

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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Group of Negotiations on Goods (GATT)

Negotiating Group on Market Access

**COMMUNICATION FROM THE CHAIRMAN OF THE
NEGOTIATING GROUP ON MARKET ACCESS TO THE
CHAIRMAN OF THE TRADE NEGOTIATIONS COMMITTEE**

As requested by the Chairman of the Trade Negotiations Committee, the attached letter has been sent by the Chairman of the Negotiating Group on Market Access setting out the present situation in the Group and stating how the negotiations might be significantly advanced between now and the end of July.

Dear Mr. Dunkel,

As you requested, I am setting out below the present situation in the Group of Negotiations on Market Access and stating how the negotiations might be significantly advanced between now and the end of July.

Market access negotiations are proceeding on the assumption that they should be concluded by the end of 1991. This objective requires significant progress on a number of issues, outlined below, prior to the end of July.

I. Present situation

1. Since the Ministerial Meeting in December 1990, there has been no substantial progress in the negotiations on market access. Participants had difficulties reaching consensus on a common approach on the reduction, harmonization or elimination of tariffs and NTMs; they also had different priorities regarding the results of the negotiations. While certain negotiating procedures were agreed, the interests of each participant concerning the specific product areas and market barriers to be covered in the liberalization effort have continued to differ considerably.

2. So far over fifty participants have submitted proposals and offers aimed at the reduction of tariffs and NTMs in various product groups in the market access area. These proposals and offers constitute an initial basis for bilateral and plurilateral negotiations. There are now indications from both developed and developing countries of their desire for a collective effort to intensify considerably these bilateral and plurilateral negotiations to arrive at a mutually acceptable balance of reductions of tariffs and non-tariff barriers. The fact that some major participants are now engaging in more serious good faith negotiations with a view to responding to each other's basic national interests provides a positive input into the negotiating process.

II. Major problems

3. A number of serious obstacles need to be overcome in order to achieve early progress which relate to the matters set out below:

- The scope of the market access negotiations: agricultural products, tropical products and NRBFs have so far been left largely outside the tariff offers of certain major participants, which have argued that these products should not be dealt with in the market access negotiations because they were covered in other multilateral negotiating groups. In addition, a number of industrial product areas have not been included in the tariff offers.

Mr. A. Dunkel
Chairman of the
Trade Negotiations Committee

- Tropical products: developing countries insist on continued priority for tropical products and on the full implementation of the Montreal undertaking to eliminate or substantially reduce duties and non-tariff measures. The main problems in some major markets are relatively high tariffs, selective and high internal taxes, production subsidies on non-tropical substitutable products, quantitative restrictions and a general absence of offers on NTMs. In addition, there are only a few specific offers on a range of tropical products because they are seen by participants concerned as closely tied to the agriculture negotiations.
- NRBPs: Differences of views which existed prior to the December 1990 Ministerial Meeting with regard to the product coverage have remained; while fishery and forestry products and non-ferrous metals were accepted as part of the NRBP negotiations, no agreement was reached on the inclusion of paper and paper pulp, hides and skins, and energy products. Although offers and proposals have been multilaterally examined in the light of the emphasis in the agreed negotiating objectives on reduction or elimination of tariffs and tariff escalation, a number of offers on fishery and forestry products are still lacking; this is partly because some participants regard such products as part of the agriculture negotiations. Other problems relate to export restrictions, export taxes, dual pricing practices, subsidies, voluntary export restraints and state trading.
- Sectoral negotiations: while there are proposals which are aimed at the mutual elimination of all tariffs in certain industrial sectors (e.g. pharmaceuticals, pulp and paper, steel, construction and farm equipment, electronics, films), there are different views about how such negotiations should be combined with other techniques to reduce barriers in products of interest to other participants. For a number of participants, the sectoral proposals do not cover product groups of particular interest to them.
- High tariffs and tariff peaks: in some product groups the tariff offers of some participants have not adequately addressed the reduction and harmonization proposals of other participants (e.g., high tariffs on textiles and clothing in both developed and developing countries, on footwear and leather products, and on petrochemicals).
- NTMs: there is no substantial progress in the negotiations with respect to product specific, non-tariff measures not dealt with in other negotiating groups. This adversely affects the prospects of achieving a balanced market access package for many participants. The main problems concern QRs on footwear, textiles and clothing; QRs based on Article XVIII:B;

restrictive standards and health regulations applied for example to tropical products; and restrictions related to state trading. Many participants are concerned that there has been no response in bilateral negotiations to a number of specific requests for non-tariff concessions in particular product areas. The situation in the agricultural negotiations appears to be one major reason for the lack of response. Moreover, there are no agreed techniques to evaluate and quantify NTM offers. Further, there is the question of how best to legally reflect the commitments agreed in the NTM negotiations to ensure concessions against future erosion.

- Tariff bindings: the scope of tariff bindings on offer and the tariff level at which such bindings are on offer, do not yet provide a sufficient basis for completing the negotiations on bindings. While there is acceptance of the principle that, in line with GATT practice, credit should be given for bindings, there is no common understanding on how to evaluate bindings and apply credit for them. Moreover, there is no general understanding as to the recognition for autonomous trade liberalization measures. While developing countries insist that their liberalization efforts should be appropriately taken into account, certain developed countries continue to be reluctant to pursue this idea unless there are offers to bind trade related liberalization measures.

III. How to overcome the existing obstacles in the negotiating process

4. There was agreement from the outset that the negotiations should be a comprehensive undertaking. There is therefore a need that all areas of the negotiations move forward in a balanced way in order to satisfy the interests of all participants. Strong efforts and genuine flexibility on the part of all participants are necessary to ensure that the agreed negotiating procedures and the various approaches advanced lead to early substantive progress in order to meet the objectives agreed by Ministers at Montreal, both overall for tariff and non-tariff measures as well as for specific product areas.

5. On the scope of the market access negotiations, there are now indications that the procedural differences regarding the appropriate negotiating forum for certain product groups will not impede progress in the market access negotiations. It is generally recognized that the results of the market access negotiations will have to be part of an overall balanced package in the Uruguay Round. In order to avoid delaying the full scale market access negotiations until major decisions in the agricultural negotiations are taken later in the Round, all participants should be prepared to discuss all product specific market access interests pursued by other participants in bilateral negotiations.

6. There is no general agreement on possible approaches and negotiating techniques for tariff reductions. It has become apparent that neither a single formula nor a sectoral approach nor any other approach advanced so far can meet the interests of all participants. To attain sufficient flexibility and to address the principal, specific concerns of all participants, all the approaches and negotiating techniques proposed for the reduction, harmonization or elimination of tariffs and NTMs will have to be employed with a view to reaching a substantial and a mutually satisfactory package of concessions. This should allow participants to deal in their bilateral negotiations with specific access problems in any product group. This will help participants to continue seeking ways to bridge the substantive gaps between their existing offers and proposals in respect of both liberalization and bindings through improvements in concessions at an early date.

7. On sectoral negotiations, participants should engage in their bilateral and plurilateral negotiations in a good faith effort to respond to specific market access interests so as to achieve an overall substantial package of mutual reductions of trade barriers. Product sectors of interest to a wide number of participants which wish to reduce, harmonize or eliminate barriers in these sectors should also be given adequate consideration. Any resulting concessions should be extended to all participants on an MFN basis. Furthermore, efforts to harmonize tariffs and to bring down high tariffs and tariff peaks on certain products should be undertaken to the greatest extent possible by both developed and developing participants.

8. On NTMs, participants should be prepared to address, under the agreed request/offer procedure, all product specific NTMs in the market access negotiating group. More specifically, those participants which have so far not responded to specific requests in particular product areas should be ready to come forward with offers.

9. On the question of tariff bindings, all participants to the extent politically possible should significantly improve the scope of bindings on offer and establish the level of such bindings at rates which are commercially meaningful. Such bindings should be qualitatively taken fully into account by participants in their respective bilateral and plurilateral negotiations. The situation of developing countries which have fully bound their tariffs in GATT should be recognized by other negotiating partners in the bilateral negotiations.

IV. Process and timing

10. On the basis of the agreed procedures, participants should continue as a matter of urgency their bilateral and plurilateral negotiations with a view to reaching understandings for the reduction or elimination of tariffs and NTMs.

11. It will be necessary throughout the summer and fall to hold formal and informal plurilateral meetings to ensure transparency about the negotiating process and the results that may emerge from that process.

12. During late July a series of formal and informal meetings will be held to assess the progress made in the market access negotiations. At that time participants should decide whether they are satisfied with the overall results of the negotiations to date and also decide what changes, if any, are necessary in negotiating techniques in order to ensure a substantial and balanced outcome that meets the Montreal target for the various market access areas.

Yours sincerely,

Germain Denis
Chairman of the Negotiating
Group on Market Access