 to this Chapter based on colouring matter of vegetable or animal origin.	320300	1	
3301	Essential oils (terpeneless or not), including concretes and absolutes; resinoids; extracted oleoresins; concentrates of essential oils in fats, in fixed oils, in waxes or the like, obtained by enfleurage or maceration; terpenic by-products of the deterpenation of essential oils; aqueous distillates and aqueous solutions of essential oils.	330112, 330113, 330119, 330124, 330125, 330129, 330130, 330190	8	

Tariff Line 4 digits HS	DESCRIPTION	Sub-tariff lines 6 digits HS	Number	Conflictive Products
4001	Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary forms or in plates, sheets or strip.	400110, 400121, 400122, 400129, 400130	5	
4005	Compounded rubber, unvulcanized, in primary forms or in plates, sheets or strip.	400510, 400520, 400591, 400599	4	
4006	Other forms (for example, rods, tubes and profile shapes) and articles (for example, discs and rings), of unvulcanized rubber.	400610, 400690	2	
4007	Vulcanized rubber thread and cord.	400700	1	
4008	Plates, sheets, strip, rods and profile shapes, of vulcanized rubber other than hard rubber.	400811, 400819, 400821, 400829	4	
4009	Tubes, pipes and hoses, of vulcanized rubber other than hard rubber, with or without their fittings (for example, joints, elbows, flanges).	400911, 400912, 400921, 400922, 400931, 400932, 400941, 400942	8	
4011	New pneumatic tires, of rubber.	401110, 401120, 401130, 401140, 401150, 401161, 401162, 401163, 401169, 401192, 401193, 401194, 401199	13	
4013	Inner tubes, of rubber.	401310, 401320, 401390	3	
4014	Hygienic or pharmaceutical articles (including nursing nipples), of vulcanized rubber other than hard rubber, with or without fittings of hard rubber.	401410, 401490	2	
4015	Articles of apparel and clothing accessories (including gloves, mittens and mitts), for all purposes, of vulcanized rubber other than hard rubber.	401511, 401519, 401590	3	
4016	Other articles of vulcanized rubber other than hard rubber.	401610, 401691, 401692, 401693, 401694, 401695, 401699	7	
4017	Hard rubber (for example, ebonite) in all forms, including waste and scrap; articles of hard rubber.	401700	1	
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared.	440310, 440320, 440341, 440349, 440391, 440392, 440399	7	
4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm.	440710, 440721, 440722, 440725, 440726, 440727, 440728, 440729, 440791, 440792, 440793, 440794, 440795, 440799	14	
4408	Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm.	440810, 440831, 440839, 440890	4	

Tariff Line 4 digits HS	DESCRIPTION	Sub-tariff lines 6 digits HS	Number	Conflictive Products
4409	Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, molded, rounded or the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed	440910, 440921, 440929	3	
4410	Particle board, oriented strand board (OSB) and similar board (for example, waferboard) of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances	441011, 441012, 441019, 441090	4	
4412	Plywood, veneered panels and similar laminated wood	441210, 441231, 441232, 441239, 441294, 441299	6	
4414	Wooden frames for paintings, photographs, mirrors or similar objects.	441400	1	
4418	Builders' joinery and carpentry of wood, including cellular wood panels and assembled flooring panels; shingles and shakes.	441810, 441820, 441840, 441850, 441860, 441871, 441872, 441879, 441890	9	
4419	Tableware and kitchenware, of wood.	441900	1	
4420	Wood marquetry and inlaid wood; caskets and cases for jewellery or cutlery and similar articles, of wood; statuettes and other ornaments, of wood; wooden articles of furniture not falling within chapter 94.	442010, 442090	2	
4421	Other articles of wood.	442110, 442190	2	
4601	Plaits and similar products of plaiting materials, whether or not assembled into strips; plaiting materials, plaits and similar products of plaiting materials, bound together in parallel strands or woven, in sheet form, whether or not being finished articles (for example, mats, matting, screens).	460121, 460122, 460129, 460192, 460193, 460194, 460199	7	
4602	Basketwork, wickerwork and other articles, made directly to shape from plaiting materials or made up from articles of heading 4601; articles of loofah.	460211, 460212, 460219, 460290	4	
5001	Silkworm cocoons suitable for reeling.	500100	1	
5201	Cotton, not carded or combed.	520100	1	
5303	Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and waste of these fibres (including yarn waste and garneted stock).	530310, 530390	2	
5305	Coconut, abaca (Manila hemp or Musa textiles Nee), ramie and other vegetable textile fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres (including yarn waste and garneted stock).	530500	1	
5307	Yarn of jute or of other textile bast fibres of heading 5303.	530710, 530720	2	
5308	Yarn of other vegetable textile fibres; paper yarn.	530810, 530820, 530890	3	
5310	Woven fabrics of jute or of other textile bast fibres of heading 5303.	531010, 531090	2	

Tariff Line 4 digits HS	DESCRIPTION	Sub-tariff lines 6 digits HS	Number	Conflictive Products
5311	Woven fabrics of other vegetable textile fibres; woven fabrics of paper yarn.	531100	1	
5607	Twine, cordage, ropes and cables, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics.	560721, 560729, 560741, 560749, 560750, 560790	6	
5608	Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials.	560811, 560819, 560890	3	
5609	Articles of yarn, strip or the like of heading 5404 or 5405, twine, cordage, rope or cables, not elsewhere specified or included.	560900	1	
5905	Textile wall coverings.	590500	1	
6305	Sacks and bags, of a kind used for the packing of goods.	630510, 630520, 630532, 630533, 630539, 630590	6	
9401	Seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof.	940110, 940120, 940130, 940140, 940151, 940159, 940161, 940169, 940171, 940179, 940180, 940190	12	
9403	Other furniture and parts thereof.	940310, 940320, 940330, 940340, 940350, 940360, 940370, 940381, 940389, 940390	10	
9601	Worked ivory, bone, tortoise-shell, horn, antlers, coral, mother-of-pearl and other animal carving material, and articles of these materials (including articles obtained by moulding).	960110, 960190	2	
TOTAL	124 (4 digits HS)	476 (6 digits HS)	476 (6 digits HS)	
TOTAL W/O CONFLICT	92 (4 digits HS)	326 (6 digits HS)	326 (6 digits HS)	

## ENDNOTES

- 1 This document includes the update of the paper "Tropical and Diversification Products: Strategic Options for Developing Countries", the first version of which was completed in March 2006.
- 2 A large proportion of which are tropical products (highlighted by the author).
- 3 For instance, see: International Federation of Agricultural Producers (FIPA) (2005).
- 4 World Bank, 2004. See also: Ingco *et al*, 2002; UNCTAD, 2000.
- 5 "The average MFN tariff that is applied to agricultural products varies substantially across countries, but in the majority of OECD countries is more than double the average that applies for manufactures." (Hoekman, Ng and Olarreaga, 2002a).
- 6 Tariff escalation has very negative effects on developing countries. FAO (2004) stated in this respect that: "tariff progression may become an obstacle to the growth in agriculture and farming products in exporting countries, and therefore, the growth in their manufacture industries, the accumulation of competencies and the capital as well as diversification of exports. Furthermore, the concentration of exports in less manufactured products determines a slower growth in exports and a higher exposure to risk in the instability of the agricultural product prices". A recent study (Bureau *et al*, 2007) indicates that "the tariff structure of the EU, US, Canada and Japan shows that tariff escalation is widespread if we look at bound tariffs. However, this is no longer the case if we focus on applied tariffs, i.e. if we take into account the preferential regimes", and mentions that the main cases are cotton in Japan and the United States, chocolate and fruit juices in the European Union and the United States (because they contain sugar or milk) and other products in Japan (coffee, cocoa, groundnuts, vegetables and citrus). However, it is worth mentioning that these products are not only considered important for developing countries, but also that the lack of medium and long term security in preferential regimes force investors to abstain from making investments that are essential for agro-industrial development in these and other lines if they do not have more guarantees, as those provided by the MFN customs duties in the WTO, as indicated in the same study.
- 7 WTO (2004b).
- 8 FAO (2004) states that: "Tariff escalation introduces a bias against labour intensive agriculture and farming products in the commercial protection to developed and developing countries. It stops growth driven by exports and the increase of diversification in developing countries. The study's conclusions indicate that the tariff escalation predominates in a large number of agricultural product chains both in developed and developing countries. It is more marked in the commodities, such as meat, sugar, fruit, coffee, cocoa, and skins and leather that are largely beneficial for exports in many developing countries suffering poverty."
- 9 Other advantages of liberalisation that are usually not measured by these studies are the decrease in the volatility of international prices and the significant increase in the agricultural production of many developing countries that would generate higher international prices (and would allow some developing countries to go from net importers to net exporters). Furthermore, it would allow developing countries to reform their agricultural and protection policies, which in some cases - as in India - has been difficult due to the fear of facing unfair competition from subsidised goods in developed countries. To find out more about these topics see, among other: Hoekman, Ng and Olarreaga, 2002a).
- 10 See Hoekman, Ng and Olarreaga, 2002a and 2002b; Gulati and Narayanan, 2002.
- 11 Nash, 2004.
- 12 In this respect, a study by UNCTAD (2003) notes: "As may be observed, the estimated gains to global economic welfare on an annual basis vary widely according to the database, the assumptions of the model and the policy experiment (i.e. the trade liberalization scenario). Table 11 does not give a breakdown of the effects on developing countries; however, experience from a variety of modelling exercises shows that developing countries capture about 40 per cent of the gains, but these are not evenly distributed. In agriculture important gains go to those countries that liberalize, including the European Union and Japan".
- 13 Borrell used a multi-lateral model detailing 24 countries/regions and analysed seven types of artificial sweeteners to examine long term effects on the price, trade and welfare of sugar market liberalisation.
- 14 Watkins, 2004.
- 15 World Bank, 2004.
- 16 Various works highlight the importance of this topic. For example, a recent study pointed out that: "Surveys suggest that sanitary, phytosanitary (SPS) and technical requirements (TBT) are now major obstacles to developing countries' exporting food products to OECD markets. The problem is particularly severe for poorest countries." It added that: "Recent strengthening of developed countries legislations suggest that the issue will only get worse" (Bureau *et al*, 2007).
- 17 The SPS Agreement, in its Article 4 states that "countries shall accept as equivalent the sanitary and phytosanitary measures from another country, although deferring from its own, provided that and when they achieve the proper level of protection from the importing country" and this last concept is defined as the "level of protection deemed pertinent by the Member establishing the sanitary or phytosanitary measure to protect the life or health of people and animals or to preserve the vegetables onsite." This wording, from which the principle of equivalency has been generated, for the control systems in the multi-lateral environment, has obviously generated diverse and divergent interpretations.
- 18 See among others: Murphy, 1999; Vorley, 2003; MacDonald, 2001; Heffernan and Hendrickson, 2002; Hendrickson *et al*, 2001; Hayenga and Wisner, 2000 and Wise, 2004.
- 19 Many developed countries such as Canada, the US and the European Union have provisions that in one way or another leave out the production and trade of tropical products to apply the fair competition act.
- 20 The text specifically mentioned the following products: cocoa, coffee, tea, oilseeds and vegetable oils, and tropical wood.
- 21 According to the April 1979 report by the GATT director general, trade was liberalised on nearly 3000 tariff lines of tropical products (tariff concessions and contributions linked to the GSP), significantly reducing the duties levied on coffee, tea and cocoa, inter alia.
- 22 The Ministerial Declaration of Punta del Este stated the following in this connection:  
"Negotiations shall aim at the fullest liberalization of trade in tropical products, including in their processed and semi-processed forms, and shall cover both tariff and non-tariff measures affecting trade in these products. The CONTRACTING PARTIES recognize the importance of trade in tropical products to a large number of less developed contracting parties and agree that negotiations in this area shall receive special attention, including the timing of the negotiations and the implementation of the results as provided for in B(ii)."
- 23 WTO, 2003.

- 24 WTO, 2006a.
- 25 WTO, 2007a.
- 26 WTO, 2006b.
- 27 WTO, 2007b.
- 28 Author's emphasis
- 29 WTO, 2006c.
- 30 He included as an example the problems that the elimination of customs rights for sugar would imply in developed countries, and affirmed that "it is hardly implausible to say that sugar is a tropical product (albeit that it is not only the product of tropical agriculture)".
- 31 WTO, 2007c.
- 32 The document cited a WTO Staff Working Paper that estimated that nearly 85 percent of the potential impact was derived from sugar and from fruits and vegetables (mainly bananas).
- 33 For a comparison of the tariff lines covered by the mentioned lists, see Annex II.
- 34 However, recently (JOB(07)/168, 2 November 2007) Latin American countries expressed their support for the list of the Cairns Group, arguing that it reduces the list of the Uruguay Round: "The countries belonging to the Negotiating Group on Tropical Products have expressed support for the proposal on the coverage and treatment of tropical and alternative products submitted by the Cairns Group in JOB(07)/31. The list of products in this proposal substantially reduces the number of products in the indicative list of the Uruguay Round and reflects the current situation concerning the level of protection for these products".
- 35 Underlined by the author.
- 36 FAO, 1996.
- 37 It would also be possible to use other indicators of the importance of these products to the economies of developing countries, such as their contribution to job creation. However, a simple indicator, such as the share of overall exports or of overall agricultural exports, is viewed as preferable for two reasons: relatively reliable statistics are available (which is not the case with other indicators, such as job creation) and this indicator has the most direct positive impact on complete trade liberalisation in this field.
- 38 UNODC, 2005.
- 39 UNODC, 2001.
- 40 The G-20 position in this respect agrees with this statement: "It is clear that the adverse consequences of preference erosion derive from structural causes, and in order to be adequately addressed, a comprehensive approach should be taken." See G-20, 2005.
- 41 See, for example, Goodison, 2007. This work, after reviewing the experience of the European Union in the case of banana and sugar, concluded the following: "In identifying the scope for a comprehensive policy response to the process of preference erosion, which is underway in ACP-EU trade relations, seven main elements are identified:
- The immediate removal of all remaining tariff and quota restrictions, so that full advantage can be taken of what margins of preference remain;
  - Co-operation on administrative arrangements to reduce transaction costs on exports to Europe;
  - The establishment of clear, time bound procedures for the resolution of sanitary and phytosanitary disputes, including the establishment of arbitration arrangements in case of none resolution of a SPS dispute within the agreed timeframe;
  - The establishment of "aid for trade" packages to assist in production adjustments to meet "quality" standards, improve marketing and facilitate movement up the value chain;
  - The establishment of aid instruments to support diversification out of the affected sectors (involving the provision of both technical and financial support);
  - The provision of support to social adjustments in affected sectors and communities to reduce the transition costs and support the maintenance of an investment friendly environment; and
  - The provision of support to public sector management, institutional reform and policy reform."
- 42 Freeman *et al* (2000), for instance mention that "with the sugar liberalization, EU and US may obtain economic gains estimated in US\$1.1 billion by 2010 (facing the reference case). Nevertheless, some small countries with preferences could be losing close to US\$ 300 million. The earnings for the EU and US exceed by far the losses for those depending on the preferences, allowing a redirection of the support so as to make it more effective."
- 43 A recent study (Bureau *et al*, 2007) estimated the preference value of ACP countries in the European Union market at 2.436 million dollars per year (60 percent of which corresponds to sugar; however, this estimate does not consider the recent sugar reform of the EU, which includes a 36 percent price reduction, which will surely reduce the amount of the preferences) and 123 million for the 11 Latin American countries; and 46 and 155 million for the US market, respectively. However, it affirmed that with the full liberalisation in the WTO framework, "these countries would lose some quota rents, and preferential access, but they would gain extra access in case of fullest liberalisation that are not accounted for in the above figures. They would also gain the security of having lower tariffs entrenched in WTO schedules, rather than depending on the goodwill of the US Congress or the EU authorities." It also mentions that this level of security is fundamental for investors to decide to invest on a medium and long term, and affirms that: "This is an important issue. Many non tariff barriers that currently prevent developing countries from exporting to the EU or US (such as certification and traceability) could only be circumvented with significant foreign direct investment and technology transfer, but investors need a long term horizon and predictability in market access". Likewise, it indicates that "It would also provide both groups with a larger access to markets that are still protected, - such as Japan and emerging countries". Finally, it highlights that it is very likely that not all the preference value mentioned will ever reach the benefited countries, because "the figure is an estimate of the whole preferential rent, some of which is likely to be captured by importers in developed countries."
- 44 In this respect, see Mattoo *et al*, 2002; Brenton and Manchin, 2002; Hoekman, Ng and Olarreaga, 2002a and Bureau *et al*, 2007. The latter, for example, conclude that: "Estimates also show that administrative requirements impose a fixed cost which offsets a significant share of the preferential margin, in particular for the poorest countries" and that "Many preferential regimes nevertheless come with strings attached which limit their actual usefulness".



- <sup>45</sup> World Bank, 2004. The Bank indicates furthermore that most of the poorest countries in the world do not live in the LDCs that are a target of those preferences, so "they do not benefit the three quarters of the world's poor that live on US\$1 per day in other countries."
- <sup>46</sup> This is the case of the preferences granted by the European Community to 78 countries in Africa, the Caribbean and the Pacific (ACP) according with the Cotonou Agreement. The WTO indicates in this respect: "By the end of the preparatory period (no later than December 31, 2007) these unilateral preferences will be substituted by reciprocal economic association agreements, compatible with the WTO regime between the EU and each of the countries or groups of ACP countries." (WTO, 2004b).
- <sup>47</sup> Goodison (2007) indicates that "the process of preference erosion was driven initially by internal EU policy considerations (for bananas, the completion of the single internal market, for sugar, its integration into the mainstream of CAP reform) and not by WTO negotiations or the WTO dispute settlement process." Furthermore, the sugar reform defined by the EU - pushed by the WTO dispute settlement process - will have a significant impact in the preferences granted to the ACP in this regard.
- <sup>48</sup> Bureau *et al*, 2007.
- <sup>49</sup> This way, a suggestion of the chairman in his last modality draft will be formalised: developed countries should establish a duty-free access for a multiple of the number of tariff lines that were reduced to zero in the Uruguay Round. If this multiple is set to five, the United States would have to reduce to zero 200 tariff items and would end up with 76 that would keep a tariff different from zero, the European Union would remove 245 to end up with 196 and Japan would remove 140 to end up with 105. Therefore, a better result compared to that obtained in the Uruguay Round would be achieved (Uruguay Round plus), as proposed in the Doha Round.
- <sup>50</sup> Goodison (2007) said, for example, with respect to preference erosion: "Relatively bigger impacts are concentrated in small island economies and a number of LDCs dependent on sugar, bananas and, to a lesser extent, garment exports".
- <sup>51</sup> For example, with direct transitory aids to producers (financed with community tariff resources), associated with the enhancement of their competitiveness (productivity and quality) or to the diversification of their economic activity.
- <sup>52</sup> Goodison (2007) concluded that: "What would appear to be appropriate from the experience to date in the banana and sugar sectors is the need for:
- Clearly defined "aid for trade" programmes targeted at achieving specific sectorial objectives (reduction of production costs, productivity improvements, better organization of transport and shipping, improved marketing, support for value addition);
  - The establishment of appropriate instruments of support (grant-based co-financing, grant-based concessional loans, support for technical assistance, support for investment) for the implementation of the programme of measures; and
  - The identification of appropriate channels for aid delivery with a view to the delivery of assistance swiftly and at minimum cost."
- <sup>53</sup> The list of tropical countries was compiled by first selecting those countries located between the Tropic of Cancer and the Tropic of Capricorn. These countries' share of agricultural exports was then calculated using FAO statistics, and the products for which they had a share of 50 percent or more were chosen.

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