

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED  
MTN.GNG/20  
14 August 1989  
Special Distribution

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Group of Negotiations on Goods (GATT)

GROUP OF NEGOTIATIONS ON GOODS

Fourteenth meeting: 27 July 1989

1. The Group of Negotiations on Goods held its fourteenth meeting on 27 July 1989 under the Chairmanship of the Director-General.

Item I: Review of progress in the negotiations under Part I of the Punta del Este Declaration

2. The Chairman said that the GNG's role in providing an overall assessment of progress in the negotiations was becoming increasingly important as the final stages of the Round approached. Following the conclusion of the Mid-Term Review in April, it had seemed to him that the resumption of work had been rather slower than might have been expected, but he had noted that in the most recent series of meetings of Negotiating Groups the intensity of work had picked up very considerably. It was particularly gratifying that among the substantive proposals which had been tabled in many Groups there were some which represented the first attempts to reconcile differing positions. Nevertheless, it must be recognised that the agreed deadline for completion of the Round implied that the Negotiating Groups now had barely twelve months in which to complete their work and that the pressure on delegations and the secretariat would intensify in the autumn and increase still further in 1990. He suggested that by the end of the year all participants should be in a position to appreciate the general outline of the package emerging on each subject, so that the intensive negotiations which will begin in January could be based on a clear understanding of the bridges that must be built and the difficulties to be overcome. In general this meant that in all Groups national positions should have been tabled and discussed before the end of the year; in some Groups, indeed, such as Tariffs and Safeguards, substantive negotiations should already be under way, as mandated by Ministers.

3. The Chairman also informed the Group of the status of the report which he had been asked to make to the FOGS Group, in his capacity as Director-General of GATT, on the results of his contacts with the Heads of the IMF and the World Bank to explore ways of achieving greater coherence in global economic policy making through strengthening the relationship of GATT with other relevant international organisations. Contacts at staff level between the three organisations, and his own recent meetings with the Managing Director of the Fund and the President of the Bank had enabled him to begin preparing his report, which would be presented to the FOGS Group

slightly later than the date requested, 1 September, but in good time for consideration at its meeting at the beginning of October. It was clear that the proposals to be reviewed in the report would need further consideration by the three institutions and by the FOGS Group itself, and that decisions on them would have to take account of the results of the Round.

4. In assessing the progress of the negotiations several participants referred to an imbalance in the pace of work in different Groups, notably since the Mid-Term Review. It was suggested that in general progress had been least satisfactory in subjects of particular importance to developing countries; Textiles, Agriculture, Tropical Products and Safeguards were mentioned in this connection. If the subjects under negotiation were divided into three groups - those relating to market access, in which developing countries had the greatest interest, the new subjects which were of major importance to developed countries, and the "institutional" questions which were of common interest - it could be seen that the market access group was lagging behind. Reference was made to the Group on Tropical Products as having made no progress in the two meetings held since the Mid-term Review; requests tabled by developing countries had been ignored and the offer put forward by a major participant was merely symbolic.

5. By contrast it was said that in the Groups dealing with new subjects there had been pressure to move forward at great speed and even to expand the negotiating mandates; for example, a recent proposal to negotiate a comprehensive agreement on TRIMS clearly went beyond that Group's task of clarifying GATT Articles. There was also excessive concentration on investment measures per se rather than on their trade effects. In the case of TRIPS, there was too much emphasis on the negotiation of new standards, with no demonstration as to how these would contribute to the development and technological needs of developing countries and no regard to the need to achieve a due balance between the public interest and that of the right owner. At the same time, inadequate attention had been given to the problem of counterfeit trade. Most of the proposals tabled overlooked development and public policy needs and would restrict the capacity of governments to pursue these ends or to control foreign investment. The reluctance of some participants to permit work by the secretariat on restrictive business practices pointed in the same direction.

6. It was said that in a number of areas the general principles governing the negotiations, as agreed at Punta del Este, were not being fully respected. One of these was the requirement that the negotiations should be conducted in a transparent manner; transparency was lacking, for example, in the Groups on Tariffs and Non-Tariff Measures. The principle that balanced concessions should be sought within broad trading areas and subjects in order to avoid unwarranted cross-sectoral demands, and the point that the interests of all participants must be taken into account, were of special importance, and were not reflected in the present

state of the negotiations. The important link between finance, trade and debt had also been neglected, and must be given due recognition, given the great need for coherence of policies relating to trade and indebtedness, in discussions with the IMF and the World Bank.

7. The point was also made that the standstill and rollback commitment had not been respected, and that a perceptible trend towards unilateralism constituted a threat to the negotiations. One speaker said that action by the USA under Section 301 of the 1988 Trade Act was clearly an attempt to obtain negotiating leverage and was thus inconsistent with the standstill: further action under the process now initiated by the USA would have disastrous consequences for the Round.

8. A number of speakers referred to the question of special and differential treatment of developing countries in the negotiations, arguing that in a number of areas, including Tariffs, Non-Tariff Measures Agriculture and Tropical Products, developed countries had pressed for contributions from developing countries which were inconsistent with their financial, trade and development needs, and in some of these there was no evidence of readiness to remove barriers to their exports. In textiles, where developing countries had suffered discrimination for many years, it was now being suggested that they should pay in other areas for its elimination; the suggestion that there should be parallelism between the reintegration of textiles into GATT and the strengthening of other GATT rules was a reinterpretation of the Group's mandate. The outcome on textiles would be of critical importance to the developing countries' assessment of the Round, but the proposals of developed countries showed no recognition of the fact that the promotion of the trade interests of developing countries was a priority objective of the Round.

9. In respect of the Group on GATT Articles it was said that demands being formulated concerning Article XVIII:B, which was an integral part of GATT, would tend to nullify the advantages derived from it by developing countries. The attempt in the Subsidies Group to introduce the concept of prohibited subsidies, to enlarge the scope of countervailable subsidies and to target measures used by developing countries to support domestic production and infrastructure would all reduce the limited flexibility now provided for the use of subsidies to promote development objectives.

10. It was pointed out that developing countries had played a constructive rôle in the drafting of the Ministerial Declaration, without which the launching of the Round would have been impossible. It should be remembered that without their participation it would also be impossible to conclude it. Section G of the Ministerial Declaration called for an evaluation of the results of the negotiations, before their formal completion, taking into account all issues of interest to less-developed contracting parties. This should be undertaken in sufficient time to permit a meaningful assessment. The implementation of special and differential treatment should also be kept under review throughout the Round; to neglect the question until the final stages of the Round would risk unpleasant surprises.

11. One speaker said that it was essential to define the coverage of the work in several negotiating groups. For example, some participants would restrict the coverage of the Tariff negotiations to industrial products alone and work on Natural Resource Based Products was paralysed by disagreement as to its relationship with Tariffs and Non-Tariff Measures. In Agriculture it seemed that not all participants agreed that the negotiations should cover the whole of the first twenty-four chapters of the Brussels nomenclature: some proposals concerning the use of the aggregate measure of support implied a much more limited coverage. He noted that despite the understanding that a given subject could be addressed in more than one Negotiating Group there was reluctance to accept this in practice.

12. The same participant regretted the inability of the Dispute Settlement Group at its last meeting to address the question of compensation and hoped that the Chairman would be able to ensure that this was done. The representative of Colombia announced that his country would be ready to undertake consultations in 1990 in the context of the Trade Policy Review. With reference to the Chairman's suggestion that national proposals should wherever possible be tabled before the end of the year, one speaker pointed out that while this was in principle desirable account must be taken of the particular circumstances of participating countries; in his own country, for example, national elections towards the end of the year might well make it difficult to table firm positions by that time.

13. Another speaker said that despite the somewhat disenchanted comments of other participants in the debate, it seemed to him that far more progress had been achieved in these negotiations than at the comparable stage in any previous Round. This was particularly evident in Tropical Products, Dispute Settlement and FOGS. But if participants found that the offers on the table in areas of interest to them were inadequate, it was for them to ask for more, remembering that this was a negotiation. The classical arguments had been heard with respect to special and differential treatment, but the concept was being applied in a wholly static and negative manner. In order to re-establish the balance of rights and obligations in the system all participants would have to make their contribution. But it should be remembered that the opening of one's domestic market, so often viewed merely as a painful concession, conferred important benefits in terms of efficiency. Progress had been made in most groups in restoring the balance of rights and obligations, for example by putting waivers and other derogations on the table in the agricultural sector. Other disparities in rights and obligations must also be taken into account. In the classical area of exchanges of concessions progress had also been made - even in Tariffs, which, despite the early tendency to regard it as no longer important remained a key element particularly in weighing the contribution of participants to the overall balance - and in Non-Tariff Measures.

14. As regards the GATT of the future - the subjects which had never previously been treated, such as TRIPS and TRIMS, besides agriculture, which had never been treated adequately - it would be a mistake to dream of transferring these questions outside GATT, which with its dispute settlement mechanism provided the only framework in which to resist the threat or the reality of unilateral measures.

15. It was essential that, for the bargaining process to begin in earnest and to conclude the negotiations before the end of 1990, all participants should lay clearly on the table their proposals and ideas. Failure to do so would condemn them to negotiate on the basis of others' demands. For this reason his own delegation had made great efforts to table proposals on many subjects and would make others before the end of the year. Countries had the right to present their requests, and could not look to others to do it for them. It might serve to reduce exaggerated fears to recall that a good deal of time would be needed to concretise the results of the negotiations; at the end of the Tokyo Round it had taken eight years to implement the results of the tariff negotiations. Nevertheless, failure to end the Round in 1990 would create major problems, and the process must be programmed to ensure that this did not happen.

16. One participant said that he would state his views on the review of the negotiations under Part I in the meeting of the TNC which followed the GNG. These views are recorded in the note on the TNC meeting (MTN.TNC/12) which should therefore be read in conjunction with the present note.

17. Summing up the discussion the Chairman said that it had demonstrated the commitment of all participants to progress in the negotiations; comments on the slow pace of work in some areas were simply indications that it must be accelerated if the 1990 deadline were to be met and the necessary balance in the negotiations preserved. It followed that at all stages of the work participants must give thought to the overall state of the negotiations. There had been some more specific expressions of the concern for balance, such as the need to preserve the multilateral character of the negotiations and for definition of the coverage of negotiations in certain areas - a practical difficulty resulting from the need to divide the work among many groups. This concern for the global balance underlined the importance of meetings such as this, and suggested that the next meeting of the Group should devote itself seriously to this question. Another question which must be borne constantly in mind was how to give practical effect to the concept of special and differential treatment, on the one hand, and on the other hand the need for each participant to contribute within its possibilities to the overall result. The GNG would carry out, before the formal completion of the negotiations, an evaluation of their results, taking into account all issues of interest to developing countries.

18. The Chairman noted that there was agreement in the Group that in the period from September to December priority should be given to the definition and presentation of national positions, so as to be in a position to start intensive negotiations in the new year. This did not mean that it would not be possible to submit proposals after the end of the year or to begin negotiations before December. A message would be sent to the Chairpersons of Negotiating Groups encouraging them to adhere to this programme. In response to the call for greater coherence of trade and monetary policies, he hoped that the report he would be submitting on the subject in September would help to push the discussion further.

19. Finally, all speakers had rightly insisted that the negotiations, which touched on fundamental interests of participants, must be without preconditions. But it was essential, for progress to be possible, that interests and positions should be made clear. The GNG would meet at the end of the year, but it could also be convened at short notice, and he as its Chairman could be contacted at any time, if a serious threat to the overall process emerged in any area.

Item II: Other business

20. It was agreed that the next regular meeting of the GNG should be held on 19 December 1989.