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REVIEW OF DEVELOPMENTS IN THE URUGUAY ROUND
OF INTEREST TO THE LEAST-DEVELOPED COUNTRIES

1. At its Sixty-First Session on 22 June 1987 the Committee on Trade and Development decided that the Sub-Committee on Trade of Least-Developed Countries should keep under continuous review issues in the Uruguay Round of particular interest to the least-developed countries. This paper contains a short review of developments in the negotiations for the information of least-developed countries which have not so far actively participated in the negotiations.

Review of developments since the launching of the Uruguay Round

2. The Ministerial Declaration which launched the Uruguay Round in September 1986 falls into two parts. Part I establishes the objectives and principles for the negotiations on trade in goods. It provides for standstill and rollback commitments on trade restrictive, or trade distortive measures, thus ensuring that governments will not increase existing levels of protection - particularly as a means of improving their negotiating position - and will phase-out their existing restrictions which are inconsistent with GATT disciplines. The Declaration also sets out the wide range of issues in the area of trade in goods on which negotiations would take place. A Group of Negotiations on Goods (GNG) was set up to supervise the conduct of the negotiations and report to the Trade Negotiations Committee (TNC). In Part II of the Declaration Ministers decided to launch negotiations on trade in services and set up a Group on Negotiations on Services (GNS) which also reports to the Trade Negotiations Committee.

Institutional Organization of the Negotiations

3. Between October 1986 and February 1987 the TNC, the GNG and GNS, held a series of meetings aimed at developing a series of detailed negotiating plans and creating their accompanying negotiating structures. The final decisions taken on 28 January 1987 consisted of:

- the establishment of a surveillance body to oversee the implementation of the standstill and rollback commitments. This body reports to the Trade Negotiations Committee;

- the establishment of a negotiating structure under Part I of the Declaration which includes fourteen separate negotiating groups¹;
- agreement on negotiating plans for each of the groups consisting mainly of the definition of the negotiating objective of the groups as well as the outlining of the principal stages of the negotiating process (including a detailed initial phase to be completed by the end of 1987 and an indication of the contents of the subsequent negotiating process);
- a programme for the initial phase of negotiations in the Services Group;
- a calendar of initial meetings for each negotiating group.

4. In most cases the initial phase has consisted of the following:
(a) compilation of background material for the negotiations including the collection of basic data, the submission of proposals on the issues involved and an exchange of views on such proposals or in some cases a first examination of the issues to be covered; and, (b) the reaching of a common understanding on appropriate techniques, procedures, or modalities to be used in the negotiations.

Work in the Negotiating Groups

5. While issues in all the negotiating groups are of direct or indirect interest to least-developed countries, the work in the Negotiating Group on Tropical Products is probably the most relevant since most of these countries are exporters of tropical primary and processed products.

Negotiating Group on Tropical Products

Negotiating Plan

6. The Negotiating Plan for Tropical Products adopted by the TNC on 28 June 1987 is reproduced below.

Negotiating Objective

"Negotiations shall aim at the fullest liberalization of trade in tropical products, including in their processed and semi-processed forms and shall cover both tariff and all non-tariff measures affecting trade in these products.

¹The fourteen negotiating groups are as follows: Tariffs; Non-Tariff Measures; Natural-Resource Based Products; Textiles and Clothing; Agriculture; Tropical Products; GATT Articles; MTN Agreements and Arrangements; Safeguards; Subsidies and Countervailing Measures; Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods; Trade-Related Investment Measures; Dispute Settlement; and Functioning of the GATT System.

"The CONTRACTING PARTIES recognize the importance of trade in tropical products to a large number of less-developed contracting parties and agree that negotiations in this area shall receive special attention, including the timing of the negotiations and the implementation of the results as provided for in B(ii)" of the Ministerial Declaration."

Principal stages of the negotiating process

Initial Phase

- (a) exchange of views on work done so far in GATT in this area;
- (b) compilation of background material for negotiations;
- (c) submission of initial proposals and other inputs by participants aimed at achieving the agreed objectives of negotiations in this area;
- (d) agreement on techniques and modalities as a common basis for negotiations, including the tabling of initial requests/offers.

Subsequent Negotiating Process

7. Negotiations will proceed as early as possible in 1988 on the basis of the work in the previous phase with the aim of achieving concrete results and their implementation at the earliest possible date in the light of the provisions of Section B (ii) of the Ministerial Declaration.¹

Monitoring of Progress

8. Throughout the negotiations on tropical products, special attention at the appropriate level will be given to the task of reviewing the progress achieved.

Work of the Negotiating Group on Tropical Products

9. The Negotiating Group on Tropical Products held five meetings in the initial phase (26 February, 11 May, 3 July, 14 October and 12-13 November 1987). All participants reiterated their commitment to the objectives and provisions concerning tropical products in the Punta del Este Ministerial Declaration. It initially carried out a review of past work done in GATT in this area. It agreed to start work on the basis of the seven product groups selected for the purpose of the consultations on tropical products held in the Committee on Trade and Development in 1982-1984, on the understanding that this would not constitute a definition of tropical products nor an exhaustive listing and that other products might be included as negotiations proceed.

¹This is a reference to the general principles governing the negotiations. Paragraph (ii) of the principles is as follows: "The launching, the conduct and the implementation of the outcome of the negotiations shall be treated as part of a single undertaking. However, agreements reached at an early stage may be implemented on a provisional or a definitive basis by agreement prior to the formal conclusion of the negotiations..."

Compilation of background material for negotiations

10. The secretariat has prepared up-to-date data on tariff and non-tariff measures as well as trade flows pertaining to the following seven tropical product groups, subject to verification by delegations: tropical beverages (MTN.GNG/NG6/W/2 and Add.1), jute and hard fibres (MTN.GNG/NG6/W/4), spices, flowers, plaiting products, etc., (MTN.GNG/NG6/W/7), certain oilseeds, vegetable oils and oilcakes (MTN.GNG/NG6/W/11), tropical roots, rice and tobacco (MTN.GNG/NG6/W/12), and natural rubber and tropical wood (MTN.GNG/NG6/W/15), and tropical fruits and nuts (MTN.GNG/NG6/W/19).

11. On the question of country coverage a number of participants requested that the documentation be broadened in order to cover information in regard to all significant markets for trade in tropical products. In their view although this would not create a precondition for the start of negotiations, it would be an essential element for the effective pursuit of positive results within the negotiating process. Other countries stated their readiness to cooperate in expanding the coverage of the documentation, as a useful contribution towards greater transparency in the negotiations. Other participants considered that the present coverage in the documentation was sufficient to give effect to the objectives of the Ministerial Declaration.

12. The Group agreed that discussions proceed on this matter without prejudice to the continuation of work under the other items of the Negotiating Plan for Tropical Products.

Submission of initial proposals and other inputs by participants

13. The Group received a number of initial proposals and other inputs by participants aimed at achieving the agreed objectives of negotiations in this area. A number of countries circulated initial lists of tropical products of export interest to them: Sri Lanka, Bangladesh, Colombia, Cuba, Egypt, India, Nigeria, Pakistan and Nicaragua (MTN.GNG/NG6/W/8 and Add.1), ASEAN countries (MTN.GNG/NG6/W/9) and Cameroon, Côte d'Ivoire, Gabon, Senegal, Zaire (MTN.GNG/NG6/W/14 and Add.1). Written proposals containing approaches to negotiations in this area were also received by several participants: ASEAN countries (MTN.GNG/NG6/W/9), Brazil (MTN.GNG/NG6/W/10), the European Economic Communities (MTN.GNG/NG6/W/13), Cameroon, Côte d'Ivoire, Gabon Senegal, Zaire (MTN.GNG/NG6/W/14 and Add.1), New Zealand (MTN.GNG/NG6/W/16) and the United States (MTN.GNG/NG6/W/17). Other participants have made proposals on possible techniques and modalities for negotiations in the course of the discussions in the Group.

Techniques and modalities as a common basis for negotiations

14. The Group has carried out an initial in-depth examination of the different proposals and suggestions made by participants. As a result, a large number of delegations felt that it was necessary to maintain flexibility in regard to techniques and modalities for negotiations in tropical products. It was suggested that a combination of techniques and modalities could be adopted as a more effective approach for the negotiations. The Negotiating Group agreed to establish procedures as appropriate, including the tabling of initial requests/offers, in order to start concrete negotiations as early as possible in 1988.

Work in some other negotiating groups of particular interest to least-developed countries

Negotiating Group on Tariffs

15. The Group held its first meeting on 10 February 1987. It looked at the approaches to a tariff-cutting exercise, for instance, whether it should be based on a request and offer procedure or on a mathematical formula. The need for major reduction in/or the elimination of particularly high tariffs was raised as was tariff escalation and the extension of tariff bindings. Among the practical matters discussed was the expansion and updating of the data base needed to carry out the negotiations and the relationship between the Harmonized System of customs nomenclature to be introduced on 1 January 1988, and the tariff negotiations in the context of the Round. At its second meeting on 27 April 1987 there was a further debate on the need for, and possible form of, a tariff-cutting formula as used in the Tokyo Round. Some participants took the view that a request and offer approach would better be able to deal with tariff peaks and tariff escalation - problems of special interest to developing countries. One participant proposed that all industrial tariffs except those concerning mineral and forestry products be eliminated. The question of which base rates to use in the negotiations was raised, with some participants favouring the use of bound tariff rates and others the rates actually applied which are often below the bound rates. It was suggested that developing countries could make contributions to the negotiations by increasing the number of their tariff bindings. The data base for the negotiations was also discussed.

16. During the rest of the year the Group held further meetings in June, October and November. In its meeting of the 29-30 June members of the Group continued their exchange of views on different approaches to the tariff negotiations. Several written proposals were submitted. They could be summarized as follows: elimination by developed countries of tariffs on all products, initially in favour of developing countries only but after ten years extended to all in return of which developing countries would consider binding and reducing their tariffs on a substantial number of products; a request and offer procedure for countries which have already substantially reduced their tariffs and bound them in previous negotiations; general formula approach; total binding of tariffs by all participants at levels subject to negotiations; binding and reduction of all rates to a maximum level to be agreed upon, without exception; combination of a harmonization formula for tariffs above a certain level with a request and offer procedure.

17. At the meeting of 16 and 19 October 1987, two new submissions on how to approach the tariff negotiations were tabled. Both proposed the binding of tariffs on all industrial products. In addition, the first proposal called for a substantial narrowing of the gap between the tariff levels of various contracting parties through the application of a general harmonization formula in the case of high tariffs, a request-and-offer procedure for middle-level tariffs; low tariffs would be dealt with on a case-by-case basis. The second submission proposed using the Tokyo Round harmonization formula as the starting point for further discussion. There was general agreement that comprehensive tariff and trade data by as many participants as possible were essential for the conduct of tariff negotiations.

18. At the fifth meeting of the Group on the 16 and 17 November 1987, participants considered three new submissions on how the group might conduct tariff-cutting negotiations. One country put forward a harmonization formula with special and differential treatment for developing countries. At the same time, it called for an increase in the scope of tariff bindings by developing countries on a certain proportion of their total imports. Another participant suggested an integrated approach to the assessment of negotiated reductions on both tariff and non-tariff measures, including subsidies, and provided a measurement technique for assessing the reduction of government assistance to domestic industries (see Non-Tariff Measures). The third submission envisaged a tariff-cutting formula with a harmonizing effect for developed countries, and a choice of approaches for developing countries.

Negotiating Group on Non-Tariff Measures

19. The Negotiating Group held its first meeting on 10 February 1987. During the rest of the year other meetings of this Group were held in April, June, October and November. At the first meeting the Group began an examination of the issues to be covered and the relationship between this negotiation and those in other areas. The need for a substantial data base was recognized.

20. At the Group's second meeting on 28 April 1987, two approaches to the negotiations in this area emerged. On the one hand, some participants, and particularly developing countries, considered that a clear distinction had to be made between measures which are, or are not, consistent with the General Agreement. Those in the former category could be subject to negotiation while those in the latter should be dismantled unilaterally during the course of the Round. The other view was that an attempt to distinguish between consistent and non-consistent measures would be difficult and time consuming. Participants holding this view preferred to initiate a classical request and offer process as a means of reducing non-tariff measures of all kinds. Another difference of opinion was on whether all non-tariff measures should be dealt with in this Group or whether the Group should only deal with non-tariff measures not covered in other groups such as those on textiles, tropical products, agricultural and natural resource products and in the MTN codes committees.

21. At the Group's meeting on 30 June 1987, discussions continued on possible practical approaches to the negotiations. One country proposed the reorganization of data on non-tariff measures into several categories corresponding to different negotiating methods for trade liberalization. One such method would be the bilateral request and offer approach. Others included rule changes and formula approaches. Two other submissions were related to the initiation of bilateral request-offer procedure which would be undertaken as part of a comprehensive approach to tariff and non-tariff measures. One of the submissions emphasized that no price should be required for the elimination of GATT-illegal practices in this area but that the question of GATT-consistency of non-tariff measures might be postponed until the end of negotiations. Views were exchanged on the merits and demerits of the various proposals.

22. The Group had its fourth meeting on 15 October 1987 during which discussion continued on the possible approaches to negotiations. Participants welcomed a suggestion made by the Chairman that the data base for quantitative restrictions and other non-tariff measures be enlarged to include all participants in the Uruguay Round.

23. The Negotiating Group met again on 17 and 19 November 1987 to continue discussion on the initial phase of its negotiating plan. One participant noted that the use of non-tariff measures had increased sharply in recent years. It proposed that the group should assess levels of government assistance to domestic industries in measuring progress in reducing tariffs and NTMs (see Tariffs). At the same time, it announced that it was prepared to eliminate all its quantitative import measures designed to protect domestic industries. A group of countries proposed entering important NTMs into a central negotiating register to monitor and evaluate the NTM plurilateral or bilateral negotiations. Some delegations welcomed this idea but others felt that it would restrict the scope of negotiations. Another participant provided illustrative examples to explain a proposal for an integrated, item-specific request-and-offer procedure in the negotiations.

Negotiating Group on Natural Resource-Based Products

24. The Negotiating Group held its first meeting in February 1987 with others following in April, July, October and November. At its first meeting on 11 February 1987 it was generally recognized that work done by the Working Party on Trade in Certain Natural Resource Products established in 1984 could form an important starting point for the work in this Group. The Working Party covered non-ferrous metals and minerals, forestry products, and fish and fishery products. The Negotiating Group discussed the coverage of the negotiations both in the area of products and measures. It also looked at the relationship of its work to that in other groups whose efforts would impinge upon trade in natural resource-based products; for instance, tariffs and non-tariff measures. During the Group's second meeting in April, a number of new issues related to problems of trade in natural resource products were identified as possible candidates for the negotiations. These included officially encouraged price fixing; dual pricing practices and resulting subsidies; government-condoned restrictive business practices; government support, subsidy, ownership and management of trade; access to supplies; export restrictions and export taxes; and tariff escalation. Some discussion took place on the extent to which the Group itself should negotiate as distinct from monitoring work related to natural resource products in other groups. One suggestion made was that the Group might examine the adequacy of existing GATT provisions for dealing with problems arising in international trade in natural resource products.

25. The third meeting of the Group was on 1 July 1987. The discussion focussed on a number of submissions and proposals put forward by some of the world's leading traders in natural resource-based products. One submission identified abnormally high tariffs, dual pricing and export restrictions as distortions affecting raw materials trade. Another

submission added to this list, issues such as subsidies, government ownership purchases, and various tariff and non-tariff measures. Certain issues in the field of trade in fisheries products as well as access to fish resources were also raised. A proposal that zero duties for all products be set by all developed countries was also presented to the Group. At its fourth meeting on 21 October 1987 discussion continued on the proposals introduced at the previous meeting. Among the points considered were the scope and definition of issues to be addressed by the Group. Further position statements were presented. A major natural resource producer explained its goals for trade liberalization in this sector. There was also an exchange of views on how best to proceed to the next phase of negotiations.

26. At the Group's fifth meeting on 19 November 1987, a leading producer called for the elimination within ten years of all import barriers - tariff as well as non-tariff measures - which directly affect trade in natural resource-based products. It proposed bindings on all tariffs and an immediate freeze on all export subsidies. The proposal was aimed at reducing and eventually eliminating all forms of government industry assistance to natural resource-based products which affect trade. Participants continued the exchange of views on how best to proceed to the next phase of negotiations.

Negotiating Group on GATT Articles

27. The first meeting of this Group on 3 March 1987 gave delegations a chance to indicate which GATT Articles might be the subject of review and possible negotiation. Naturally, it was recognized that some Articles will be treated, at least in the first instance, in other negotiating groups (for instance, that on subsidies). Among the most frequently mentioned Articles were XXIV (rules relating to customs unions and free-trade areas) and XXVIII (rules governing negotiations for the modification of tariff schedules). Article XVII (State-trading enterprises) was mentioned by several delegations. Reviews of Articles XI, XII, XIII, XV, XVIII, XXI, XXV and the Protocol of Provisional Application were also proposed.

28. The Group met again in May, September, October and November 1987. At its meeting on 11 May 1987, the Group pursued in some detail the discussion of the three Articles most widely mentioned as candidates for review during its first meeting. The debate on Article XXIV centred around the rules and procedures associated with the creation of free-trade areas which, in the view of some participants, were creating new and unintended discrimination among contracting parties without adequate possibilities for examination and clearance within the GATT. The discussion on Article XXVIII concentrated on the possible redefinition of the terms "principal supplying interest" and "substantial interest" under which certain suppliers have the right to participate in tariff negotiations under this Article. A discussion on Article XVII (State-trading enterprises) concerned the lack of clarity in this Article. Of the other Articles which might be reviewed, a proposal that those related to trade restrictions imposed for balance-of-payments reasons should be included commanded particular attention. The Articles concerned, which some participants considered inadequately enforced and monitored and in need of reform, are XII, XIV, XV and XVIII.

29. The Group had its third meeting on 14 and 15 September 1987. As called for in its negotiating mandate, the Group began the process of reviewing the various GATT Articles nominated for examination in previous meetings. Several delegations supported a submission calling for a review of Article XVII (State-Trading Enterprises) due to, among others, shortcomings in notification arrangements. Another proposal with respect to Article XXIV (Customs Unions and Free-trade Areas) noted the growing proliferation of these arrangements and stressed the need for wider market access to them. Some participants, on the other hand, cited their positive aspects including trade-creation and potential benefit to developing countries. Some countries proposed more stringent procedures in the granting of waivers under Article XXV:5. Several delegations supported while some other expressed disagreement with a submission calling for a review of GATT balance-of-payments provisions. A submission by fifteen countries - from both developed and developing countries - requested an illustrative list based on a recent sample of Article XXVIII (Modification of Schedules) negotiations. This was in relation to the continuing debate on the issue of whether to modify the definition of suppliers' rights in GATT trade negotiations.

30. The fourth meeting of the Group took place from 22 to 23 October 1987. Participants continued reviewing the various GATT Articles nominated for examination in previous meetings. Several delegations shared the concern about a lack of clarity in Article II (Schedule of Concessions) regarding the precise nature of the duties and charges on imports subject to a binding. This had made it difficult in some cases to establish the absolute level of a binding, not only at the time of a country's accession to GATT but also when a new tariff binding was accepted by a contracting party. A number of participants supported a thorough review of the Protocol of Provisional Application, which had been cited as a possible source of imbalance in the contracting parties' rights and obligations under the General Agreement. Regarding Article XII, XIV, XV and XVIII, some delegations remained unconvinced of the need for negotiations while others pointed out the lack of adherence and the need for greater clarity in certain provisions. The Group also discussed a number of proposals submitted in previous meetings on the redefinition of suppliers' negotiating rights under Article XXVIII. One delegation requested the review of two more GATT Articles: XXXV (Non-application of the Agreement between particular contracting parties), and the accession terms of Article XXVI:5(c).

31. The Negotiating Group met for the fifth time on 16 and 17 November 1987. One participant called for a review of GATT Article XXI (Security Exceptions) and urged the group to consider the competence of GATT in questions relating to security matters and the relationship between the GATT and the United Nations in political or national-security affairs. Another participant tabled proposals on two GATT Articles. It suggested that the accession procedures under Article XXVI:5(c) should be reviewed to improve the ability of contracting parties to clarify the obligations of governments acceding to the General Agreement. It also urged the examination of Article XXXV with a view to allowing the contracting parties and an acceding country to enter into tariff negotiations without impairing their rights to invoke the Article and decline to apply the General

Agreement to each other. A representative submitted a paper on a proposal to review the GATT Articles related to trade restrictions taken for balance-of-payments purposes (Articles XII, XIV, XV and XVIII). It urged that, since the nature of balance-of-payments problems facing the developing countries has not changed, there was no need to modify the Articles in question - particularly in the light of the GATT principle of differential and more favourable treatment for developing countries.

Negotiating Group on Textiles and Clothing

32. The Group held its first meeting on 11 February at which certain textile exporting participants in the Round stressed that textiles was a key sector of major economic significance, which has long been subject to institutionalized restrictions outside the GATT. For these countries the main focus of the negotiations should be to return the textile sectors to GATT rules. The Group concentrated on the need to prepare up-to-date new background material on the current state of the textile sector. In this respect, it was suggested that parts of the secretariat study on "Textiles and Clothing in the World Economy" first published in 1984 should be updated. The Group held further meetings in April, July, October and December.

33. On 29 April the Group continued discussions on the preparation of background material for the negotiations, especially the updating of statistical data in the GATT Textile Study of 1984. There was also an exchange of views on the objectives of the negotiation in this sector. Some delegations felt that the task of the Group was to negotiate modalities for the return of textiles and clothing trade now covered by the MFA to the GATT; with tariffs and non-tariff measures outside the MFA being handled in other relevant negotiating groups. However, some others felt that the negotiations in this Group should not focus only on the MFA but also cover other types of restrictions affecting trade in this sector having regard to their conformity or otherwise with the GATT. Another view was that the group should take into account all tariff and non-tariff measures affecting this sector, regardless of their conformity with the GATT.

34. For its meeting on 1 July 1987, the group had before it a summary setting-out the restrictions notified so far under MFA IV, which had been requested as part of the preparatory work. In addition, a group of developing countries submitted a report which examined developments in the US and EEC textile markets during the period 1973-1986. It was stated that further reports along these lines would be made available later, as a contribution to the preparatory work. Some delegations commented on the specific nature of the work in the group and reiterated the views expressed earlier that negotiations in the areas of tariffs, tariff escalation and non-tariff measures should be dealt with in the appropriate groups. At the same time, the relevance of the work in other groups, particularly that on safeguards was emphasized.

35. At its fourth meeting on 21 October 1987 it was generally agreed that the work of the group was proceeding on track, and that available and expected materials would provide a useful data base in moving to the next phase of negotiations. Regarding the concern that the work of the Group

was not being given proper prominence, a number of delegations made it clear that textiles and clothing would be a key element in the Round. Some delegations reiterated that the group should be concerned solely with the dismantling of the Multi-fibre Arrangement (MFA) and the integration of the textiles trade into the GATT.

36. The group met for the fifth time on 10 and 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 and should be further supplemented. 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.

Negotiating Group on Safeguards

37. The Negotiating Group had its first meeting on 10 March 1987. During the rest of the year further meetings were held in May, October and November.

38. Many delegations made clear, during this first meeting of the group on 10 March 1987, that the question of safeguards was centrally important to the Uruguay Round as a whole. The considerable history of negotiations on safeguards means that the main arguments are well-known - the negotiating plan for this group calls for the early tabling and discussion of specific suggestions. Debate centred around the questions of whether or not a safeguard agreement should be based upon the principle of non-discrimination; whether discussion should concentrate initially in particular areas such as the temporary nature and digressivity of safeguard measures, or on all elements from the start; and on the proliferation and status of so-called 'grey-area' measures.

39. At the meeting of the Group in May 1987 two proposals, both suggesting that Article XIX actions must continue to be taken on a non-discriminatory basis were presented. One participant put forward a proposals on the elements of a safeguards agreement - suggesting that it should take the form of an amendment to Article XIX and that safeguard action should primarily consist of adjustment assistance for domestic producers. Action at the border would only be possible in a second phase after a collective determination in GATT had been reached. Special and differential treatment for developing countries should form an integral element of the new Article XIX. A second proposal from five "Pacific Rim" countries - developed and

developing - suggested, among other things: tougher criteria in establishing the link between increased imports and an overall decline in the condition of domestic producers; safeguard measures to be clearly non-discriminatory; tariffs to be the normal mechanism for safeguard actions but when in the form of quantitative restrictions these should be at or above a defined level; increased transparency and notification requirements; a normal duration for restrictions of no more than three years - a total of five years in certain circumstances; digression over the currency of the measures, and the possibility of compensation for less-developed countries affected by safeguard measures. A new Surveillance Body on Safeguards was proposed by this group. Supporting evidence tabled by one participant indicated that the average duration of Article XIX actions has been 3.26 years.

40. During the third meeting of the Group on 5 and 6 October 1987, participants had their first exchange of views on three new proposals. The first was a comprehensive submission which contained many elements, including according priority on compensation rather than retaliation for the country affected by the safeguard measure, notification before implementation of the measure, and the creation of a body to settle safeguard-related disputes. Another proposal stated that certain safeguard actions - "grey area" measures taken to meet structural difficulties - seemed to fall outside the scope of the General Agreement. It defined as an objective of a safeguards regime the elimination of all "grey area" measures. The third submission contained among other elements the proposal that developed countries should not apply safeguard action to imports from developing countries. A common thread in the three proposals was the emphasis on limiting the duration of safeguard measures.

41. The Group met again on 24 and 25 November 1987. One participant maintained that the basic issue on safeguards was 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 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.

Negotiating Group on Agriculture

42. The Group held its first meeting on 16-18 February 1987. In line with the first point in its negotiating programme the Group devoted a large part of its first meeting to general statements concentrating on the identification of major problems affecting trade in agriculture and their causes. Some delegations suggested some initial approaches to remedying these problems. It was agreed that existing information on measures and policies affecting trade in agriculture should be updated.

43. The second meeting of the Group was held on 5 and 6 May 1987. Discussion continued on the identification of the major problems affecting trade in agriculture and their causes, and the Group began its consideration of basic principles to govern world agricultural trade. One group of countries tabled a sector-by-sector analysis on the basis that the problems and their causes differed according to product. Other participants concentrated on generic problems facing agricultural trade while some sought to explain the special aspects of this sector which, in their view, required it to be treated differently in the GATT.

44. A number of participants tabled papers outlining the basic principles which they believed should govern world trade in agriculture. In general these proposals emphasized the need to open up agricultural trade to market forces, through the elimination of trade-distorting government intervention in production, import and export. One major agricultural exporter envisaged the elimination of any distinction in GATT rules between agriculture and other sectors of trade.

45. At the third meeting of the Group on 6 and 7 July 1987, a proposal by the United States on the reform of agricultural trade was tabled. The proposal had three elements: a ten-year phase-out of all agricultural subsidies, including export subsidies; the phase-out of import barriers over the same period, and action on health and sanitary regulations. The proposal also outlined the two stages for the implementation of this proposal in the negotiations. The tabling of the proposal was generally welcomed as representing a major step forward in the negotiations and although most delegations indicated that they needed time to consider it in detail in their capitals a number of questions were raised in preliminary comments.

46. The meeting of the Group on 26 and 27 October 1987 was high-lighted by proposals from the European Communities, the Cairns Group, Canada, as well as by indications of the starting positions of several other participants. The proposal from the European Communities stressed the need for a better balance between supply and demand in the agriculture sector. It envisaged both an exchange of concessions at a later stage in the negotiations and a phased reduction of the negative effects of agricultural support policies on international markets. The proposal from the Cairns group has its fundamental aim to provide the means to achieve fully liberalized trade in agriculture, to eliminate distortive agricultural policies and to bind the necessary undertakings under strengthened GATT rules and disciplines. A member of this group of countries, Canada, elaborated its position in a separate paper.

47. Many countries offered initial reactions to these various proposals and approaches. One common theme was the need to ensure that any short-term action was consistent with, and conducive to, a long-term agreement on the liberalization of agricultural trade in conformity with the objectives agreed by ministers at Punta del Este. Some participants also drew attention to the need for those countries whose principal interests are as importers of food to take a clear position in the negotiation.

48. The Group's last meeting of the year was held on 7 and 8 December 1987. A proposal by the Nordic countries at this meeting meant that nearly all the main participants in international trade in agriculture have now tabled their ideas for reform. A number of statements by countries whose interests are those of net-importers of food were also made.

49. 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 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.

50. Part of the meeting was devoted to discussion covering the interests of net-importing countries and the developing countries in general. Some delegations considered that 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 delegations 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 de-coupled income support for farmers. Some participants stressed that further examination of proposals tabled in 1987 would also be necessary.

51. Since the December meeting of the Group, a proposal by Japan has been circulated (MTN.GNG/NG5/W/39).

Negotiating Group on Subsidies and Countervailing Measures

52. This group met for the first time on 16 and 17 March 1987. Discussion focused particularly on the rules affecting subsidies on primary products. It was widely believed that the group would need to review fundamentally the nature and operation of the relevant articles of the General Agreement (VI and XVI) and of the Tokyo Round Subsidies Code. Initial proposals on the content of such a review were tabled by two countries. Many developing countries, who wished to participate fully in the subsidies negotiation, drew attention to the harmful effects on their exports of some countervailing duty practices. Also discussed were the respective roles of the subsidies and agriculture negotiating groups with respect to the treatment of subsidies affecting primary products.

53. At the group's second meeting on 1 and 2 June 1987, further propositions were tabled to join those put forward at the first meeting of the Group. It was suggested that the time was especially ripe for negotiations in the area of subsidies given the severe budgetary problems faced in some countries and the growing awareness of the limited economic return on the use of subsidies. Several contributions emphasized the negotiating link between Article VI (rules on countervailing actions) and Article XVI (rules on the use of subsidies). It was suggested that problems associated with countervailing measures could more easily be dealt with once the subsidy rules had been clarified. One group of participants emphasized, in this respect, the need for agreement on the definition of a subsidy - a question which has been the subject of much work in recent years. Other aspects of tightening the subsidy disciplines were discussed although some delegates emphasized that subsidies could be a desirable policy instrument for certain development objectives and should be recognized as such in any agreement. With respect to countervailing measures, it was pointed out that loopholes in the existing rules permitted unilateral practices and arbitrary interpretations.

54. The Group had its third meeting of the year on 6 October 1987. Several participants continued to maintain that an agreement must first be reached on the basic definitions and concepts, such as what is a subsidy and how should it be measured. Some delegations felt that this process might delay the work and pointed out that existing disciplines in this field has been developed without the benefit of agreed definitions. The group, according to them, should instead focus on the key question of how to deal with trade-distorting subsidies. Further explanation was also provided on issues earlier proposed for negotiations. They included: criteria and definitions used in the investigation of subsidies, and certain GATT disciplines and notification procedures.

55. At the group's fourth meeting on 29 October 1987 more submissions were received on how to improve the Agreement on Subsidies and Countervailing Measures.

56. The fifth meeting of the Group was held on 9 December 1987. 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 of 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.

Negotiating Group on MTN Agreements and Arrangements

57. Negotiations in this Group aim to improve, clarify, or expand as appropriate, Agreements and Arrangements negotiated in the Tokyo Round of Multilateral Negotiation. The Group held its first meeting on 6 March 1987 and further meetings during the year were held in May, September, November and December. At the Group's first meeting on 6 March 1987, initial ideas on which of the Tokyo Round codes might be the subject of improvements were tabled. At the same time, certain more general questions were raised; for instance, whether or not non-signatories to the codes could participate in their renegotiation; the link between the work of this group and the activities of other groups which may affect Tokyo Round codes; and the relationship between negotiations in this Group and the existing commitments of the code committees to revise and improve their agreements.

58. The Group agreed at its second meeting on 21 May 1987 that all participants were entitled to participate fully in every stage of its work - thus, non-signatories of the Tokyo Round will be able to take a full part in any negotiations conducted by the Group - and that decisions would be taken by consensus (as is normal practice in the GATT). One of the main specific points of discussion was the Anti-Dumping Code. An analysis by one developing country participant proposed that negotiations should be held on thirteen specific issues arising under the code - covering both substantial and procedural points. This same country declared that the national legislation of some code signatories contained measures or procedures which were either inconsistent with the code or were being arbitrarily administered. It expressed concern at the increasing frequency of anti-dumping cases and insisted that these actions often resulted in real trade barriers - a view supported by some other participants. Another member of the Group submitted, in relation to the Agreement on Technical Barriers to Trade, proposals concerning transparency in the drafting and operation of standards and certification systems. The interpretation of Article 14:5 of the Subsidies Code was also identified by a developing country participant as a matter of the Group's attention.

59. The Group met again on 17 September 1987. In proposing the review of the Agreement on Technical Barriers to Trade, a group of countries called for a code of good practice for non-governmental standardizing bodies and the extension of major obligations to local government bodies. Some participants suggested improving transparency in bilateral agreements and the strengthening of provisions dealing with testing, inspection and certification systems to avoid possible discrimination. A submission dealing with several Agreements, after noting that only a few developing countries have joined the Agreement on Government Procurement, proposed changes in its accession procedures. There was also a further exchange of views on issues related to the "Anti-Dumping Code", including determination of injury, definition of domestic industry and uncertainties arising from the initiation of anti-dumping measures. Participants also discussed the question of improved disciplines in the Agreement on Import Licensing Procedures.

60. The Group met again on 5 and 6 November 1987. Participants focussed on various suggestions for improving the GATT Anti-Dumping Code. A group of countries tabled a proposal that, in particular, questioned the relevance of the Code's definition of "dumping" to today's business world. They pointed out that, more and more, exporters when attempting to adapt to prevailing prices in foreign markets face threats of anti-dumping measures. One participant submitted a proposal that, among other things, stressed the need to clarify the scope of the Code's application to "like products", particularly to imported components or parts. Delegations also continued their examination of the operation of other MTN Codes and held detailed discussion on the possible procedures and organization of work for the next phase of negotiations.

61. At the final meeting of the year, on 7 December 1987, 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.

Negotiating Group on Services

62. The first meeting of this Group which took place from 23 to 25 February 1987 began with a wide ranging general debate. Some delegations took the opportunity to re-emphasize their understanding of the legal basis of the negotiation while others outlined some of their general objectives in seeking a framework of rules and disciplines for the services sector. Further debate focussed on the elements agreed in the programme adopted at the end of January. Thus, there was discussion on definitional and statistical issues, on the concepts on which principles and rules might be based, on the coverage of the framework, and on measures or practices which contribute to or limit the expansion of trade in services.

63. The second meeting of the Group was held from 8 to 10 April. There was a discussion on the role of statistics in the negotiation and on the work of individual participants and international institutions in collecting and refining statistics on trade in services. The discussion on concepts on which principles and rules covering trade in services might be based included more detailed proposals than previously. Some participants listed 'mutual advantage', 'transparency', 'national treatment', 'increasing international competition' and 'progressive liberalization' among others, but emphasized that such concepts might be defined differently than those which apply in the goods area. Economic growth and development promotion were considered by many participants to be the fundamental underlying objectives in the negotiations.

64. At the third meeting which lasted from 29 June to 2 July, a detailed discussion was conducted by the group on the subject of statistics relating to the production and trade of services. Suggestions were made for further

cooperation and the establishment of a focal point for the development of services statistics; the possibility of the provision of technical assistance for developing countries was also mentioned. In the context of the concepts which might form the basis of a framework of rules on trade in services, one submission raised questions relating to the principle of non-discrimination (a principle which is the foundation of the GATT in the area of goods). It was suggested that a framework agreement based upon unconditional, non-discriminatory treatment might not be practical. Some countries expressed a preference for unconditional MFN application of a services agreement. Another submission addressed the topic of transparency - setting out possible notification requirements and procedures covering national rules and practices which affect service sectors whether as border measures, or in terms of domestic operations.

65. The Negotiating Group on Services met for the fourth time from 15 to 17 September. Discussion continued on the five elements set out in the initial phase of negotiations. With regard to the concepts of the multilateral framework, proposals on national treatment, non-discrimination and transparency were discussed. There was a debate on the applicability of the principle of national treatment in Article III of the General Agreement to trade in services with some delegations emphasizing the differences between trade in goods and services and therefore the difficulty associated with the application of the concepts of GATT Article III to services. On the subject of non-discrimination and the applicability of a most-favoured-nation clause, some participants felt that the benefits of a multilateral services agreement should be available to the largest number of countries possible. With regard to transparency, some participants had questions about the extent to which this notion would be given practical application and how it may be related to the particular circumstances of developing countries. Views were also expressed on the treatment of labour and labour intensive services with respect to the coverage of a multilateral framework for trade in services.

66. When the Group met again on 19 November several new submissions were tabled on the five elements set out in the initial phase of negotiations. The United States presented a comprehensive proposal for the inclusion of the concepts of transparency, non-discrimination and national treatment in a framework agreement on trade in services. The United States proposal urged that a framework be designed to achieve a progressive liberalization of a wide range of services sectors in as many countries as possible. Several delegations felt that the United States proposal did not sufficiently take into account the concerns of developing countries. Another participant explained how the concepts of reciprocity, conditional MFN treatment, national treatment and transparency could lead to sectoral agreements on trade in services. A Group of countries presented comprehensive information on their external trade in services, as well as a report on their current work in gathering services statistics.

67. The last meeting of the Group for the year was held on 14 and 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 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 liberalization agreements might be extended to or made available to third parties.

68. 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.

End of Year Meeting of the Trade Negotiations Committee

69. On 17 December, the Trade Negotiations Committee which is charged with the overall supervision of the Uruguay Round met to review the year's work and discuss other issues related to the negotiating process. The Committee heard reports from the Chairmen of the Group of Negotiations on Goods, the Group of Negotiations on Services and the Surveillance Body.

70. In his report to the TNC, the Chairman of the Group of Negotiations on Goods stated, inter alia, that 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. He pointed out that in total, some 168 submissions had been presented to the fourteen negotiating groups, representing negotiating proposals or statements of position. The Chairman of the Group of negotiations on Services reported, inter alia, 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 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.

71. The Chairman of the Surveillance Body in his report to the TNC 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. 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.