

ROUND

OF MULTILATERAL TRADE NEGOTIATIONS

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MAJOR PROPOSALS TABLED ON SAFEGUARDS WHILE FIRST SECTORAL DISCUSSIONS TAKE PLACE IN SERVICES GROUP

As envisaged in the mid-term review Trade Negotiations Committee decisions, the Chairman of the negotiating group on Safeguards presented a draft text of a comprehensive agreement, last week. In the negotiating group on Services, the potential implications of applying various trade concepts, principles and rules to the telecommunications and construction sectors were examined.

The following groups have met since the last Uruguay Round bulletin.

Tropical Products ... 12-14 June

Under arrangements agreed in April for the continuation of negotiations, participants initiated a multilateral review of the tariff and non-tariff situation in this sector in the light of the Montreal results examining four of the seven agreed product groups: tropical beverages; spices, flowers and plants; certain oilseeds, vegetable oils and oilcakes; and tobacco, rice and tropical roots. The other categories will be reviewed at the next meeting of the group on 24-26 July. Several participants, including Colombia, Mexico and the ASEAN countries, noted that even after Montreal many tropical products still faced barriers in major markets, especially semi-processed and processed products. To them the priority accorded to this sector by the Punta del Este Declaration and the understanding reached in

Montreal called for further liberalization efforts in those markets. Another view was that further progress in negotiations required participation and contributions by all participants.

Tariffs ... 15 June

It was widely agreed that the Group would have to accelerate its work to comply with the Montreal decision for the start of substantive negotiations in July 1989. In formal and informal discussions, many participants reiterated their support for a Tokyo Round-type formula as the common negotiating approach. The United States stressed its intention to use the request-and-offer procedure in the negotiations. On the broadening of the data base for the negotiations, the Secretariat reported several recent submissions of trade data. It was agreed that at the next meeting on 19 July, the Group will review in detail the exchange of tariff and trade data as mandated by the Ministers in Montreal.

Safeguards ... 26, 27 and 29 June

The group took a significant step forward with the tabling of a draft text of a comprehensive agreement by the Chairman, George Maciel. The United States and the European Communities presented papers outlining their own ideas in more detail than previously.

In presenting his paper, the Chairman said that it was a synthesis of proposals already made by participants, formally and informally, and emphasized that he regarded it only as a basis for negotiation.

It envisaged an initial time limit for safeguard measures with any extension requiring justification and accompanying adjustment measures for the industry concerned. There would be a maximum period of application with a further period in which no safeguard measures could be applied. While the draft assumed that measures should be applied to products from all sources it considered that the Negotiating Group should examine the possibility of selective measures in special situations and subject to tighter disciplines and surveillance. The measures should be in the form of tariff increases but might also take the form of quantitative restrictions.

During the initial period that safeguard measures are imposed, the suspension of equivalent concessions (retaliation) would not apply and compensation need not be offered. Retaliation might be imposed or compensation sought where a safeguard failed to conform to various aspects of the agreement or was extended past the initial deadline.

Safeguard measures would not be applied to the products of least developed countries or to those of less-developed countries whose market shares in the product concerned are minimal. All safeguard measures inconsistent with the provisions of the agreement would be

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phased out or brought into conformity. Surveillance would take place through a Safeguards Committee.

The paper by the United States outlined the objective criteria to be used at a national level in determining whether or not safeguard measures were justified. Tariff increases could be up to 50 percentage points above the existing rate while any quantitative restrictions would have to reflect imports over the most recent representative period. With respect to coverage, the United States set out three options: one envisaging safeguard measures on an mfn basis only (though recognizing that countries might resort to "grey area" measures) and the other two envisaging different levels of selectivity. Measures could be in place for a maximum of eight years and should be degressive. Safeguards would be subject to compensation or retaliation and would be overseen by a safeguards committee.

The European Community's paper also envisaged a safeguards committee for multilateral surveillance. Safeguard measures could consist of mfn tariffs or global quotas and would not normally be susceptible to countermeasures. The EC proposed a two-track approach to safeguards. Short-term safeguards would be imposed through border measures alone and for a fairly short period, say three years. Longer term measures would be accompanied by an adjustment process. The Community also called for an examination of the circumstances under which selective safeguards might be applied - perhaps where a sudden increase in imports from a very limited number of suppliers was sufficient to cause serious injury - and the stricter disciplines which might apply.

The three papers were widely welcomed by participants although some were critical of the references to non-mfn safeguards. The US and EC papers were examined in some detail while the Chairman asked for comments on his own proposals at the next meeting of the Group in September.

Non-Tariff Measures ... 27-28, 30 June

The Negotiating Group continued to hold an exchange of views on the possibility of drawing up rules of general application which would cover pre-shipment inspection. Concerns were expressed by a number of delegations about the trade restrictive effects of pre-shipment inspection while others considered that this practice did not constitute a barrier to trade. In a new submission, Japan stated that the arbitrary use of rules of origin was bound to have restricting effects on trade and investment. It proposed the drafting of rules on the subject, which would include, non-discriminatory treatment, predictability, and transparency of procedures. The United States, Canada, Hong Kong and Hungary encouraged further work in this area. The European Communities, on the other hand, suggested this technical subject properly belonged to the Customs Co-operation Council. For its part, the EC submitted a study which indicated certain problems for

exporters, delays in particular, arising out of some customs formalities; one delegation raised the question of visa requirements for traders in this context. Participants held extensive informal consultations on the Chairman's suggestions on the framework and procedures for the negotiations. A decision on this matter is expected at the next meeting which will be held on 26 July.

Textiles and Clothing ... 29 June

In the Textiles and Clothing group participants gave preliminary consideration to a further submission by Indonesia on behalf of a group of developing countries and members of the International Textile and Clothing Bureau. The proposal offered a series of complementary approaches for phasing out restrictions under the Multi-fibre Arrangement (MFA) starting either by fibre type and degree of processing or by product groups and supplier countries. Restrictions on re-imports of outward processing traffic (OPT) would be abolished and the growth and flexibility provisions in existing quotas would be progressively increased. The proposal also states that no further restrictions should be imposed in the sector during the phasing out of the MFA. Participants also exchanged views on the scope of the negotiations in the group and the relationship of their work to other negotiating groups.

Subsidies and Countervailing Measures ... 29 June

Participants in the Subsidies and Countervailing Measures group examined a submission by Canada which called for improved, more effective and enforceable disciplines for prohibited subsidies and countervail action. Canada's submission was the first in the group to address the framework for negotiations as adopted by the Trade Negotiations Committee at its meeting in April. Other delegations said they were planning to submit their own proposals in the near future. The Canadian proposal suggested that a multilateral body be established to advise governments on whether their prospective subsidization programmes are in fact prohibited or under which circumstances they could be allowed. Conditions in which governments might take counter action to offset subsidies are suggested, as are tighter disciplines for non-actionable subsidies, such as regional development programmes, research and development assistance and funds to support a country's basic public infrastructure. The proposal also sought to establish a minimum level of subsidization below which countervailing duties would not be imposed. Specified rules and disciplines for dispute settlement and multilateral enforcement are addressed and include procedures for countries to request rulings on whether another government was using prohibited subsidies and safeguard procedures.

Functioning of the GATT System ... 29 June

In the FOGS group, participants adopted the text of the format for country reports under the Trade Policy Review Mechanism, the

regular reviews of GATT member countries' trade policies, practices and objectives. The format will be submitted to the GATT Council for approval. A simplified reporting format for the least-developed countries will be discussed at the group's next meeting.

Surveillance Body ... 3 July

Brazil, India, Japan, the European Communities and several other delegations expressed concerns at the recent announcement by the United States of the list of "priority countries" for bilateral trade consultations under "Super 301" and the watch list under "Special 301" of the US Omnibus Trade and Competitiveness Act of 1988. They maintained the US action, by posing a threat to several participants and thereby improving its negotiating position was a breach of the standstill commitment of the Punta del Este Declaration. The United States said it shared the strong commitment of other participants to the Round. It noted that no actual trade action had been taken and that Section 301 did not mandate any form of retaliation.

The US expressed concern about the "Television Without Frontiers" Directive recently approved by the EC Parliament. The US claimed that the EC Directive, by reserving broadcast programming for European films, discriminated against non-European nations and was therefore inconsistent with EC GATT obligations. The EC requested the US to submit more information on its concerns.

Participants took note of the Chairman's summary of the current situation on the implementation of the standstill and rollback commitments. The report will be submitted to the Trade Negotiations Committee which will carry out an evaluation of the implementation of the two commitments on 28 July. There was an initial discussion of three new submissions related to the forthcoming TNC meeting. Canada and Australia reported certain trade liberalization measures of their own while New Zealand suggested ways of implementing the rollback commitment.

Trade in Services ... 5-9 June

The group devoted the largest part of its week-long meeting to an examination of the implications of applying the various trade concepts, principles and rules identified in the mid-term review agreement to the telecommunications and construction sectors.

In discussing telecommunications, many participants emphasized the difference between the basic network (in most cases dominated by a state-controlled or owned monopoly) and enhanced, value-added services like teletext, electronic mail and remote data processing which made use of the basic network. There was a widely held view that, initially at least, the new framework of trade disciplines should apply to the enhanced services only. Frequent references were made to the close relationship between the sale of goods (telephone exchange

equipment, for instance) and the provision of services in this sector. This was especially relevant given rapid changes in technology. It was also the case that telecommunications services were closely related to the provision of other services like banking and tourism. For some participants, there were security and privacy aspects of the sector to be taken into account, while for many developing countries the necessity of providing rural telephone services was a preoccupation despite their essentially uneconomic character.

In looking at the applicability of transparency to the sector, the need for transparency with respect to the activities of the many national regulatory bodies was a common theme - and the need for national enquiry points where foreign suppliers could have access to information relating to regulations a frequent suggestion. The concept of progressive liberalization, for many participants, meant access to the basic network but could also be related to liberalization with respect to equipment supplies. In the context of the promotion of development, some countries pointed to the need for support for infrastructure development. The concept of national treatment was also discussed, though there was a widely-held view that the concept would have little meaning where national monopolies existed.

Background material presented to the group indicated that the value of construction contracts awarded to the top 250 international contractors in 1987 was \$74 billion with a further \$4 billion in design contracts. As with telecommunications, there was often a close link between the supply of the service and associated goods. Importantly, the question of the movement of labour to supply the service is more relevant to construction than to most other services. Many developing countries stressed the need for any framework agreement to cover labour mobility, skilled and unskilled alike. Developed countries recognized the need to consider seriously the labour question though several pointed to the sensitivity of commitments which would imply major changes to immigration laws.

In a discussion of the applicability of the concept of transparency to the construction sector, many participants pointed to the voluminous regulations which exist not merely at a national or federal level but also at local levels of government. Potential suppliers would need to be aware of relevant regulations at all levels which meant, for some delegations, a comparatively sophisticated system of enquiry points. As in the discussion on telecommunications, a number of developing countries expressed reservations about their ability to find the necessary resources to establish such an elaborate system. National treatment conditions could be especially important in a sector open to subsidization, local content rules, local personnel recruitment and government procurement. One delegation stressed the need to tackle subsidization in the construction sector.

The GNS spent much of the remaining part of its meeting carrying forward the discussion on how to define trade in services for the

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purposes of the multilateral framework. Two concepts were also discussed in depth - transparency and progressive liberalization - with a view to ascertaining how they could be interpreted in a generic or cross sector sense to be included in the multilateral framework. It was decided that, at the next meeting, where the implications of the application of the concepts identified in the mid-term review text to the transport and tourism services sectors will be addressed, there will also be an in depth discussion of three additional concepts - national treatment, market access and mfn/non-discrimination.

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 and Media Relations Division.

2. These accounts of negotiating meetings should be read in conjunction with the text of the Punta des Este Ministerial Declaration (GATT/1396 - 25 September 1986), the decisions taken on 28 January 1987 regarding the negotiating structure, the negotiating plans and the surveillance of standstill and rollback (GATT/1405 - 5 February 1987) and the TNC Mid-Term Review decisions (NUR 027 - 24 April 1989). Further copies of these documents are available from the GATT Information and Media Relations Division.

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