

URUGUAY ROUND

OF MULTILATERAL TRADE NEGOTIATIONS

NUR 014
26 February 1988

TROPICAL PRODUCTS GROUP TO SEEK EARLY AGREEMENT THIS YEAR

TNC will meet at Ministerial level in December

The Trade Negotiations Committee agreed, on 18 February, that its end-of-year meeting would take place at Ministerial level in Montreal, Canada, in the week beginning 5 December 1988.

Functioning of the GATT System ... 25-28 January

Proposals concerning closer Ministerial involvement in GATT through more regular Ministerial-level sessions of the Contracting Parties met with broad support. Participants were more divided, however, about the advisory or consultative role a smaller group of Ministers would have and about the size, composition and possible mandate for such a group.

The need for better transparency in trade policies, annual reporting by all contracting parties and regular reviews of trade policies was widely accepted. It was agreed that consultations should be held in connection with a common format for country trade policy reports and it was suggested that the GATT secretariat provide information on the share of world trade accounted for by a proposed "core group" of 20 to 30 contracting parties, and estimate possible additional GATT staff requirements needed to carry out the review mechanisms.

The Group held further discussions on the relationships between GATT and the international financial and monetary organizations and agreed to continue this at its next meeting in March.

Tropical Products ... 25 and 29 January

In the first decision of its kind in the Round, this Group agreed on procedures for negotiations with the objective of achieving concrete

results before the end of 1988 and their implementation at the earliest possible date as provided for in Section B(ii) of the Ministerial Declaration¹. In the first stage of the approved timetable, participants are to submit indicative lists which should elaborate on general approaches, formulae and measures, and/or contain specific product or country requests, by the end of March. The Group will then review developments as well as consider new proposals in April.

Two rounds of multilateral consultations aimed at the fullest liberalization² of trade in tropical products and covering all seven product groups² will be held in May and June. For the purpose of these consultations, delegations may also request or provide additional information on trade policy measures. The following month, the Group will reassemble to review the results of these consultations. Another review of progress made in the negotiations will take place in the Autumn. Many delegations underscored the importance to developing countries of trade liberalization in this sector. Several participants described the decision as a good compromise and welcomed its positive implications for the Round as a whole.

The Group also received two further proposals. A group of countries proposed reaching an agreement, before the end of the year, on a formula for reducing or eliminating tariffs in this area on the broadest possible basis. It suggested implementation of tariff cuts within a five-year period beginning on 1 January 1989. Another participant tabled an offer which would further improve its GSP and MFN treatment for tropical products. It expressed its readiness to hold immediate bilateral consultations and negotiations with developing countries on all tariff matters contained in its proposal.

Trade in Services ... 27-29 January

The major part of this meeting was spent in discussing the proposals tabled by the European Communities and Switzerland at the December meeting (NUR 013). The Swiss proposal argued that a services framework might rest upon the negotiation of bilateral services

¹Section B(ii) of the Ministerial Declaration states: "The launching, the conduct and the implementation of the outcome of the negotiations shall be treated as parts of a single undertaking. However, agreements reached at an early stage may be implemented on a provisional or a definitive basis by agreement prior to the formal conclusion of the negotiations. Early agreements shall be taken into account in assessing the overall balance of the negotiations."

²The seven product groups are: tropical beverages (coffee, cocoa and tea); spices, flowers and plants; certain oilseeds, vegetable oils and oilcakes; tobacco, rice and tropical roots; tropical fruits and nuts; tropical wood and rubber; and jute and hard fibres.

agreements extended to third parties through 'optional most-favoured-nation treatment'. A discussion developed on the extent to which the underlying principles of any framework agreement for trade in services would be comparable with the General Agreement covering goods. Some delegations felt that a services agreement should support the trade rules on goods, while others believed that a quite different approach was necessary. The European Communities described its own approach as dealing with the potential tension between the idea of progressive liberalization of market access and the need for respect for national policy objectives (in the context of national laws and regulations which affect trade in services). In a wide-ranging discussion on this proposal, attention was given to the implications of the objectives outlined in the Punta del Este declaration, namely the expansion of services trade as a means of promoting economic growth generally and the development of developing countries in particular.

Subsidies and Countervailing Measures ... 1 February

Participants embarked on a general discussion about the fundamental objectives and concepts of Articles VI (Anti-dumping and Countervailing Measures) and XVI (Subsidies) of the General Agreement and the relationship between these two Articles. They discussed whether the principal focus of negotiation should be the tightening of the disciplines on countervailing actions or efforts to control and reduce export and other subsidies. The Group agreed to resume this discussion as well as start considering specific drafting proposals on particular issues at its next meeting.

GATT Articles ... 3-5 February

Discussion on a possible reform of Article XXVIII (Modification of Schedules) raised a number of issues. These included the erosion of the rights of substantial suppliers under Article XXVIII:3 and the tendency for negotiating rights to become increasingly concentrated in the hands of large suppliers.

A number of delegations expressed the view that lack of negotiating rights made it impossible for small suppliers to protect their interests in tariff negotiations following an increase in bound rates of duty of products of interest to them. This diminished the value for them of tariff commitments by their trading partners. Others felt that Article XXVIII worked well on the whole. They said Article XXVIII had been used with restraint and had provided a vital safety valve enabling some contracting parties to accept very high levels of obligation in the field of tariff reductions and tariff bindings.

A number of delegations referred to the question of new products and the problem of pre-emptive increases in tariffs on such products. In their view this created a problem in regard to the appropriate level of compensation due, since by definition achieved trade levels

for such products could not reflect the potential value of the trade. One delegation suggested that there was a need for new rules on the calculation of compensation in such cases.

In addition to a submission on Article XXVIII, two other submissions were introduced by delegations during the meeting. One was on Article XXVI:5(c), dealing with the terms of succession of de facto countries to the General Agreement, and the other was on Article XXI, which covers security exceptions. It was agreed that further issues relating to Article XXVIII may be taken up again at the Group's next meeting. It was also agreed that the Group would take up Articles XVII and XXIV at its next meeting.

Natural Resource-Based Products ... 8-10 February

A negotiating proposal by one delegation stimulated discussion concerning tariff reductions and the elimination of non-tariff measures for natural resource based products. One delegation insisted that there should be uniformity in the treatment of tariffs, non-tariff measures and natural resource products and that identical reduction mechanisms should be applied in the negotiating group on natural resource-based products as in the groups on tariffs, non-tariff measures and textiles. Several delegations said they were open to the idea of an enlargement of product coverage which had been the subject of a 1982 Working Party on Trade in Certain Natural Resource-Based Products. Other delegations expressed the view that an enlargement of those products under consideration could slow down progress in the Group, and one delegation said that any decision to enlarge product coverage should be subject to further discussion and that it would require an agreement by the Group. The Chairman invited delegations which so wished to provide by 30 April additional information and proposals of interest to the Group.

Agriculture ... 15-17 February

Participants examined the proposal for negotiations tabled by Japan at the end of last year. When submitting the proposal, which it described as realistic, Japan stressed the need to establish long-term stability for trade in agricultural products and to ensure food security for all countries. It said that it was in favour of a freeze (as an emergency measure) followed by gradual elimination of export subsidies and a strengthening of disciplines on other trade-distorting subsidies. Japan considered that improved market access should be sought by reducing customs tariffs through a request and offer procedure, and also by improved criteria for allowing waivers from the general principle of the elimination of quantitative restrictions. It emphasized that waivers which allow some countries to maintain import restrictions are a destabilizing element, and that the concerns of importing countries are not sufficiently taken into account by the

rules on export restrictions. It pointed out that in the case of basic foodstuffs the new rules should ensure stability of supply and allow the maintenance of some degree of domestic production.

While appreciating the fact that Japan had thus displayed its willingness to contribute actively to the negotiations on agriculture, most participants considered that Japan's proposal was over-cautious and in some respects fell short of the Punta del Este undertakings. It was also pointed out that the proposal laid too much emphasis on agricultural self-reliance, and that food security could be obtained by opening up and diversifying markets. Some participants also considered that the proposal did not strike a proper balance between importers and exporters, and placed all the weight of adjustment on the latter.

Jamaica also submitted a revised version of its communication tabled last year. This communication, supported by a number of developing countries, highlights the interests of countries that are net importers of agricultural products or heavily dependent on such imports. Jamaica also outlined its views on the special and differential treatment to be accorded to developing countries in this area.

The European Community developed its ideas concerning emergency measures designed to ease the strain in the markets for cereals and cereal substitutes, sugar and dairy products. They consist of price disciplines and measures to reduce quantities put on the market, which would last for one year and be renewable. Many participants considered that these measures were too sectoral, and were based on an interventionist philosophy. They regretted the lack of any link with long-term measures, and expressed the fear that they might distract attention from the search for long-term solutions.

The negotiating group went on to discuss at length the technical aspects of the agricultural negotiations, and several participants submitted often complex working papers on the use of an instrument for the aggregate measure of support for agriculture (PSE or EDE). The Group agreed to convene a technical meeting of experts on this question during the third week in March, to report to the Negotiating Group on Agriculture which meets during the week beginning 18 April. The difficulties of harmonizing sanitary and phytosanitary regulations were also discussed, as well as the special and differential treatment to be given to developing countries; the latter were invited to submit proposals on that subject.

Group of Negotiations on Goods ... 18 February

The GNG met in the morning of 18 February to continue the review of progress in the goods negotiations in the Uruguay Round which it had started at its December meeting. At the end of the December

meeting, the chairman, Mr. Arthur Dunkel, had been able to conclude that there was widespread satisfaction with the work which had been completed during the first year of the Round. At the February meeting, while recognizing the substantial efforts that had been made, a number of delegations expressed specific concerns in areas of interest to them. A number of delegations re-emphasized the need for parallel progress on debt, finance and monetary issues in order that the Round can fully achieve its objectives. The more general points raised included the need for the negotiating groups to pay due attention to providing special and differential treatment for developing countries in the Round and the concern that there should be balanced progress in all of the negotiating groups. An issue of importance for many delegations was that the standstill and rollback commitments should be respected. In his concluding remarks, the chairman said that with the progress achieved in the formulation of positions and the clarification of issues, it was now time to push forward the negotiating process proper.

Note to Editors

1. Press bulletins on the Uruguay Round are issued regularly and are intended as an indication of the subject areas under discussion rather than as detailed accounts of negotiating positions. Journalists seeking further background information are invited to contact the GATT Information and Media Relations Division.

2. These accounts of negotiating meetings should be read in conjunction with the text of the Punta del Este Ministerial Declaration (GATT/1396 - 25 September 1986) and the decisions taken on 28 January 1987 regarding the negotiating structure, the negotiating plans and the surveillance of standstill and rollback (GATT/1405 - 5 February 1987). Further copies of these documents are available from the GATT Information and Media Relations Division.