

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED  
MTN.GNG/21  
23 January 1990  
Special Distribution

---

Group of Negotiations on Goods (GATT)

GROUP OF NEGOTIATIONS ON GOODS

Fifteenth meeting: 19 and 20 December 1989

1. The Group of Negotiations on Goods held its fifteenth meeting on 19 and 20 December 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. Opening the meeting, the Chairman said that it was not yet possible to take an overall view of the state of the negotiations, since discussions were currently in progress in Tariffs and Agriculture, but it was nevertheless clear that the objectives agreed in July had been very substantially achieved. A very large number of national positions had now been tabled and discussed, and many Negotiating Groups were ready to enter the phase of negotiations proper, though in some the submission of further national positions was still necessary. It had been agreed in July that at the current meeting the GNG would pay special attention to the overall balance of the negotiations, notably as between the concerns of developed and developing countries: in this respect the Chairman drew attention to a submission made by Bangladesh on behalf of least-developed countries (MTN.GNG/W/22). Recognising that the heavy schedule of meetings had made great demands on all delegations, particularly the smaller ones, the Chairman said that, although he could not promise any alleviation of the burden in the final year of the negotiation, he and the secretariat, in cooperation with Chairpersons of Negotiating Groups, would take care to minimise difficulties and maintain the necessary balance between subjects. In particular Chairpersons would be asked not to allocate more time to meetings than was absolutely necessary.

3. In assessing the progress made in the negotiations since July, a number of speakers expressed satisfaction that the objectives then agreed had in general been achieved, with the tabling and discussion of substantive proposals in nearly all areas. One participant said that he was neither optimistic nor pessimistic in looking at prospects for 1990: on the one hand the clear failure to implement the rollback commitment agreed at Punta del Este, and resort to unilateral measures inconsistent with GATT obligations, provoked misgivings; on the other hand the progress achieved in the Mid-Term Review gave ground for optimism. Another speaker said that in all areas except tariffs the progress of the negotiations was fully up to expectations and that the outlook was generally promising. It

was noted that while concrete results have been achieved in dispute settlement and the creation of the Trade Policy Review Mechanism, greater efforts would be needed in areas where difficulties persisted; despite the number and complexity of the subjects under negotiation the Round was a single undertaking, and progress must be ensured in all areas.

4. It was said that transparency and full involvement of all participants were essential for success, and that any agreement reached without respect for these principles would be unlikely to survive. Due importance should therefore be given to the evaluation of results, well before the end of the Round, in order to establish whether the interests of all participants were fully taken into account. One speaker said that the introduction of new economic and trade laws which would transform the economy of his country into one based on the market mechanism and with a liberal foreign trade régime would constitute his country's contribution to the successful conclusion of the Round.

5. A number of speakers said that since July progress in different areas of the negotiations had continued to be uneven, and that subjects of particular interest to developing countries had received inadequate attention and priority. National submissions, and discussions in Negotiating Groups, often ignored issues raised by developing countries. It was said that the "fuller integration" of developing countries into the GATT system, which was seen by developed countries as entailing their acceptance of more obligations and disciplines, was often justified on the ground that hitherto developing contracting parties had enjoyed a "free ride": but it should be asked what special benefits they had received in reality, since their general economic situation was worse than at the time of the introduction of Part IV into the GATT. The problems of developing countries which were small exporters had been raised in a number of contexts, including agriculture, textiles and subsidies; there were many such countries and the GATT should make effective provision for them.

6. It was suggested that the interests of developing countries should be seen both in terms of their development needs and in terms of their need for improved market access. Development needs which were relevant to the entire Round, had been recognised in the Punta del Este Declaration and must be given the same status as all other elements of the Ministerial mandate. The idea that these needs could be met simply by granting exemptions for a limited time from rules then to be universally applied was bound to create imbalance. Specific requests by developing countries, justified in terms of their development needs, should be considered with goodwill. At present, however, even the existing degree of flexibility allowed to them within the GATT system was under threat. As far as market access was concerned, though the view of developed countries that they also needed access to the markets of developing countries was recognised it must be understood that the ability of developing countries to open their markets depended entirely on their ability to export - but it was precisely where developing countries were competitive exporters that they encountered restrictions, as in agriculture and textiles.

7. Another speaker said in response that his delegation was prepared to move to meet development needs, but suggested that in order to be credible developing countries should be seeking access to all markets, not merely those of the developed world. The point was also made that development needs could not usefully be addressed in general terms but should rather be tailored to the nature of the subject under negotiation, as had been done already in many proposals. Another participant said that the chronic economic problems of developing countries made it impossible for them at this stage to offer free access to all suppliers; liberalisation by all participants for the benefit of developing countries might be possible, but developing countries would need a longer period of adjustment in order to implement it. Special and differential treatment should be available for as long as the economic circumstances of developing countries required it.

8. The representative of Bangladesh introduced the submission made by his delegation on behalf of the least-developed countries (MTN.GNG/W/22), pointing out that the 42 developing countries in the world, of which 20 were participants in the Round, had 500 million inhabitants that accounted for only 0.4 per cent of world merchandise trade. Their exports could not conceivably threaten established markets, even if they were given complete freedom of access, but such freedom would contribute greatly to their growth. For this reason, among many other specific proposals in his delegation's submission, it was suggested that tariffs on all products of export interest to least-developed countries should be eliminated and that for such concessions no reciprocity should be expected of them. The representative also described the proposals made on behalf of least-developed countries in 13 of the Negotiating Groups and expressed the hope that they would be given serious consideration. Another speaker stressed the need for special and differential treatment of least-developed countries in particular, given the exceptional severity of their problems and the poor prospects of improvement. Faster growth could only come through trade, and for this reason success in the Uruguay Round was vital.

9. Discussion of the state of work in specific Negotiating Groups focussed on the three major elements of the negotiations - improvement of market access, rule making and subjects new to the GATT.

10. Improved access to markets was said by a number of speakers to be of fundamental importance and a key objective of the Round: one said that in the absence of such improvement it would be impossible for government and business in his country to regard the Round as a success. For this reason many speakers expressed concern at the continued failure to reach agreement on modalities for tariff negotiations, which was seen as a threat to success not merely in that Group but in the Round as a whole, since other Groups in the area of market access were held up by the deadlock on tariff modalities. It was suggested that the GNG, as the body responsible for overseeing progress in the negotiations, should conduct a preliminary review, to be completed during the overall assessment before the end of the Round, of progress towards meeting the market access objectives set out in the Punta del Este Declaration and in the Mid-Term Review, covering tariffs, non-tariff measures, tropical products, natural resource-based products, textiles and clothing and agriculture.

11. While sympathising with the motivation behind this proposal, another participant questioned the desirability of singling out one sector of the negotiations for special attention in the GNG. With regard to tariff negotiating modalities, he said that the divergence between those who advocated a request/offer procedure and those who favoured the application of a mathematical formula, even if no agreement could be reached, would not prevent the negotiations from taking place. The request/offer procedure, based on the traditional bilateral techniques, had worked well in earlier rounds, but in the context of the present Round was too selective and would favour the interests of the most powerful participants. The application of a formula, while serving to defend the interests of weaker participants and strengthening multilateralism against unilateralism, would also restrain pressures for exceptions from tariff reductions. The two mechanisms could co-exist if there were an agreed benchmark by which to assess the contributions of different participants, notably those using the request/offer approach. His delegation was prepared to accept isolation in its defence of the formula approach but was also prepared to illustrate how it would apply to each tariff line in chapters 25 to 97. As far as chapters 1-24 were concerned, liberalisation would take place in another context.

12. Another participant responded that great efforts had been made to unblock the tariff negotiations, and the main difficulties had now in his view been overcome. What was now necessary was for all concerned to show good faith in seeking a compromise. No solution could be achieved through threats. His own delegation had tried to move from its earlier rigid position and he urged those showing less flexibility to consider the importance of what was at stake. One participant stressed that no sector or commodity should be excluded from the tariff negotiations. Another said that his delegation favoured a formula approach, as being more multilateral, but that bilateral negotiations, for example in agriculture, could perfectly well go beyond the agreed formula, which might be regarded as a minimum objective.

13. In relation to textiles and clothing it was said that not all positions of major participants had yet been tabled. Instead, hints as to possible options suggested that the existing MFA might simply be replaced by equally complex restrictions in a new form, contrary to the objectives agreed at Punta and in the Mid-Term Review. The possibility of progress in textiles was being unjustifiably linked with many other Negotiating Groups, with developing countries coming under pressure to make contributions in many different areas in return for elimination of the MFA. The textiles negotiations should be conducted on their own merits, in line with the agreed objective, and not treated as a bargaining chip.

14. On the question of agriculture reference was made to the declaration made in November by Ministers of the Cairns Group in which it was said that there could be no conclusion to the Round without a satisfactory result in this area. Though little progress had been made on this subject since April, it was to be hoped that the submission of new proposals would now

create new momentum. The point was made that a very large proportion of the population of developing countries depended directly on agriculture and that it would be wrong to presume that such countries could accept constraints on national policies designed to raise the standard of living. The distortions of agricultural trade could not be said to result from the incentives employed by these countries. For this reason it had been recognised in the Mid-Term Review that measures to promote agriculture and rural development are an integral part of development programmes. Nevertheless his country would participate in order to establish clearer rules for the conduct of agricultural trade and the progressive elimination of barriers to their agricultural exports. One participant pointed out that his country might lose up to \$1 billion a year as a result of the agriculture negotiations and asked why they should participate in them, since such losses would not be addressed in GATT.

15. The suggestion was made that the paralysis of the negotiations on natural resource-based products might make it necessary to transfer this subject to another Group.

16. It was also said that the negotiations on tropical products were deadlocked, despite a number of proposals made by developing countries. These had largely been ignored by developed countries, and the paralysis of the tariff negotiations was being allowed to impede work on tropical products, though nothing in the Punta Declaration or in the Mid-Term Review justified such a linkage. Those who advocated the use of a formula approach in the tariff negotiations as being necessary to protect the interests of weaker participants should be prepared to accept the use of a formula in tropical products, which would be consistent with the agreed objectives.

17. In discussion of the work of Negotiating Groups dealing with rule making, a number of participants expressed support for the proposal put forward by the Chairman of the Negotiating Group on Safeguards as a basis for negotiation. It was said that proposals for selectivity in safeguards, which was described as a crucial area of the negotiations, offered no basis for agreement. One participant expressed concern at what he saw as disguised protectionism in the form of anti-dumping actions, whose initiation often amounted to harassment. Negotiations on this subject should produce strict disciplines which would limit abuse of these measures. It was said that in a number of these Groups the currently accepted elements of flexibility for developing countries were under threat. In particular the proposals which had been made regarding Article XVIII:B in the Negotiating Group on GATT Articles were said to imply a surrender of sovereignty by countries invoking that provision to international organisations.

18. In regard to the new subjects a number of speakers expressed concern that work in these areas appeared to be progressing faster than in areas of more direct interest to developing countries. It was also said that inadequate attention was being given to the development dimension and that

if not corrected this would affect the ability of developing countries to participate in results on these subjects. It was suggested that agreements in the new areas must contain transition provisions such as to make possible the fullest participation in them.

19. One participant suggested that since existing international conventions already covered many of the matters under negotiation in the TRIPS Group it should be possible to agree to leave these aside. The public policy objectives underlying legislation in this area, which in the case of developing countries were normally aimed at developmental and welfare needs, should be at the centre of the negotiations. On trade-related investment measures another speaker said that there was a disturbing tendency to substitute for the proper mandate of the Negotiating Group, which was to identify the trade effects of such measures and to consider them in the light of GATT provisions, the idea of creating disciplines on such measures, which was clearly outside the mandate. Other speakers also said that the prohibition of particular categories of investment measures would not be acceptable.

20. The Chairman concluded that the Group's substantive and useful discussion reflected a general feeling that the crucial stage in the Round - the stage of negotiations proper - was about to begin. It would therefore be increasingly necessary to consider the negotiating process in global terms, which was the special responsibility of the GNG, and it would be his responsibility as its Chairman, to keep a close watch on the relative pace of work in different Groups. Taking account of concerns expressed about lack of progress in some areas, he would also be ready to convene the Group, formally or informally, if at any time it should appear necessary to take a close look at any particular set of interrelated problems.

21. Despite the shortcomings identified in a number of areas the general view of participants appeared to be that the objectives informally agreed in July had largely been achieved. There were however some concerns about the overall balance of the negotiations; many speakers had referred to the need to maintain such balance as between countries of different size and stages of development, and to take full account of what had been called the development dimension and of the serious economic and financial difficulties facing a number of countries. Reference had also been made to the need to preserve transparency at all stages, and although in this respect the current Round would generally be thought to be better than its predecessors, the Chairpersons of Negotiating Groups would be reminded of this preoccupation. The Group's overall view appeared to be that while there was no ground for complacency there was no need for pessimism: the commitment of all participants to a successful conclusion was not in doubt. We must now bring the phase of intensive negotiations to a successful conclusion in July in order to permit careful preparation for the Ministerial Meeting in Brussels in December 1990.

Item II: Other business, including date of next meeting

(i) Chairmanship of FOGS Group

22. The Chairman informed the Group that Mr. Julius Katz had informed him that to his great regret his heavy responsibilities made it impossible for him to continue as Chairman of the Negotiating Group on the Functioning of the GATT System. Ambassador Lacarte, who by virtue of the GNG's decision of 12 February 1987 was already joint Chairman of the FOGS Group, had indicated his readiness to assume full responsibility for this Group in addition to that for the Negotiating Group on Dispute Settlement. He felt sure that the GNG would wish to express its deep appreciation both to Mr. Katz for his skill and dedication, and particularly for his major role in the establishment of the Trade Policy Review Mechanism, and to Ambassador Lacarte. The Group agreed, and requested the Chairman to convey its thanks to Mr. Katz.

(ii) Attendance of Unesco at meetings of the TRIPS Group

23. The Chairman also informed the Group that the Negotiating Group on TRIPS, in response to a request from the Director-General of Unesco, had recommended that Unesco should be invited to attend its meetings on the same basis as other international organisations. This recommendation would be put before the TNC, which would be asked to take the necessary decision. The Group took note.

(iii) Date of next meeting

24. The Chairman proposed that the next meeting of the GNG should take place in the period 9-11 April. An earlier meeting, either formal or informal, would be convened if it should appear necessary. It was so agreed.