

MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND

~~RESTRICTED~~

MTN.GNG/NG1/W/33

20 March 1990

Special Distribution

Group of Negotiations on Goods (GATT)
Negotiating Group on Tariffs

Original: Spanish

GLOBAL REDUCTION IN BOUND TARIFFS

Communication from Costa Rica

Costa Rica has been striving to adjust and modernize its production structure, pursuing economic policies that will enable it to participate more actively in international trade, in the firm belief that this is the country's sole option for overcoming the limitations of underdevelopment and achieving a more flexible economic structure that can stand up to the changing conditions in world markets.

In recent years, the Costa Rican authorities began to draw closer to the GATT as a logical response to the country's development strategy aimed at enhancing the efficiency and dynamism of its production sector, in order to improve its competitiveness in local and world markets and gain increasing access to greater international trade as a basis for higher economic growth in coming decades.

Accession to GATT offers the possibility of having recourse to the principal body for discussion and settlement of international trade disputes in a multilateral framework, with a view to improving access for our exports to world markets. For Costa Rica, GATT is the main international forum in which the principles, procedures and rules governing international trade are established and the joint trading policies of contracting parties may be discussed.

As from 1987, talks and negotiations for accession to the General Agreement on Tariffs and Trade were systematically intensified, culminating in the signing of the Protocol of Accession on 20 November 1989.

The trade liberalization effort made by Costa Rica has been striking in both scale and substance, and has accordingly been recognized as such at various times by the delegates of the country's major trading partners.

The Costa Rican community is convinced that the bulk of this effort must be shouldered by Costa Ricans themselves, with a view to their future welfare. Nevertheless, the ongoing process of opening up and modernizing Costa Rica's production structure and foreign-trade system involves substantial changes which have a high economic and social cost. This cannot be borne in a very short period without jeopardizing the hoped-for results. Consequently, the understanding and co-operation of the international community is required at this time.

From the outset of the Uruguay Round it was indicated that the act of signing the Protocol of Accession to GATT during a period of multilateral trade negotiations would be regarded as a significant contribution to the Round and that in the balance sheet of the final negotiations of the Round the country would be given credit for the effort it had had to make when negotiating its terms of accession.

This offer was set out in paragraph 17 of the Report of the Working Party on the Accession of Costa Rica, which states that "the contracting parties agreed and recognized that Costa Rica, as a participant in the Uruguay Round, will receive appropriate recognition in that forum for the liberalization measures it has adopted since 1 June 1988".

It should be recalled that the levels of protection and the limitations on international trade which Costa Rica used to maintain, inspired by the import-substitution model implemented in the 1960s, were extremely restrictive on trade from outside the Central American region. These restrictions were substantially cut back under the stabilization and structural adjustment policies implemented from 1983 onwards. The country's determination to open up its trade very significantly was displayed by the fact that it bound its entire tariff in the Schedule annexed to its Protocol of Accession to the General Agreement.

Thus, Costa Rica is at present, together with Chile, Mexico and Bolivia, one of only four countries to have bound their entire tariff in the accession negotiations.

It should be stressed that before acceding to GATT, Costa Rica had the power to increase all its protective tariffs to any level required. It did so in the past, primarily using mechanisms such as import surcharges. Consequently, by binding each and every one of its customs tariffs, it made a reduction in the bound level which meets the 30-per-cent target that has been discussed, or any higher percentage which might be established in the Round.

In the light of all the foregoing, we request the Negotiating Group on Tariffs to adopt an agreement establishing that countries which complete their accession to the General Agreement during the period of the Uruguay Round of multilateral trade negotiations and which during the accession process undertake to bind their entire tariff schedule should be exempted from making whatever reduction in bound tariff levels may be agreed upon in the Uruguay Round.

A decision of this kind would allow our economy the necessary room to continue its effort of opening up and modernizing the production structure and foreign-trade system without pressures that might jeopardize the programme.

Furthermore, although the proposed agreement would for the time being favour only Bolivia and Costa Rica, it would unquestionably be a major incentive for other countries that are currently in the midst of their accession process to step up the pace of negotiations and bind their entire tariff schedule.

Our proposal is perfectly in keeping with the multilateral negotiating principles underpinning the Uruguay Round and concords with the statements made at various times by certain contracting parties with regard to the major issue of identifying viable, operational and realistic formulas for applying special treatment for less-developed countries, combined with a significant contribution on the part of those countries.

Thus, it is stated in document MTN.GNG/NG1/14 of 18 October 1989 that "developed and newly industrialized participants would make every effort to meet the needs of the least-developed countries ...".

In this connection, it is worth recalling the words of the United States delegation on 27 October 1989 (document MTN.GNG/NG1/W/28):

"Our primary objective, however, is not tariff reductions in countries that have previously participated in formula cuts. Our interests are in those countries that haven't."

Finally, document MTN.GNG/NG1/14 of 18 October 1989 indicates that the question of the desirability of giving credit for the binding of previously unbound rates and for reductions in base rates was raised at various meetings of the Negotiating Group on Tariffs.