

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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Negotiating Group on Natural
Resource-Based Products

NEGOTIATING GROUP ON NATURAL RESOURCE-BASED PRODUCTS
21 October 1987

Statement by Australia

1. The agreed Negotiating Plan for the Natural Resource-Based Products Group calls for negotiations which "aim to achieve the fullest liberalization of trade in natural resource-based products including in their processed and semi-processed forms. The negotiations shall aim to reduce or eliminate tariff and non-tariff measures, including tariff escalation".
2. In the Initial Phase issues relevant to the negotiating objective are to be determined taking into account the documentation of the Working Party on Natural Resource-Based Products and proposals by participants. In addition, participants are to establish a factual basis for negotiations and elaborate techniques and modalities for achieving the agreed objectives taking into account those elaborated in other relevant areas.
3. Australia considers that the Uruguay Round negotiations on natural resource-based products should address all market access issues and subsidies which restrict or distort trade in these products.
4. Without prejudice to the submission of additional matters in the future or to dealing with particular natural resource-based issues in other Uruguay Round negotiating groups, the Australian delegation proposes the following for the Group's consideration.
5. Australia believes that product coverage for this Group should be broad and should include, but not be limited to, all primary and processed ferrous and non-ferrous minerals and metals, energy, including oil, coal, natural gas and uranium, forestry products and fish and fisheries products.
6. The major industry assistance measures distorting trade in natural resource-based products include subsidies, other non-tariff measures, tariffs and tariff escalation and abnormal investment incentives.
7. The application of such measures differs significantly between countries with some placing greater emphasis on border measures while others rely more on budgetary and other assistance measures. Such practices differ from one sector to another within the same country.

8. The Australian Delegation believes the Uruguay Round provides an opportunity to obtain multilateral trade liberalization in energy and mineral products and to begin the process of removing distortions from international markets for energy and mineral products. Protectionist and other trade-distorting measures are acting to inhibit the adjustment process by preserving or expanding high-cost domestic production whilst more efficient producers are facing closure or scaling down of production.
9. In 1986, world coal over-supply was variously estimated at around 150 MT. In the same year total domestic coal production in six major coal importing countries (heavily subsidised by Governments) has about 240 MT. In effect, these coal support policies are contributing to world coal oversupply, depressing world coal prices and imposing substantial costs on efficient coal exporting nations including new suppliers.
10. These measures are an impediment to growth in world trade in energy and mineral products (comprising 22 per cent of world trade) e.g. a report by the United States National Coal Council in June 1987 estimated that if trade barriers were removed in six major coal importing countries, demand for international traded coal would increase by 15-20 per cent (50-60 MT) in the short term and 30-50 per cent (100-150 MT) within 10 years.
11. Market access restrictions - often combined with subsidized production - deprive efficient and otherwise competitive exporters of access to markets needed to maintain viability and has distorted world prices and trading patterns. At the same time governments employing direct or indirect subsidies impose distortions on their own economies and growing burdens on national budgets and/or users through market reservations or other measures which inflate the price of domestic product. Concomitant falling world prices exacerbate both problems.
12. Problems of subsidies affecting trade in natural resource-based products are not just confined to coal but permeate a wide range of natural resource products. For instance, the distortions and restraints in the world trade in primary steel are well documented in the GATT (see MTN.GNG/NG9/W/2/Rev.1). Other natural resources trade affected by production subsidies include iron ore, salt, uranium and tungsten.
13. Australia supports a review by this Group of existing disciplines on domestic subsidies as they affect natural resource-based products trade either directly or indirectly.
14. Australia believes that the Natural Resource-Based Products Group should identify subsidy practices and examine their effects on world trade with a view to developing a multilateral solution to the problems, taking into account the work of other negotiating groups.
15. Additionally we believe the review of existing GATT Articles and Subsidies Code to determine how these provisions might be improved to afford an appropriate level of discipline over trade-distorting domestic subsidies is an important exercise. It is particularly relevant to the work of this Group and other negotiating groups.

16. Non-tariff measures other than subsidies which restrict market access have proliferated since the Tokyo Round and continue to have a negative effect on world trade in natural resource-based products. Many of these problems have been identified in the GATT Working Party reports. Voluntary restraint arrangements, in particular, have severely distorted world trade patterns in steel and steel-making raw materials. Other examples of non-tariff barriers are:

- quantitative restrictions
- (discriminatory) procurement practices
- regulations forcing consumption of high-cost domestic supplies
- technical standards written in a way to favour particular production
- health and sanitary requirements
- non-commercial consideration influencing purchases.

17. While natural resource-based products were the subject of significant tariff reductions by some of the developed countries in the Tokyo Round, residual tariffs continue to have a significant effect on trade. Other delegations have already cited import duties on copper as an example. Zinc, alumina, aluminium, primary steel and mineral sands are others of importance which Australia is keen to see addressed.

18. Although average tariff rates have been reduced substantially through successive MTN rounds, tariff escalation remains as a major problem. The escalation of tariff rates at successive stages of processing results in effective rates of protection far exceeding nominal tariff rates. As an example, some countries allow unwrought zinc to be imported at zero or low rates but apply progressively higher rates on imports of zinc semi-manufactures and zinc metal manufactures.

19. In some instances tariffs on early stage products have been eliminated or reduced to nominal levels. However, this does not always indicate that the degree of protection given to domestic resource processing in the industrialized countries is negligible; in those cases where the value added by processing is modest, tariffs of 5-10 per cent can confer a significant level of effective protection on domestic processing.

20. These examples are intended only to highlight some of the major problems directly affecting trade in the minerals and energy sectors of natural resource-based products. They are by no means exhaustive. Clearly the mix of issues and problems facing trade in natural resource-based products often varies between products, the various stages of processing and between countries. Australia would welcome the views of others with export interests in natural resource-based products. It is our view that it is desirable that this Group examine the issues with a view to developing a consensus on appropriate negotiating modalities taking into account those elaborated in other relevant areas of the Uruguay Round negotiations.

21. Australia may wish to table more formal proposals at a later stage.