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TRADE NEGOTIATIONS COMMITTEE

Friday 19 November 1993

The Trade Negotiations Committee met on 19 November 1993. The following is the opening statement by the Chairman, Mr. Peter Sutherland.

We have 26 remaining days within which to conclude the Uruguay Round negotiations. Since our last meeting, additional Ministerial statements have been circulated calling urgently for a result to your efforts; I refer, for example, to the Declaration of the 19th Latin American Council of SELA, which met in Caracas on October 25-29 and the Declaration of the Visegrad countries (Hungary, the Czech Republic, Poland and the Slovak Republic), who met in Budapest on November 12.

This week has seen significant developments but we still have much to do. Following the vote in the US Congress on NAFTA, the overall climate to conclude the negotiations rapidly has improved. It is now particularly urgent that the major trading partners, especially the European Community and the United States, bring to the table a decisive contribution that will enable us to achieve the balanced package necessary to conclude the Round. In particular, they must begin to offer solutions to the specific market access issues which I will outline later in my statement.

Thus, now is the time for political leaders to find the will to resolve the remaining issues in a manner that constructively takes account the known positions of all participants. Our process here in Geneva has begun to crystallise the issues that remain to be solved and to identify clearly the political choices that must be made if we are to win the prize of a success.

I will now give my assessment of where we stand in the negotiations.

MORE

Market Access

Mr Germain Denis has given me a detailed report on the state of play in market access as of November 15. I attach particular importance to this report and I would like you, the negotiators, to bring the following assessment to the personal attention of your Ministers so that the necessary flexibility will be forthcoming in order to reach a final balanced result for all participants.

The Overall Picture

We have within our reach a large and broad-based market liberalization package. The dynamics of the negotiations in the last few weeks has been positive even though progress has continued to be slow and difficult. There is still considerable work to be done before a multilaterally acceptable and substantial market access package can be clinched. Indeed, unless there is a determined and vigorous effort next week to move the market access package forward decisively, there is a risk that some participants may be tempted to adjust the package of results by withdrawing conditional offers. On the other hand, with the necessary leadership from the major participants, we have the real prospect not merely of achieving, but even exceeding significantly, the overall trade liberalization objectives agreed for the Uruguay Round.

Globally, there are now 83 market access offers, of which 75 are comprehensive, covering both agricultural and non-agricultural products. Thus, participants accounting for virtually all international trade in goods now have schedules on the table. Six least-developed participants have submitted offers, while the other nineteen least-developed participants are among those participants without offers so far. Although the least developed countries have been offered a significant concession in the form of a grace period, I believe that it is still in their own best interests to submit offers before the Round concludes and I would strongly urge them to do this. This leaves us with only thirteen other countries that have yet to present their offers; I cannot stress too highly the importance for them of doing so immediately.

We have in sight the possibility that a large number of participants, both developed and developing, will offer to bind virtually all tariff lines across-the-board, thus enhancing predictability of market access conditions.

Tariffs

It is my understanding that a large number of participants expect to be able to achieve an *overall depth of tariff cuts* of:

- 36% for agricultural products - 24% by developing participants as provided by the DFA.
- At least 33% for non-agricultural products; many participants have indicated their ability to considerably exceed this level, if they can obtain a satisfactory balance of results with their trading partners.
- In the case of many developing participants, ceiling bindings are being offered at a maximum rate of 35%-40% on non-agricultural products, although some ceiling bindings tend to be considerably higher in the case of agricultural products.
- The proposal by Quad participants to eliminate tariffs and non-tariff measures in the sectors of pharmaceuticals, construction equipment, medical equipment, steel, beer,

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furniture, farm equipment and spirits has been gradually consolidated, as a critical mass of participants has expressed willingness to join, in whole or in part. The flexibility recently opened to developing participants in terms of coverage, depth of cuts and the phasing period has been helpful in this regard. A number of proposals to add other sectors remain outstanding. These include: paper, wood products, electronics, scientific equipment, ceramics, glass, toys, oilseeds and products, and malt. I would ask the participants concerned to contribute to solutions on these issues.

- Progress on the proposal by Quad participants for tariff harmonization on chemicals at low rates, including zero, has been positive. A number of other sectoral harmonization proposals remain outstanding, including in the areas of non-ferrous metals, fish products, textiles and clothing. Those who have yet to move should do so now.

Non-Tariff Measures

In respect of non-tariff measures on agricultural products, the revised offers are expected to reflect the following:

- most participants have accepted the principle of comprehensive tariffication. It is time for those few who continue to oppose this central element of the DFA to review their position. Germain Denis will intensify his consultations aimed at a satisfactory resolution of the comprehensive tariffication issue.
- there continue to be difficulties in the negotiation between a number of participants in respect of the way the DFA provisions for current and minimum access opportunities have been applied by major participants. The areas which seem still to cause most difficulties for some participants relate to cereals, meat, sugar, and dairy products. I must ask those participants to do better.
- in the areas of tropical products, there continue to be serious concerns on the part of developing participants, particularly with respect to bananas. I would urge a constructive dialogue on these concerns with a view to finding a solution.

The resolution of most problems concerning non-tariff measures on non-agricultural products, would seem to be contained in the trade rules package under the DFA. However, a number of product or sector specific non-tariff measures are under negotiation.

At this time,

- some tariff offers in the draft Schedules are still conditional upon the liberalization of restrictive government procurement practices;
- the proposal to eliminate tariffs on steel products remains subject to the conclusion of a Multilateral Steel Agreement;
- the willingness of certain major importers to offer deeper tariff cuts, including total elimination of duties in respect of resource-based products (wood products, non-ferrous metals and fish products) continues to be linked to access to supplies or resources;

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- efforts to find a resolution of market access related DFA issues in the areas of textiles and clothing are still under way between participants concerned. The consultations conducted by Germain Denis suggest that addressing this issue in the context of market access negotiations continues to be a constructive approach although concrete solutions have yet to emerge.

A number of major outstanding sectoral issues require further movement on the part of Quad participants. Indeed, at this time, these issues constitute the most serious obstacle to the conclusion of a large market access package. The way these sectoral issues are resolved will not only affect the size and shape of the overall package, but also influence the ability of participants to balance concessions at the highest possible level.

Major outstanding issues

I have given this detailed picture because I want to bring home to those, especially among the major trading partners who think that they have done enough, that more needs to be done. But, overall, I should emphasize *five issues*:

- **Agriculture:** the resolution of the DFA related issues, including comprehensive tariffication, and the provision for current and minimum access opportunities remains key to the achievement of a satisfactory global market access package. Resolution of agricultural tropical products liberalization issues remains also important.
- Textiles and clothing tariffs and other products under high tariffs are issues for which additional flexibility from Quad participants is required. The prospects of other exporting countries, particularly developing participants, providing improved market access in the textiles and clothing area have somewhat improved. Recent offers have been helpful, including across-the-board bindings. Progress is linked to the satisfactory resolution of market access related DFA issues in this area.
- The outstanding tariff elimination and/or harmonization proposals remain a key element of the unfinished agenda, although some recent offers seem to have begun to bridge gaps.
- **Electronics:** recent offers have been helpful, but flexibility to offer deeper cuts remains an important factor for many participants, particularly developing participants.
- **Leather products and footwear** have been the focus of recent concern by some participants. It relates to their capacity to maintain existing offers being conditional upon other participants also reducing their high tariffs and addressing issues relating to the supply of raw materials. Mr Denis intends to hold consultations on these matters as soon as possible.

By the end of today, participants are expected to complete the updating of their draft Schedules, with a detailed description of substantive changes to their initial offers resulting from their bilateral negotiations in recent months. These revised offers constitute an essential element for the evaluation of the market access results, envisaged in the Punta del Este Declaration.

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Services

Constructive work has continued to take place on services and additional important work will take place next week. I am particularly concerned, however, that certain positions which have been taken recently on financial services may prove to be utterly counterproductive. Indeed, there is now evidence that unless there is an urgent review of these positions, not only will the effort we have made and are continuing to make to improve existing offers falter but the important progress that we have already achieved may begin to unravel. I call upon the United States in particular to find workable solutions. All Governments at this stage of the negotiations have a responsibility to govern and to explain the great value of what has been achieved to domestic interests who may take unrealistic positions on what it is possible to achieve in this first multilateral negotiation on liberalisation of trade in services.

Eighty-five countries, including all major participants in services trade, have now submitted initial offers on services. However, a number of participants remain outstanding and I would remind you that the Group on Negotiations on Services has agreed that final schedules must be submitted by 26 November.

Institutional Questions

Last Monday a major breakthrough was achieved when the informal group chaired by Ambassador Julio Lacarte produced new revised texts of the Agreement establishing an MTO and the Dispute Settlement Understanding. Ambassador Lacarte and his group deserve our thanks for this valuable work. Their achievement is all the more remarkable in that the group was able to achieve consensus on all but a very few outstanding issues which the Heads of Delegation have already begun to address. Ambassador Lacarte will continue to assist me to focus on resolution of these issues.

Process

We have now established a comprehensive process in which Heads of Delegation can address all of the remaining issues in the Round. We have also put in place a process involving consultations by the Friends of the Chair to complete the drafting of the texts and to ensure their consistency and coherence.

As I mentioned last week, any delegation seeking substantive changes to the DFA carries the burden of seeking sufficient support for the proposed resolution of its difficulties or alternatively reviewing its position. There is not much time left to do this so those delegations that wish to embark upon this process should do so now and complete the process as soon as possible.

As the remaining issues are narrowed down, I would urge delegations, including those who may not be directly concerned by these end game issues, to reflect on possible solutions that might be offered. Now is the time for Heads of Delegation, in particular, to be prepared to put solutions rather than problems on the table. We must seek to advance discussion, and not just repeat time-worn positions that are well known to all of us.

Next week's TNC meeting will take place on Friday, November 26 at 11:00 am.

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Conclusion

Before concluding, I would like to take this opportunity of welcoming two governments – Belarus and Croatia -- who wish to be associated with the work of the Round and for which GATT accession working parties were established at the GATT Council meeting on 27 October.

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