

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED
MTN.GNG/NG3/2
14 May 1987
Special Distribution

Group of Negotiations on Goods (GATT)
Group of Natural Resource-Based Products

NEGOTIATING GROUP ON NATURAL RESOURCE-BASED PRODUCTS

Meeting of 29 April 1987

Note by the Secretariat

1. The Group, chaired by Mr. L. Duthie (Australia), held its second meeting on 29 April.
2. The Group adopted the agenda proposed in the convening airgram (GATT/AIR/2408). A summary of main points made under the different agenda items is given below.
 - A. CONTINUATION OF EXCHANGE OF VIEWS AND/OR PROPOSALS FOR ORGANIZING THE WORK OF THE GROUP
3. The Chairman recalled that in his closing remarks at the Group's first session he had noted that there was no full consensus on all of the aspects relating to the envisaged scope and the organization of the Group's work. He had offered to consult with interested delegations. These consultations had confirmed the need to continue the discussion on three interlinked issues, on which he invited comments, namely:
 - (i) matters, or measures, to be covered by negotiations on natural resource-based products, i.e. issues and objectives to be addressed;
 - (ii) product coverage and scope of the negotiations; and
 - (iii) the rôle of Negotiating Group 3 and its relationship with other Negotiating Groups.
4. Referring to the Punta Del Este Declaration, several delegations stated that, in their view, the objectives had been clearly spelt out. Questions remained, however, as to the issues to be taken up in the Negotiating Group.

5. Adding to and further developing some of the points made at the first meeting (MTN.GNG/NG3/1), several delegations each specified one, or more, sometimes interlinked or overlapping, issues which, in their view, should also be the object of negotiations in natural resource-based products. Issues specifically mentioned comprise the following:

- officially encouraged price fixing practices,
- dual pricing practices and resulting subsidies,
- government condoned restrictive business practices,
- government ownership and management of natural resource products trade (in close co-ordination with negotiations on State Trading),
- government support and subsidies of various types,
- natural resource development policies and practices,
- access to supplies,
- export restrictions and export taxes, and
- tariff escalation.

6. As regards access to supply, several delegations maintained that this question was outside the scope of negotiations in the Uruguay Round. A number of other delegations pointed out that restrictions of access to supplies distorted production and trade patterns, and that attention will have to be given not only to the interests of natural-resource-rich countries but also to the interests of natural resource have-nots. Another delegation made the point that, even though liberalization of market access was the avowed objective, the objective might not be attained unless importing countries could be given some assurances on matters of access to supplies and on trade practices.

7. One of the participants pointed out that State-trading as such should not be considered an issue and as far as restrictive business practices were concerned not only those condoned by some governments could be a problem - a problem that went beyond the natural-resource products sector and should, perhaps, be looked at in a more comprehensive context.

8. On product coverage in negotiations in NG3, one participant noted that energy-based products had been mentioned as being of negotiating interest by one delegation at the Group's first meeting. He stated that this extension of the product coverage could not be accepted by his authorities. One delegation stated that it might be too early to attempt at this stage to define the scope of the product coverage, but, in any event, they would not wish to see the Group's work being defined too narrowly.

9. Reference was made to a proposal by Japan in NG1 for the elimination of tariffs on industrial products but leaving the question of tariff and NTM action on certain forest products and on fisheries products to be dealt with in NG3. This suggested that the Group had some work to do in respect of tariffs and NTM's as well. Other delegations stated that they saw the Group's work mainly taking the form of monitoring the envisaged broader action in the relevant negotiating groups on tariffs and non-tariff measures. Similarly, certain other issues, such as subsidies, could usefully be dealt with in the Negotiating Group on Subsidies.

10. Several delegations, referring to issues mentioned in paragraph 5 above, explained that problems before the Group were often sufficiently specific so as to merit being dealt with in the Group, with the aim of progressing in the negotiations independently, but in parallel. Thus, a mere monitoring rôle would not be sufficient. Some of the interlinkages and problem-identification could be covered by reliance on a comprehensive request and offer procedure. One of the issues suggested to be addressed at an early stage should be the examination of the adequacy, or otherwise, of existing GATT provisions for dealing with problems arising in international trade in natural resource-based products. Another delegation suggested that it would be desirable to explore whether understandings could be reached on what might be acceptable trading practices for some of the products being dealt with in the Group.

11. Discussion will be continued at the next meeting.

B. REVIEW OF EXISTING DATA-BASE AND/OR OTHER REQUIREMENTS FOR ESTABLISHING A FACTUAL BASE FOR NEGOTIATIONS

12. The Chairman recalled the points made at the first meeting.

13. Noting a proposal made at the first meeting for expanding the product coverage also to energy-based products, one delegation stated that it would be useful if the secretariat could compile, from existing source-material, background documentation relating to international trade in coal and natural gas.

14. Another delegation stated that it would be useful if the existing documentation could be supplemented by further data on subsidies and in respect of the recent levying of certain export taxes by an important lumber exporting country.

15. Some delegations felt that it might be too soon to determine what further documentation and data might be required. In any event, data requirements should not delay the Group from progressing towards actual negotiations. Reference was also made to the suggested request procedure, which should help in identifying participants' respective negotiating interests.

16. One delegation stated that it would shortly present position papers of relevance in the context of negotiations in NG3.

17. The Group will revert to this item at its next meeting.

C. OBSERVER ORGANIZATIONS

18. The Group was informed of, and noted, a request by FAO of observer status in NG3. To this should be added that the Commonwealth Secretariat has also notified its interest in being an observer. The chairman noted that questions relating to the participation of observers were still the subject of consultations.

19. The Group will revert to this item at its next meeting.

D. OTHER BUSINESS - ARRANGEMENTS FOR NEXT MEETING

20. The Group agreed to schedule its next meeting in the week starting 29 June 1987, bearing in mind the understandings reached by the GNG at its meeting on 14 April 1987 (MTN.GNG/7, paragraphs 6-8).