

ROUND

OF MULTILATERAL TRADE NEGOTIATIONS

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NEGOTIATIONS MOVE SMOOTHLY INTO SECOND YEAR

MID-TERM MINISTERIAL REVIEW DISCUSSED

Canada widely supported as venue

Meetings of the Group of Negotiations on Goods, the Group of Negotiations on Services and the Trade Negotiations Committee, in the week of 14 December, succeeded in moving the Uruguay Round negotiating process smoothly into its second year with general agreement among participants that its first had been a success. In an initial discussion on the idea of a 'mid-term review' meeting at ministerial level, an invitation from Canada to host it was warmly welcomed. Many delegations envisaged the review taking place at the end of 1988 - though a definitive decision will not be taken before mid-February 1988.

Trade Negotiations Committee ... 17 December

The Committee met at official level under the chairmanship of Mr. Arthur Dunkel, (Director-General of GATT). It heard reports from the chairmen of the Group of Negotiations on Goods, the Surveillance Body and the Group of Negotiations on Services.

Mr. M.G. Mathur, in his report on the work of the Surveillance Body, pointed out that although some bilateral consultations had taken place on the 'rollback' of trade restrictive measures, there had as yet been no reported undertakings on rollback. The need for progressive implementation "of what is a very carefully-framed commitment in the Punta del Este Declaration" was widely recognized.

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On the other hand, he was able to report that the "early warning" system under which potential standstill contraventions were raised and discussed in the Surveillance Body had, during 1987, helped capitals resist protectionist pressures. Mr. Mathur's chairmanship was reconfirmed by the TNC.

Arthur Dunkel, in his report as chairman of the Group of Negotiations on Goods, said that participants had recognized the need to create a climate of confidence and to send a positive signal to governments and the business world regarding the work done so far. However, there were no grounds for complacency since the most difficult part of the work - the reconciliation of divergent positions - lay ahead. There would be a heavy workload for authorities in capitals as well as negotiators in Geneva. However, the Group was able to note that satisfactory progress had been made during the initial phase of the negotiations and that the basis for moving forward the negotiating process as a whole had been laid. (See also following item.)

The Chairman of the Group of Negotiations on Services, Ambassador Felipe Jaramillo, presented the Group's report, noting that it had carried out a 'stocktaking exercise' earlier in the week, (see item on Services). He said that the Group had made progress during 1987 and that its negotiating programme would have to be carried forward further on the basis of the examination of the five elements identified in early 1987 (see Information Note GATT/1405) as well as other issues arising therefrom. Submissions and statements would be addressed with a view to achieving concrete progress in accordance with the Group's negotiating objectives.

An invitation from Canada that it should provide the venue for a Ministerial-level mid-term review of the Uruguay Round was widely welcomed and proposals that the review take place in the latter part of 1988 commanded widespread support. The Chairman undertook to consult with participants in order that a definitive decision on date and practical arrangements could be taken at a TNC meeting on 18 February 1988. A further meeting of the TNC will be in mid-1988.

Group of Negotiations of Goods ... 16 December

In the final meeting of the year participants were able to comment upon the progress made in the initial phase of the negotiations, in the light of the plans and objectives agreed in January 1987. On the basis of these comments, and of the reports received from Negotiating Groups, the Chairman of the Group was able to report to the Trade negotiations Committee that satisfactory progress had been made (see separate item on TNC). It was noted that a great deal of ground had been covered and major proposals had been made in many Groups; in all some 168 submissions had been presented to the fourteen negotiating groups, representing negotiating proposals or statements of position. The Group reconfirmed the appointments of

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the chairpersons of the negotiating groups, made in February this year (see Information note GATT/1406), subject to further review at its first meeting in 1989. It took note of the following schedule for initial meetings in 1988 and agreed that its own next meeting will take place on 18 February 1988.

Initial Meetings of Negotiating Groups in 1988

Week beginning 25 January	-	Tropical Products/Functioning of the GATT System
Week beginning 1 February	-	Subsidies/GATT Articles
Week beginning 8 February	-	Natural Resource-Based Products/Textiles
Week beginning 15 February	-	Agriculture/Trade-Related Investment Measures
Week beginning 22 February	-	Non-Tariff Measures/Tariffs
Week beginning 29 February	-	Dispute Settlement/Trade Related Aspects of Intellectual Property Rights
Week beginning 7 March	-	Safeguards/MTN Agreements and Arrangements

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Prior to the meetings of the GNG and TNC the following groups had their final meetings of the year:

Trade-Related Aspects of Intellectual Property Rights ... 23-24 November

Two additional major proposals were tabled. Both covered a broad range of intellectual property rights (IPRs). They suggested detailed rules for ensuring the effective enforcement of IPRs and that procedures and remedies for this purpose do not themselves give rise to trade obstacles. They also suggested the application of such basic GATT principles as non-discrimination, national treatment and transparency and the establishment of international dispute-settlement mechanisms. One proposal included an annex suggesting norms for the basic IPRs themselves. Some participants, however, doubted whether certain aspects of these and some previous proposals fell within the mandate of the Group. Some others welcomed the proposals as positive contributions to the work of the Group.

Safeguards ... 24-25 November

One participant maintained that the basic issue on safeguards is how to give countries adversely affected by fairly-traded imports the opportunity to adjust without undermining the principles of an open and equitable trading system. It claimed that the lack of progress in the framing of new safeguard rules had led to countries resorting to ad hoc approaches in dealing with their import problems. It then

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presented a paper which listed a set of optional approaches to a safeguard agreement - ranging from strict most-favoured-nation application of safeguard measures to unilateral selectivity. Participants continued discussion of the proposals tabled so far. It was agreed that the Group should begin to examine individual specific elements, beginning with "serious injury or threat thereof" at the next meeting.

Trade-Related Investment Measures ... 26 November

The examination resumed on the operation of the seventeen GATT Articles (see NUR 012) identified by various participants as related to the trade-restrictive and distorting effects of investment measures. One participant proposed the review of another GATT Article, XIX (Emergency Action on Imports of Particular Products). Assessing the Group's work so far, some participants felt that the identification and examination of the various GATT Articles had been fairly comprehensive while some others described them as only preliminary. The Group agreed to continue exploring how GATT Articles address the trade restrictive and distorting effects of investment measures and whether further provisions are needed to avoid adverse effects on trade.

MTN Agreements and Arrangements ... 7 December

At the final meeting for the year, two more proposals were tabled: one on the Anti-Dumping Code and the other on the Government Procurement Code. Participants also discussed again issues relating to other Tokyo Round agreements. Taking into account the wide range and complexity of issues before the Group, delegations agreed on guidelines for the work of the Group in the coming year. The Group recognized the need for flexibility in identifying additional issues, and for further detailed examination that would help in clarifying the issues for negotiations as they evolve.

Agriculture ... 7-8 December

A proposal by the Nordic countries at this meeting means that nearly all the main participants in international trade in agriculture have now tabled their ideas for reform. Japan was expected to circulate a proposal before the end of the year. A number of statements by countries whose interests are those of net-importers of food were also made.

The Nordic proposal concentrated on immediate and long-term measures to reduce the support measures which are most seriously distorting agricultural trade. It envisaged the binding of levels of support and minimum targets for reducing them which would ensure some balance between various national contributions to this global process. The plan also covered market access questions, the trade effects of health and phytosanitary regulations and the use of a 'Trade Distortion Equivalent' as a negotiating tool and as a means of

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monitoring compliance with new commitments. While many participants welcomed the tabling of the Nordic proposal, some felt that it concentrated too heavily on issues relating to farm supports at the expense of market access commitments and that it imposed unreasonably heavy burdens on agricultural exporters compared to net importers.

Some of the meeting was devoted to discussion covering the interests of net-importing countries and the developing countries in general. Some form of special and differential treatment would have to be agreed, and some felt this should go beyond longer time schedules for the implementation of new commitments. It was argued that developmental objectives would have to be recognized in any new commitments relating to withdrawal of farm supports and the lowering of market access barriers. With regard to work in 1988, some delegation stressed the need to examine in much greater detail than hitherto particular technical issues, including questions relating to health and phytosanitary regulations, the proposals for an aggregate measuring device for farm supports and the question of direct income supplements for farmers. Other participants stressed that further examination of proposals tabled in 1987 would be necessary.

Subsidies ... 9 December

Participants discussed the checklist of issues proposed for negotiations: principles and approaches, disciplines on subsidies, measurement of the amount of a countervailable subsidy, determination of the existence or threat of material injury, definition of sale and "introduction into commerce", initiation and conduct of countervailing duty investigation, imposition and duration of countervailing measures, special and differential treatment for developing countries, and dispute settlement procedures. In the discussion of new proposals, some participants maintained there was a need to develop effective disciplines for production and other domestic subsidies and that a subsidizing country has the obligation to remove the cause of nullification or impairment. There was also an exchange of views on whether subsidies which had trade-distorting effects should be avoided, irrespective of their objectives and intentions.

Surveillance Body ... 9 December

Two participants brought forward alleged breaches of the standstill commitment. Sweden complained that the United States, since early last year, had been applying additional tariffs to certain Swedish specialty steel but not to imports from other suppliers. It argued that the US competent authority - the International Trade Commission - had ruled that the original reason for the US measure, taken under GATT Article XIX (Emergency Action on Imports of Particular Products), was no longer valid. The United States explained that the ITC had found in 1983 that import relief was justified for the US specialty steel industry. It noted that many of the products covered by the US measure had been incorporated into voluntary export restraint (VER) arrangements set to expire in 1989.

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Sweden, however, decided not to conclude a VER agreement with the US and therefore continues to bear the additional tariffs.

In the second complaint the United States called attention to a recent decision by the European Communities to subsidize the production of long-grain rice. The US claimed that the EC measure, in artificially stimulating local production of the long-grain rice, threatened to reduce access for US rice exports. It considered the EC measure inconsistent with the standstill commitment, including the pledge not to take any trade measure in such a manner as to improve its negotiating position. The Community asserted that the measure was fully consistent with its commitment. It explained that the programme was limited in scope, in time and in value and would result in the substantial reduction of EC rice exports overall. The Community, on the other hand, criticized a US measure that in effect subsidized the US production of medium- and short-grain rice.

In the assessment of the Body's work during the year, the Chairman noted that the Body had examined standstill notifications by five participants concerning nine different measures. It had also established an early warning system which permits participants to call attention to measures under consideration in various legislatures or administrations. On the rollback commitment, the process of consultations were underway with respect to proposals made by five participants although no actual rollback commitment had yet been made. The Surveillance Body agreed to meet next on 8 March.

Textiles and Clothing ... 10-11 December

Participants took stock of the situation at the end of the first year. They examined, in particular, documentation made available to the Group, including an updating of the 1984 GATT Study, Textiles and Clothing in the World Economy; papers submitted by a number of developing countries on the state of the textiles and clothing industries in the principal importing countries; and reports prepared for the recent Textiles Committee meeting. In the view of some delegations the material was incomplete. However, it was generally felt that it was sufficient to permit the Group to proceed to the next phase of its work. Delegations also exchanged views on the scope of negotiations in this area and possible approaches to future work, as well as the relationship of the work in this Group with that of other groups. It was agreed that in subsequent meetings, the Group would focus its attention on the examination of techniques and modalities for achieving the objectives in this area, on the basis of proposals submitted by participants.

Trade in Services ... 14-15 December

The European Communities and Switzerland tabled new ideas on a multilateral framework of rules covering services trade. The European Communities' submission rested on a perception that many existing barriers to trade in services take the form of regulations, of which a

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large proportion have been introduced in the pursuit of political or economic objectives unrelated to trade policy. It envisaged a system based upon the identification of accepted and inappropriate types of regulations together with the liberalization (eventual elimination or amendment) of inappropriate regulations through negotiation. A standstill on the introduction of new regulations of an inappropriate nature would also be undertaken. The Swiss proposal developed the idea of 'optional most-favoured-nation treatment' whereby a series of bilateral liberalisation agreements might be extended to or made available to third parties.

The Group undertook a 'stocktaking' exercise in reviewing progress during 1987 in the light of the negotiating plan adopted in January. Many participants considered that the negotiating mandate, with its five elements, had served the process well and that considerable progress had been made particularly with respect to the concepts which might underlie a framework agreement on services. There were suggestions that these concepts should be tested, in further meetings of the Group, with respect to their possible impact on specific services sectors. At the same time, consideration would need to be given to how the various concepts (for example, non-discrimination, national treatment and transparency) could be linked together into a framework agreement which in turn would have to be related to sectoral agreements. There was general recognition that more would have to be done to examine the developmental objectives of any services agreement. Some participants felt that developmental questions had received too little attention; that much more work was needed on definitional questions and the development of statistics that the question of labour mobility would have to be included in further discussions; and that existing international arrangements related to services activities should be more carefully examined. The Group reached agreement on how to carry forward the negotiating process beyond the initial phase and on a meeting scheduled for the first half of 1988.

The chairman of the Group, Ambassador Jaramillo, reported on the Services Group meetings in 1988 to the Trade Negotiations Committee (see separate item).

Note to Editors

1. Press bulletins on the Uruguay Round are issued regularly and are intended as an indication of the subject areas under discussion rather than as detailed accounts of negotiating positions. Journalists seeking further background information are invited to contact the GATT Information Service.
2. These accounts of negotiating meetings should be read in conjunction with the text of the Punta del Este Ministerial Declaration (GATT/1396 - 25 September 1986) and the decisions taken on 28 January this year regarding the negotiating structure, the negotiating plans and the surveillance of standstill and rollback (GATT/1405 - 5 February 1987). Further copies of these documents are available from the GATT Information Service.

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