

GENERAL AGREEMENT ON TARIFFS AND TRADE

Special Distribution

Working Party on Trade in Certain
Natural Resource Products

PROBLEMS OF INTERNATIONAL TRADE IN¹
FORESTRY PRODUCTS

Chairman's Report to the Council

1. The terms of reference of the Working Party on Trade in Certain Natural Resource Products are set out in document C/126, of 30 April 1984.
2. The Working Party has met formally to discuss problems of trade in forestry products on three occasions, namely on 26 June and 19 September 1984 and on 16 September 1985. As agreed upon by the Working Party, the Chairman has also consulted, in bilateral and in informal plurilateral consultations, with the mainly interested delegations, on problems of trade perceived by delegations, in one or more sub-sectors of forestry products trade and on possibilities for dealing with these problems.
3. The Working Party had before it for its consideration a background study prepared by the secretariat (Spec(84)13 and Add.1 and Corr.1, and Corr.1/Suppl.1), covering, in essence, data and an analysis relating to products classified in CCCN Chapters 44, 45 and 47. A revision and partial up-date of the background study, prepared on the secretariat's responsibility, will be issued in the MDF/W/- series. The Working Party also had before it several other documents, inter alia, MDF/W/1, MDF/W/3 and Add.1 and MDF/W/49 and Corr.1 which also deal, in part or wholly, with forest products related issues, submitted by one of the main interested delegations. Notes on the proceedings at the formal meetings are contained in documents MDF/W/2, MDF/W/16 and MDF/W/53 and Corr.1. The latter document also contains a summary of points made subsequently by a delegation in relation to reporting to the Council.
4. On the basis of the documentation before it, which was much appreciated, the Working Party had a wide-ranging and useful discussion of the various elements that do, or could, affect international trade in wood, and products made thereof and, to a more limited extent, in certain other forest products. In regard to trade in paper and paper products, the Working Party took note of the documentation submitted by one of the interested delegations and of the interests and concerns expressed, taking into account, inter alia, the position of certain developing countries.
5. In programming and in carrying out its work, the Working Party was aware of, and took into account, the fact that certain aspects relating to the scope of the WP's examination were on several occasions on the agenda of the Council and were discussed in Council.

¹ Report presented to the Council at its meeting held on 5 November 1985. The cross reference to the present report, shown as MDF/20 in paragraph 15 of MDF/W/53, has been the subject of a corrigendum.

26. In relation to international trade in the products covered in the secretariat's background study, the Working Party did identify a number of problems or difficulties. Most of these are mentioned in paragraphs 14, 15 and 16 of document MDF/3, of 14 Nov. 1984. Relevant excerpts from the text of these paragraphs are reproduced in the Annex. While further factual information has been gathered since MDF/3 was circulated, the findings then presented remain valid.

7. As regards trade in paper and paper products, consensus could not be reached among participants to examine this in detail in the Working Party. From such discussions as have taken place, it is the opinion of some, but not all, members of the Working Party, that certain tariff and non-tariff problems exist in that sub-sector of trade. Some of these problems may not be dissimilar to some of those identified for wood semi-manufactures, while other problems, as they relate to pulp, paper and paper products, may present somewhat different characteristics. Some delegations feel that work cannot be considered finalized until the analysis of the paper sector is completed.

8. Throughout its work the Working Party has borne in mind overall developments in world trade policy and related developments in GATT. The Working Party has also been aware, throughout, that national forest industries, whether narrowly or broadly defined, are undergoing major restructuring, necessitated by increasing international competition and/or important changes in technology as well as in patterns of supply, demand and consumption. Recessionary tendencies in the mid 1970s, and again in the early 1980s, have resulted in additional difficulties for many of the enterprises in the forest product industries in their adjustment and restructuring efforts.

9. Bearing in mind all these factors, many delegations have indicated that some of the more important questions relating to possible adjustments in policies and measures governing access to markets, as well as to supplies, should be resolved in the context of a new round of multilateral trade negotiations. This, of course, would be without prejudice to the negotiating procedures or objectives still to be agreed upon. One delegation has notified its interest in seeing placed on record options that may exist in regard to negotiation objectives and modalities.

10. There are also some measures, of a more limited nature, identified as actual or potential problem areas, such as specific technical standards, certain customs formalities and temporary restrictions; these deserve continuing attention. Some of the points and suggestions made in the Committee on Trade in Agriculture with respect to phyto-sanitary regulations and on technical barriers to trade are, mutatis mutandis, also relevant for considering solutions to overcoming certain problems of trade in forestry products.

11. Members of the Working Party have suggested, from the outset, that the GATT-secretariat, in its work on forestry products' trade issues should follow closely the work undertaken by other organizations active in dealing with issues relating to forestry products, notably FAO, the ECE/FAO Agriculture and Timber Division and also the newly created International Tropical Timber Organization, to mention only a few of the relevant organizations.

12. Moreover, GATT study and monitoring of developments in forestry products trade could be counted towards information inputs that might possibly be required for a broader multilateral negotiating process. Such work could also make a useful contribution to addressing, in the GATT, problems in the sector of forest products trade within the context of the broader work mandates of a number of existing GATT Committees and, as required, in some of the established GATT MTN bodies.

Annex

- Excerpts from document MDF/3 -

- Reference: Paragraph 6 of the foregoing report -

"14. From the discussions so far it appears that problems or difficulties are perceived with regard to remaining m.f.n. tariffs for m.f.n. suppliers, non-coverage or coverage limitation of certain GSP schemes for GSP suppliers, tariff escalation, complexities in tariff schedules and certain customs formalities.

15. In regard to non-tariff measures there exists some concern over the actual or potential trade limiting effects of quotas, phytosanitary measures and technical standards. It has been suggested that these measures should be the subject of consultations and, if necessary, continuing attention. Certain other non-tariff measures which do, or may, affect trade flows, such as procurement practices, tax treatment, testing requirements, and fees, have also been mentioned as requiring further clarification, at least, as to their scope and impact.

16. The various tariff and non-tariff measures just mentioned are not intended to provide an exhaustive listing. Clearly, other factors may also have an important bearing on actual trade flows and potential trade development. Given the fact that the forestry resource sector requires particularly long planning periods, a number of delegations have stressed the importance of avoiding uncertainties stemming from economic and trade policy decisions and actions. On the other hand, the forest industries are also the subject of major and often swift technological developments, not all of which are adequately reflected in the existing trade policy instruments."