

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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Group of Negotiations on Goods (GATT)

Negotiating Group on Natural
Resource-Based Products

NEGOTIATING GROUP ON NATURAL RESOURCE-BASED PRODUCTS

Meetings of 13 and 14 July 1989

Note by the Secretariat

1. The Group, chaired by H.E. Mr. L. Duthie (Australia) met on 13 and 14 July 1989.
2. The Group adopted the agenda proposed in the convening airgram (GATT/AIR/2799):

Agenda item A: Examination of submissions by delegations of relevant trade and barrier data in natural resource-based products according to the Decision of Ministers at the mid-term meeting (MTN.TNC/11);

3. The Chairman recalled that the Mid-Term Review Decision on Natural Resource-Based Products stipulated that "participants would provide as much relevant trade and barrier data as possible by 30 June 1989". So far only Australia and the EEC submitted indicative lists on NTMs related to Natural Resource-Based Products (MTN.GNG/NG3/W/24 and W/25). In addition, Australia presented a paper on coal (MTN.GNG/NG3/W/21). There was also further documentation prepared by the secretariat on non-ferrous metals and minerals (MTN.GNG/NG3/W/19/Add.1 and Add.2); and fertilizers (MTN.GNG/NG3/W/22).

4. In introducing their submission, the Australian representative emphasized that the list of NTMs was being refined in consultation with the industry and that a final list would be circulated at a later stage. In presenting this first list, his delegation wanted to encourage other delegations to put forward similar information and to enter into consultations on the accuracy of the information submitted. The EEC mentioned that its notification highlighted certain points relevant to the EEC. The list was not exhaustive and was submitted without prejudice to a future decision on product coverage in the Group. The United States delegation informed that their request lists for NG1 and NG2 also contained measures applied to certain natural resource-based products and would be submitted to these groups in the near future. In a preliminary comment on the EEC paper on NTMs, the United States representative pointed out that fisheries surplus could not be identified as a NTM. The representative of Sweden (on behalf of Nordics) and Canada said that they had presented their

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information in horizontal groups in accordance with their basic approach to negotiations. The representative of Canada informed the Group that his authorities had entered into discussion with Australia regarding some NTMs maintained by Canada mentioned in the Australian notification. The Chairman invited other delegations to submit their data to NG3 or to cross-reference submissions in other negotiating groups which were relevant to natural resource-based products.

Agenda item B: Arrangements for the continuation of negotiations

5. With respect to item B of the Agenda, NG3 had before it a submission by the United States (MTN.GNG/NG3/W/23) covering the following issues: (i) sectoral coverage; (ii) trade-distorting practices; (iii) techniques and modalities; and (iv) relationship to other negotiating groups. In his introductory remarks, the United States representative underlined the importance of including the energy sector in the product coverage. In addition to various market access restrictions, the measures to be dealt with should include export-country practices, particularly dual pricing and export restrictions, insufficient adjustments to market conditions in respect to government-owned natural resources and subsidies. Regarding techniques and modalities for the negotiation of natural resource-based products, the United States proposed to examine three different approaches. The first two referred to a code approach in which the Group would develop broad principles and rules of trade practices affecting all natural resource sectors or an approach implying an amplification or elaboration of GATT Articles. The third possibility was a request/offer approach. The United States delegation suggested that the Group should take a more active rôle in relation to other Groups, functioning as a complementary negotiating group. However, the United States believed that market access concessions should be negotiated in NG1, NG2 and NG5.

6. In the discussion, the representative of Chile pointed out that only the terms of reference for natural resource-based products provided for the fullest possible trade liberalization while those of NG1 and NG2 were more modest. He stressed that NG3 should immediately engage in negotiations in the three sectors already identified. The Group should act autonomously and not wait on the results in other negotiating groups as the progress in this Group was very important to many developing countries. His view was shared by the delegates of Colombia and Mexico.

7. Several other delegations, particularly Hungary, Nordics, Canada and New Zealand reaffirmed their Governments' position that an approach wherein the horizontal issues would be negotiated in the relevant group would be the optimal way to achieve broad coverage and participation. They did not exclude the possibility to negotiate in NG3 on certain aspects which were not covered in other negotiating groups or to revert to the Group at an appropriate time. Referring to "the appropriate balance of concessions" mentioned in the United States paper, they agreed that the major objective was to seek maximum results in generic groups. Also, the representative of Peru favoured the horizontal approach and underlined that negotiating

modalities should take into account the special situation of developing countries and that national sovereignty should be respected. Some delegations opposed the view expressed regarding the specificity of problems related to natural resource-based products.

8. The representative of the EEC advised delegations to leave the discussion on product coverage aside and to begin discussions on the basis of request lists to be presented by participants in the three areas identified. He considered that the Ministerial mandate was clear and had to be fulfilled. The representative of Australia considered that the work in NG3 had to go beyond what might be achieved in the access groups and referred to some measures mentioned in the United States paper not included in other groups. With regard to techniques and modalities he mentioned that the discussion did not show a lot of enthusiasm about a code approach. Referring to paragraph 13 of the United States submission he thought that the second approach suggesting to develop a set of principles was worthy of examination. He suggested making a checklist of issues and timing checkpoints as reference for the Group's work. This could be used for establishing a clear framework for further elaboration and examination of these issues in the Natural Resource-Based Product's Group. It could also be a basis for establishing which issues and problems were being addressed in other Groups and which were not being addressed to an extent sufficient to achieve the natural resource-based products negotiating objective. In addition, this might be a basis for assessing approaches in other groups and the extent to which supplementary negotiations were needed on the issues involved there. NG3 also needed to develop procedures to take into account relevant data and progress made in other groups.

9. In introducing the submission on coal, the Australian representative pointed out the existence of industry support measures in the coal industry and their negative impact on international trade. As an example, he mentioned that hard coal production subsidies in the EEC countries and Japan (232 million tons) was equivalent to about 70 per cent of world hard coal trade. Support programmes inhibited structural adjustment and industry rationalization and adversely affected competitive producers which had been faced with diminishing or negative returns. Colombia, Canada, Chile and the United States welcomed the Australian paper and noted that the question of production subsidies and other assistance measures needed to be dealt with.

10. While the representative of the EEC requested more time to examine the document, the representative of Japan noted that the subsidy problem was being appropriately addressed in the Negotiating Group on Subsidies. He also pointed out several factual errors in the Australian paper with respect to Japan. Japan was a major coal importer and its coal imports and consumption had been increasing. The Japanese Government was undertaking drastic structural adjustment measures to reduce domestic coal production, which had already decreased by 14 per cent in 1988. He also mentioned that in terms of yen, between 1984 to 1987, the subsidies in the coal sector increased only by 20 per cent.

11. In his concluding remarks, the Chairman invited delegations to submit their data or brief cross-reference submissions to NG3 by September. He further informed that he intended to prepare under his responsibility a proposal on arrangements for continuation of negotiations which would be submitted to delegations for their consideration before the next meeting scheduled on 29 September 1989. With a view to keeping a sequential order with the schedule of meetings of NG1 and NG2 he further proposed that NG3 meets again on 6 November and 11 December 1989.